

**BUDGETING AND ACCOUNTING PROCEDURES
ACT OF 1950**

HEARING
BEFORE THE
**COMMITTEE ON EXPENDITURES IN THE
EXECUTIVE DEPARTMENTS
HOUSE OF REPRESENTATIVES**
EIGHTY-FIRST CONGRESS
SECOND SESSION

ON

H. R. 9038

A BILL TO AUTHORIZE THE PRESIDENT TO DETERMINE
THE FORM OF THE NATIONAL BUDGET AND OF DEPART-
MENTAL ESTIMATES, TO MODERNIZE AND SIMPLIFY
GOVERNMENTAL ACCOUNTING AND AUDITING
METHODS AND PROCEDURES, AND
FOR OTHER PURPOSES

JULY 11, 1950

Printed for the use of the
Committee on Expenditures in the Executive Departments



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BUDGETING AND ACCOUNTING PROCEDURES ACT OF 1950

TUESDAY, JULY 11, 1950

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES, IN THE
EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee, pursuant to call, at 10 a. m., in room 1501, New House Office Building, Hon. William L. Dawson, chairman, presiding.
The CHAIRMAN. Will the committee come to order?

We are meeting this morning for consideration of H. R. 9038. It is a bill that will authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify Government accounting and auditing methods and procedures, and for other purposes.

(H. R. 9038 follows:)

[H. R. 9038, 81st Cong., 1st sess.]

A BILL To authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify governmental accounting and auditing methods and procedures, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Budget and Accounting Procedures Act of 1950."

TITLE I—BUDGETING AND ACCOUNTING

PART I—BUDGETING

DEFINITION

Sec. 101. Section 2 of the Budget and Accounting Act, 1921 (42 Stat. 20), is amended by adding at the end thereof the following:

"The term 'appropriations' includes, in appropriate context, funds and authorizations to create obligations by contract in advance of appropriations."

PERFORMANCE BUDGET AND REGULATIONS

Sec. 102. (a) Section 201 of such Act is amended to read as follows:

"Sec. 201. The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine—

"(a) functions and activities of the Government, constituting a performance budget;

"(b) a segregation of operating, and of capital and investment programs;

"(c) any other desirable classifications of data;

"(d) a reconciliation of the summary data on expenditures with proposed appropriations;

"(e) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except

that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision:

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

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

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

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

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

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

(h) See "on 203 of such Act is amended to read as follows:

"*Sec. 203. (a) The President from time to time may transmit to Congress such proposed supplemental or deficiency appropriations as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefor, including the reasons for their omission from the Budget.*

"(b) Whenever such proposed supplemental or deficiency appropriations reach an aggregate which, if they had been contained in the Budget, would have required the President to make a recommendation under subsection (a) of section 202, he shall thereupon make such recommendation."

"*Sec. 204. Except as otherwise provided in this Act, the contents, order, and arrangement of the proposed appropriations and the statements of expenditures and estimated expenditures contained in the Budget or transmitted under section 203, and the notes and other data submitted therewith, shall conform to requirements prescribed by the President.*

(d) Section 205 of such Act is amended to read as follows:

"*Sec. 205. Whenever any basic change is made in the form of the Budget, the President, in addition to the Budget, shall transmit to Congress such explanatory notes and tables as may be necessary to show where the various items embraced in the Budget of the prior year are contained in the new Budget.*

"(c) The last sentence of section 207 of such Act is amended to read as follows: "The Bureau, under such rules and regulations as the President, may prescribe, shall prepare the Budget, and any proposed supplemental or deficiency appropriations, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the requests for appropriations of the several departments or establishments."

(f) Section 214 of such Act is amended to read as follows:

"*Sec. 214. The head of each department and establishment shall prepare or cause to be prepared in each year his requests for regular, supplemental, or deficiency appropriations.*

(g) Section 215 of such Act is amended to read as follows:

"*Sec. 215. The head of each department and establishment shall submit his requests for appropriations to the Bureau on or before a date which the President shall determine. In case of his failure to do so, the President shall cause such requests to be prepared as are necessary to enable him to include such requests with the Budget in respect to the work of such department or establishment.*"

(h) Section 216 of such Act is amended to read as follows:

"*Sec. 216. Requests for regular, supplemental, or deficiency appropriations which are submitted to the Bureau by the head of any department or establishment shall be prepared and submitted as the President may determine in accordance with the provisions of section 201.*"

TRANSITORY PROVISIONS

SEC. 103. In order to expedite the conversion from present budgeting and accounting methods to the performance type of Budget contemplated in the amendments made by this part, the head of each department and establishment in the executive branch of the Government, with the approval of the President, is authorized and directed, until the end of the second full fiscal year following the date of the enactment of this Act, to make such transfers and adjustments within his department or establishment between appropriations available for obligation by such department or establishment in such manner as he deems necessary to cause the obligation and administration of funds and the reports of expenditures to reflect the financial requirements of the functions and activities of the department or establishment. Reports of transfers and adjustments made pursuant to the authority of this section shall be made currently to the President and the Congress.

GOVERNMENT STATISTICAL ACTIVITIES

SEC. 104. The President, through the Director of the Bureau of the Budget, is authorized and directed to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, publishing, and disseminating of statistical information for any purpose by the various agencies in the executive branch of the Government. Such regulations and orders shall be adhered to by such agencies.

IMPROVED ADMINISTRATION OF EXECUTIVE AGENCIES

SEC. 105. The President, through the Director of the Bureau of the Budget, is authorized and directed to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service.

BUSINESS-TYPE BUDGETS

SEC. 106. The first two sentences of section 102 of the Government Corporation Control Act of 1945 (59 Stat. 597), are amended to read as follows: "Each wholly owned Government corporation shall cause to be prepared annually a business type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented."

PART II—ACCOUNTING AND AUDITING

SHORT TITLE

SEC. 110. This part may be cited as the "Accounting and Auditing Act of 1950."

DECLARATION OF POLICY

SEC. 111. It is the policy of the Congress in enacting this part that—

(a) The accounting of the Government provide disclosure of the results of financial operations, adequate financial information needed for the management of operations and the formulation and execution of the Budget, and effective control over income, expenditures, funds, property, and other assets.

(b) Full consideration be given to the needs and responsibilities of both the legislative and executive branches in the establishment of accounting and reporting systems and requirements.

The maintenance of accounting systems and the producing of financial reports with respect to the operations of executive agencies, including central facilities for bringing together and disclosing information on the results of the financial operations of the Government as a whole, be the responsibility of the executive branch.

(d) The audit, for the Government, conducted by the Comptroller General of the United States as an agent of the Congress be directed at determining the extent to which accounting and related financial reporting fulfill the purposes specified, financial transactions have been consummated in accordance with laws, regulations or other legal requirements, and adequate internal financial control over operations is exercised, and afford an effective basis for the settlement of accounts of accountable officers.

(e) Emphasis be placed on effecting orderly improvements resulting in simplified and more effective accounting, financial reporting, budgeting, and auditing requirements and procedures and on the elimination of those which involve duplication or which do not serve a purpose commensurate with the costs involved.

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

ACCOUNTING AND REPORTING PROVISIONS

Sec. 112. (a) The Comptroller General of the United States, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs of the other executive agencies, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency, including requirements for suitable integration between the accounting processes of each executive agency and the accounting of the Treasury Department. Requirements prescribed by the Comptroller General shall be designed to permit the executive agencies to carry out their responsibilities under section 113 of this part, while providing a basis for integrated accounting for the Government, full disclosure of the results of the financial operations of each executive agency and the Government as a whole, and financial information and control necessary to enable the Congress and the President to discharge their respective responsibilities. The Comptroller General shall continue to exercise the authority vested in him by section 205 (b) of the Federal Property and Administrative Services Act of 1949 (63 Stat. 389) and, to the extent he deems necessary, the authority vested in him by section 309 of the Budget and Accounting Act, 1921 (42 Stat. 25). Any such exercise of authority shall be consistent with the provisions of this section.

(b) The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems, including the Treasury Department, in the development and establishment of the system of central accounting and reporting required by section 114 of this part. Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.

(c) The General Accounting Office shall from time to time review the accounting systems of the executive agencies. The results of such reviews shall be available to the heads of the executive agencies concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, and the Comptroller General shall make such reports thereon to the Congress as he deems proper.

Sec. 113. (a) The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide—

- (1) full disclosure of the financial results of the agency's activities;
- (2) adequate financial information needed for the agency's management purposes;
- (3) effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit;
- (4) reliable accounting results to serve as the basis for preparation and support of the agency's budget requests, for controlling the execution of its budget, and for providing financial information required by the Bureau of the Budget under section 213 of the Budget and Accounting Act, 1921 (42 Stat. 23);
- (5) suitable integration of the accounting of the agency with the accounting of the Treasury Department in connection with the central accounting and reporting responsibilities imposed on the Secretary of the Treasury by section 114 of this part.

(b) The accounting systems of executive agencies shall conform to the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112 (a) of this part.

Sec. 114. (a) The Secretary of the Treasury shall prepare such reports for the information of the President, the Congress, and the public as will present the results of the financial operations of the Government; *Provided*, That there shall be included such financial data as the Director of the Bureau of the Budget may require in connection with the preparation of the Budget or for other purposes of the Bureau. Each executive agency shall furnish the Secretary of the Treasury such reports and information relating to its financial condition and operations as the Secretary, by rules and regulations, may require for the effective performance of his responsibilities under this section.

(b) The Secretary of the Treasury is authorized to establish the facilities necessary to produce the financial reports required by subsection (a) of this section. The Secretary is further authorized to reorganize the accounting functions and in full, revise, or eliminate accounting procedures and financial reports of the Treasury Department in order to develop effective and coordinated systems of accounting and financial reporting in the several bureaus and offices of the Department with such concentration of accounting and reporting as is necessary to accomplish integration of accounting results for the activities of the Department and provide the operating center for the consolidation of accounting results of other executive agencies with those of the Department. The authority vested in and the duties imposed upon the Department by sections 10, 15, and 22 of the Act entitled "An Act making appropriations for the legislative, executive, and judicial branches of the Government for the fiscal year ending June thirtieth, eighteen hundred ninety-five, and for other purposes", approved July 31, 1894 (28 Stat. 102, 208-210), may be exercised and performed by the Secretary of the Treasury as a part of his broader authority and duties under this section and in such a manner as to provide a unified system of central accounting and reporting on the most efficient and useful basis.

(c) The system of central accounting and reporting provided for herein shall be consistent with the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112 of this part.

Sec. 115. (a) When the Secretary of the Treasury and the Comptroller General determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for the public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law that—

(1) warrants be issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds; and

(2) funds be requisitioned, and advanced to accountable officers under each separate appropriation head or otherwise.

(b) Such regulations may further provide for the payment of vouchers by authorized disbursing officers by means of checks issued against the general account of the Treasurer of the United States; *Provided*, That in such case the regulations shall provide for appropriate action in the event of delinquency by disbursing officers in the rendition of their accounts or for other reasons arising out of the condition of the officers' accounts, including under necessary circumstances, the suspension or withdrawal of authority to disburse.

Sec. 116. The Comptroller General is authorized to discontinue the maintenance in the General Accounting Office of appropriation, expenditure, limitation, receipt, and personal ledger accounts when in his opinion the accounting systems and internal control of the executive, legislative, and judicial agencies are sufficient to enable him to perform properly the functions to which such accounts relate.

AUDITING PROVISIONS

Sec. 117. (a) Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the respective agencies.

(b) Whenever the Comptroller General determines that the audit shall be conducted at the place or places where the accounts and other records of an executive agency are normally kept, he may require any executive agency to retain in whole or in part accounts of accountable officers, contracts, vouchers, and other documents, which are required under existing law to be submitted to the General Accounting Office, under such conditions and for such period not exceeding ten years as he may specify, unless a longer period is agreed upon with the executive agency; *Provided*, That under agreements between the Comptroller General and legislative and judicial agencies the provisions of this sentence may be extended to the accounts and records of such agencies.

GENERAL PROVISIONS

Sec. 118. As used in this part, the term "executive agency" means any executive department or independent establishment in the executive branch of the Government but (a) except for the purposes of sections 114, 116, and 119 shall not include any Government corporation or agency subject to the Government Corporation Control Act (59 Stat. 597), and (b) except for the purposes of sections 111, 114, and 116 shall not include the Post Office Department.

Sec. 119. The head of each executive agency is authorized to designate the place or places, at the seat of government or elsewhere, at which the administrative examination of fiscal officers' accounts will be performed, and with the concurrence of the Comptroller General to waive the administrative examination in whole or in part; *Provided*, That the same authority is hereby conferred upon the officers responsible for the administrative examination of accounts for legislative and judicial agencies.

TITLE II—APPROPRIATIONS

TRANSFERS BETWEEN APPROPRIATIONS

Sec. 201. After the end of the second full fiscal year following the date of enactment of this Act, with the approval of the President, the head of each department and establishment in the executive branch of the Government is authorized to make transfers and adjustments between appropriations within his department or establishment in order to promote economy and efficiency, but no appropriation shall be increased or decreased thereby during any fiscal year by more than 5 per centum. Reports of such transfers and adjustments with the reasons therefor shall be made currently to the President and the Congress and shall be summarized annually in the Budget.

AUTHORIZATIONS FOR APPROPRIATIONS

Sec. 202. No request for legislation, which, if enacted, would authorize subsequent appropriations for a department or establishment in the executive branch of the Government, shall be transmitted to the Bureau of the Budget, to the President, or to the Congress by such department or establishment, or by any organizational unit thereof, without the prior approval of the head of such department or establishment.

REDUCTIONS IN APPROPRIATIONS

Sec. 203. To promote economy and to reduce expenditures, the President is authorized to establish and to modify from time to time reserves from appropriations for the executive branch of the Government to the extent that he determines that the purposes intended by the Congress will be accomplished by the expenditure of amounts less than the amounts appropriated.

ADJUSTMENT OF APPROPRIATIONS FOR REORGANIZATION

Sec. 204. (a) When under authority of law a function or an activity is transferred, or assigned from one agency within any department or establishment to another agency in the same department or establishment, the balance of appropriations which are determined by the head of such department or establishment to be available and necessary to finance or discharge the function or activity, ~~action, control or assigned may~~ with the approval of the President be transferred to, and be available for use by, the agency to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any appli-

cable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund.

(b) When under authority of law a function or activity is transferred or assigned from one department or establishment to another department or establishment, the balance of appropriations which are determined by the President to be available and necessary to finance or discharge the function or activity so transferred or assigned, shall be transferred to and be available for use by the department or establishment to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund.)

TITLE III—REPEALS AND SAVING PROVISIONS

REPEALS

Sec. 301. The following Acts and parts of Acts are hereby repealed:

(1) Section 10 of the Act of August 1, 1914 (38 Stat. 680; U. S. C., title 31, sec. 582).

(2) So much of section 4 of the Act of June 20, 1874 (18 Stat. 109; U. S. C., title 31, sec. 583 (1)), as reads: "and hereafter the Secretary of the Treasury shall annually submit to Congress detailed estimates of appropriations required for said expenses:"

(3) The last proviso in the first paragraph under the heading "Judgments: United States Courts" of the Act of April 27, 1904 (32 Stat. 422; U. S. C., title 31, sec. 583 (2)).

(4) The last sentence of section 5 of the Act of August 5, 1882 (22 Stat. 256; U. S. C., title 31, sec. 583 (3)).

(5) So much of the matter appearing under the heading "Mints and Assay Offices" of the Act of March 4, 1911 (33 Stat. 1202; U. S. C., title 31, sec. 583 (4)), as reads: "and the Secretary of the Treasury shall, for the fiscal year nineteen hundred and thirteen, and annually thereafter, submit to Congress, in the regular book of estimates, detailed estimates for the expenses of this Service."

(6) So much of the matter appearing under the heading "Treasury Department" in the Act of August 20, 1912 (37 Stat. 596; U. S. C., title 31, sec. 583 (5)), as reads: "Provided further, That estimates hereunder shall be submitted in detail for the fiscal year 1914, and annually thereafter."

(7) The last sentence of the paragraph under the heading "Federal Farm Loan Board" of the Act of September 8, 1916 (U. S. C., title 31, sec. 583 (7)), appearing on page 803 of volume 39 of the Statutes at Large; and the third and last paragraph under the heading "Federal Farm Loan Bureau" of the Act of March 3, 1917 (U. S. C., title 31, sec. 583 (7)), appearing on page 1504 of volume 39 of the Statutes at Large.

(8) The last sentence on page 48 of volume 30 of the Statutes at Large, in the Act of June 1, 1897 (U. S. C., title 31, sec. 583 (8)).

(9) The first sentence of section 6 of the Act of March 3, 1910 (40 Stat. 1309; U. S. C., title 31, sec. 583 (10)).

(10) The last proviso under the heading "Office of the Chief Signal Officer" of the Act of March 2, 1907 (34 Stat. 1159; U. S. C., title 31, sec. 583 (11)).

(11) The sixth full paragraph appearing on page 648 of volume 29 of the Statutes at Large in the Act of March 3, 1897 (U. S. C., title 31, sec. 583 (13)).

(12) So much of the matter following the heading "Bureau of Mines" in the Act of March 3, 1915 (38 Stat. 858; U. S. C., title 31, sec. 583 (14)) as reads: "estimates shall be submitted specifically for all personal services required permanently and entirely in the Bureau, of Mines at Washington, District of Columbia, and previously said from lump-sum or general appropriations:"

(13) The proviso at the end of the fourth paragraph on page 312 of volume 37 of the Statutes at Large, in the Act of August 17, 1912 (U. S. C., title 31, sec. 583 (16)).

(14) The third paragraph appearing on page 1082 of volume 32 of the Statutes at Large, in the Act of March 3, 1903 (U. S. C., title 31, sec. 583 (16)).

(15) So much of section 12 of the Act of June 26, 1906 (34 Stat. 480; U. S. C., title 31, sec. 583 (181)), as reads, "and he shall annually submit to Congress estimates to cover the cost of the establishment and maintenance of fish hatcheries in Alaska, the salaries and actual traveling expenses of such officials, and for such other expenditures as may be necessary to carry out the provisions of this Act."

(16) The proviso at the end of the first full paragraph on page 456 of volume 32 of the Statutes at Large, in the Act of June 28, 1902 (U. S. C., title 31, sec. 583 (20)).

(17) The second full paragraph on page 841 of volume 38 of the Statutes at Large, in the Act of March 3, 1915 (U. S. C., title 31, sec. 583 (21)).

(18) The fourth full paragraph on page 2 of volume 38 of the Statutes at Large, in the Act of May 1, 1913 (U. S. C., title 31, sec. 583 (22)).

(19) The proviso at the end of the second paragraph under the heading "Bureau of Immigration and Naturalization" of the Act of March 4, 1907 (34 Stat. 1329, 1330; U. S. C., title 31, sec. 583 (23)).

(20) The second full paragraph on page 374 of volume 35 of the Statutes at Large, in the Act of May 27, 1908 (U. S. C., title 31, sec. 583 (25)).

(21) So much of the last paragraph on page 396 of volume 37 of the Statutes at Large, in the Act of August 23, 1912 (U. S. C., title 31, sec. 583 (26)), as reads, "For the fiscal year nineteen hundred and fourteen and annually thereafter estimates in detail shall be submitted for all personal services required in the Indian Office."

(22) The proviso at the end of the first full paragraph on page 646 of volume 41 of the Statutes at Large, in the Act of May 29, 1920 (U. S. C., title 31, sec. 584).

(23) Section 3000 of the Revised Statutes (U. S. C., title 31, sec. 585).

(24) Section 4 of the Act of June 22, 1906 (34 Stat. 448; U. S. C., title 31, sec. 580).

(25) Section 4 of the Act of March 4, 1909 (35 Stat. 907; U. S. C., title 31, sec. 587).

(26) Section 2 of the act of June 30, 1906 (34 Stat. 702; U. S. C., title 31, sec. 588) and the proviso in the first paragraph on page 1307 of volume 34 of the Statutes at Large, in the Act of March 4, 1907 (U. S. C., title 31, sec. 588).

(27) Section 3001, as amended, of the Revised Statutes (U. S. C., title 31, sec. 580).

(28) So much of the first paragraph on page 253 of volume 24 of the Statutes at Large, in the Act of August 4, 1886 (U. S. C., title 31, sec. 500), as reads: "Provided further, That all printing and engraving for the Geological Survey, the Coast and Geodetic Survey, the Hydrographic Office of the Navy Department, and the Signal Service shall hereafter be estimated for separately and in detail, and appropriated for separately for each of said bureaus."

(29) Section 3002 of the Revised Statutes (U. S. C., title 31, sec. 501).

(30) Section 3003 of the Revised Statutes, as amended (U. S. C., title 31, sec. 501).

(31) Section 3004 of the Revised Statutes (U. S. C., title 31, sec. 507).

(32) Section 3005 of the Revised Statutes (U. S. C., title 31, sec. 508).

(33) The second paragraph under the heading "Revenue-Cutter Service" in the Act of March 2, 1889 (25 Stat. 907; U. S. C., title 31, sec. 600).

(34) So much of the second full paragraph on page 512 of volume 21 of the Statutes at Large, in the Act of March 3, 1887 (U. S. C., title 31, sec. 601), as reads: "That the Secretary of the Treasury shall for the fiscal year eighteen hundred and eighty seven, and for each fiscal year thereafter in the annual estimates, report to Congress the number of persons employed outside of the District of Columbia, as superintendents, clerks, watchmen and otherwise, and paid from appropriations for the construction of public buildings showing where said persons are employed, in what capacity, the length of time and at what rate of compensation."

(35) So much of the sixth full paragraph on page 374 of volume 29 of the Statutes at Large, in the Act of August 30, 1890 (U. S. C., title 31, sec. 601) as reads: "and hereafter the Secretary of the Treasury shall annually report to Congress in the book of estimates a statement of the expenditure of the appropriation for 'repairs and preservation of public buildings' which shall show the amount expended on each public building and the number of persons employed and paid salaries from such appropriation."

(36) So much of section 1317 of the Revenue Act of 1921 (42 Stat. 311; U. S. C., title 31, sec. 602) as reads: "and the Secretary of the Treasury shall submit for the fiscal year 1921, and annually thereafter, an estimate of appropriations

to refund and pay back duties or taxes erroneously or illegally assessed or collected under the Internal Revenue laws, and to pay judgments, including interests and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the Internal Revenue laws."

(37) The first paragraph on page 133 of volume 22 of the Statutes at Large, in the Act of July 3, 1882 (U. S. C., title 31, sec. 663).

(38) The eighth paragraph under the heading "Foreign Intercourse" of the Act of May 3, 1905 (32 Stat. 1214; U. S. C., title 31, sec. 603).

(39) The last paragraph on page 48 of volume 30 of the Statutes at Large, in the Act of July 4, 1897 (U. S. C., title 31, sec. 604).

(40) The eighth paragraph under the heading "Under the Engineer Department" of the Act of February 13, 1913 (37 Stat. 671; U. S. C., title 31, sec. 605).

(41) The sixth paragraph under the heading "Fortifications in Insular Possessions" of the Act of March 3, 1905 (32 Stat. 847; U. S. C., title 31, sec. 607).

(42) So much of the first section of the Act of August 4, 1886 (21 Stat. 240; U. S. C., title 31, sec. 607), as reads: "the estimates for the Army and Navy hospital service shall be submitted as a part of the military establishment."

(43) The first full paragraph on page 17 of volume 31 of the Statutes at Large, in the Act of April 17, 1900 (U. S. C., title 31, sec. 609).

(44) Section 3668 of the Revised Statutes (U. S. C., title 31, sec. 610).

(45) So much of the first paragraph on page 357 of volume 20 of the Statutes at Large, in the Act of March 3, 1879 (U. S. C., title 31, sec. 611), as reads: "Provided, That hereafter, in making his estimates for railway mail service the Postmaster General shall separate the estimate for postal-car service from the general estimates; and in case any increase or diminution of service by postal cars shall be made by him, the reasons therefor shall be given in his annual report next succeeding such increase or diminution."

(46) So much of the first paragraph under the heading "United States Geological Survey" in the Act of March 3, 1887 (24 Stat. 527; U. S. C., title 31, sec. 612), as reads: "and hereafter the estimates for the Geological Survey shall be itemized."

(47) The first paragraph on page 455 of volume 32 of the Statutes at Large, in the Act of June 28, 1902 (U. S. C., title 31, sec. 612).

(48) Section 4 of the Act of August 15, 1876 (19 Stat. 200; U. S. C., title 31, sec. 613).

(49) The fourth paragraph of section 26 of the Act of June 30, 1913 (38 Stat. 103; U. S. C., title 31, sec. 613).

(50) The eight full paragraph on page 1421 of volume 30 of the Statutes at Large, in the Act of March 4, 1911 (U. S. C., title 31, sec. 614).

(51) The eighth full paragraph on page 1206 of volume 33 of the Statutes at Large, in the Act of March 3, 1905 (U. S. C., title 31, sec. 615).

(52) The fourth full paragraph under the heading "Government in the Territories" of the Act of July 16, 1914 (38 Stat. 479; U. S. C., title 31, sec. 616).

(53) The first full paragraph on page 492 of volume 39 of the Statutes at Large, in the Act of August 11, 1916 (U. S. C., title 31, sec. 617).

(54) The proviso in the first paragraph under the heading "Rent in the District of Columbia" of the Act of March 4, 1915 (38 Stat. 1108; U. S. C., title 31, sec. 617).

(55) The seventh paragraph on page 436 of volume 32 of the Statutes at Large, in the Act of June 28, 1902 (U. S. C., title 31, sec. 618).

(56) The ninth full paragraph on page 755 of volume 30 of the Statutes at Large, in the Act of June 25, 1910 (U. S. C., title 31, sec. 618).

(57) The fourth full paragraph on page 302 of volume 27 of the Statutes at Large, in the Act of August 3, 1892 (U. S. C., title 31, sec. 619).

(58) The first full paragraph on page 764 of volume 30 of the Statutes at Large, in the Act of June 25, 1910 (U. S. C., title 31, sec. 620).

(59) Section 6 of the Act of August 1, 1914 (38 Stat. 679; U. S. C., title 31, sec. 621).

(60) The last full sentence in the first paragraph on page 254 of volume 23 of the Statutes at Large, in the Act of July 7, 1884 (U. S. C., title 31, sec. 622).

(61) Section 5 of the Act of June 30, 1906 (34 Stat. 703; U. S. C., title 31, sec. 623).

(62) The proviso at the end of the first paragraph on page 570 of volume 37 of the Statutes at Large, in the Act of August 23, 1912 (U. S. C., title 31, sec. 624).

(63) Section 7, as amended, of the Act of August 26, 1912 (37 Stat. 626; 37 Stat. 700; U. S. C., title 31, sec. 625).

(64) The fourth full paragraph on page 854 of volume 37 of the Statutes at Large, in the Act of March 4, 1913 (U. S. C., title 31, sec. 630).

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(65) The proviso at the end of the seventh paragraph on page 1030 of volume 31 of the Statutes at Large, in the Act of March 3, 1901 (U. S. C., title 31, sec. 633).

(66) The second paragraph under the heading "Contingent, Bureau of Ordnance" of the Act of July 12, 1921 (42 Stat. 128; U. S. C., title 31, sec. 636), down through the first proviso therein.

(67) So much of the third paragraph under the heading "Contingent Expenses, Navy Department" of the Act of June 22, 1906 (34 Stat. 427; U. S. C., title 31, sec. 637), as reads: "and hereafter it shall not be lawful to expend, for any of the offices or bureaus of the Navy Department at Washington, any sum out of appropriations made for the naval establishment for any of the purposes mentioned or authorized in the said foregoing paragraph."

(68) So much of the paragraph under the heading "Increase of the Navy, Equipment" of the Act of March 3, 1915 (38 Stat. 952; U. S. C., title 31, sec. 641), as reads: "and beginning with July first, nineteen hundred and fifteen, equipment outfits shall be charged to appropriation 'Increase of the Navy, Construction and Machinery.'"

(69) The two provisos in the paragraph under the heading "Fuel and transportation" of the Act of March 3, 1915 (38 Stat. 941; U. S. C., title 31, sec. 640).

(70) The proviso in the tenth paragraph on page 236 of volume 28 of the Statutes at Large, in the Act of August 6, 1894 (U. S. C., title 31, sec. 650).

(71) The fourth full paragraph on page 1175 of volume 34 of the Statutes at Large, in the Act of March 2, 1907 (U. S. C., title 31, sec. 655).

(72) So much of the first full paragraph on page 1391 of volume 42 of the Statutes at Large, in the Act of March 2, 1923 (U. S. C., title 31, sec. 656), as reads: "and the Budget estimates for each of such appropriations shall hereafter carry separately the amount required for such transportation costs."

(73) The proviso in the seventh full paragraph on page 520 of volume 32 of the Statutes at Large, in the Act of June 30, 1902 (U. S. C., title 31, sec. 657).

(74) The proviso in lines 2 through 8 on page 710 of volume 40 of the Statutes at Large, in the Act of June 25, 1910 (U. S. C., title 31, sec. 661).

(75) Section 3682 of the Revised Statutes (U. S. C., title 31, sec. 674).

(76) Section 3683 of the Revised Statutes (U. S. C., title 31, sec. 675).

(77) The second full paragraph on page 1303 of volume 41 of the Statutes at Large, in the Act of March 3, 1921 (U. S. C., title 31, sec. 676).

(78) The proviso in lines 7 through 17 on page 263 of volume 20 of the Statutes at Large, in the Act of June 19, 1878 (U. S. C., title 31, sec. 677).

(79) Section 3084 of the Revised Statutes (U. S. C., title 31, sec. 681).

(80) Section 6 of the Act of May 30, 1908 (U. S. C., title 31, sec. 681).

(81) So much of the paragraph under the heading "Pay of Assistant Custodians and Jailors" on pages 1153 and 1154 of volume 31 of the Statutes at Large, in the Act of March 3, 1901 (U. S. C., title 31, sec. 684), as reads: "and hereafter no other fund appropriated shall be used for this service."

(82) The second paragraph under the heading "United States Commerce Court" of the Act of March 4, 1911 (39 Stat. 1234; U. S. C., title 31, sec. 687).

(83) Section 26 of the Act of June 30, 1913 (38 Stat. 103; U. S. C., title 31, sec. 688).

(84) Section 80 of the Second Deficiency Appropriation Act, 1947 (U. S. C., title 31, sec. 694).

(85) Section 607 of the Act of June 30, 1915, as amended (39 Stat. 304; U. S. C., title 5, sec. 917).

(86) Section 5 of the Act of March 3, 1875, as amended (18 Stat. 370; U. S. C., title 31, sec. 924).

(87) So much of the Act of March 20, 1931, as amended (48 Stat. 466; U. S. C., title 5, sec. 1184), as reads: "with the Budget estimates."

(88) So much of the paragraph under the heading "Appointments of State" in the Act of August 5, 1909 (36 Stat. 119; U. S. C., title 5, sec. 157), as reads: "and estimates for further appointments hereunder shall be in default salaries for all persons to be employed and paid by the Department of State at Washington, District of Columbia."

(89) The last proviso under the heading "Working Capital Fund" in the Act of July 12, 1921 (42 Stat. 303; U. S. C., title 5, sec. 558a).

(90) So much of section 17 of the Act of May 20, 1908, as amended (36 Stat. 920; U. S. C., title 5, sec. 730), as reads: "annually to the Bureau of the Div."

(91) Section 31 of the Act of September 7, 1910, as amended (39 Stat. 740; U. S. C., title 5, sec. 782).

(193) The last sentence of section 25 of the act of September 7, 1916, as amended (40 Stat. 749; U. S. C., title 5, sec. 785).

(194) So much of section 1 of the Act of October 1, 1890 (26 Stat. 653; U. S. C., title 10, sec. 211), as reads: "and the Signal Corps of the Army shall continue a part of the Military Establishment under the direction of the Secretary of War, and all estimates for its support shall be included with other estimates for the support of the Military Establishment."

(195) The last proviso of section 1 of the Act of March 12, 1926 (44 Stat. 200; U. S. C., title 10, sec. 1591).

(196) So much of section 1 of the Act of June 12, 1917, as amended (40 Stat. 172; U. S. C., title 29, sec. 452), as reads: "and the Secretary of the Interior is directed to submit, for the fiscal year nineteen hundred and nineteen and annually thereafter, estimates of the amounts required for the care, maintenance, and development of the said parks."

(197) So much of section 1 of the Act of July 21, 1876, as amended (19 Stat. 29; U. S. C., title 24, sec. 278), as requires estimates for the care and maintenance of the national military cemeteries to be submitted annually by the Director of the National Park Service.

(198) So much of section 1 of the Act of January 21, 1923 (42 Stat. 1208; U. S. C., title 31, sec. 12), as reads: "The aggregate of all estimates of appropriations from the reclamation fund contained in the Budget for any fiscal year shall be included in the total of the Budget for that year."

(199) The second paragraph under the heading "Pay, Miscellaneous" of the Act of March 3, 1909 (35 Stat. 751; U. S. C., title 31, sec. 609a).

(200) The third paragraph under the heading "Office of the Fourth Assistant Postmaster General" of the Act of June 9, 1896 (29 Stat. 316; U. S. C., title 31, sec. 610).

(201) The last proviso under the heading "National Home for Disabled Volunteer Soldiers" of the Act of October 2, 1888, as amended (25 Stat. 543; U. S. C., title 31, sec. 710).

(202) Section 119 of the Act of June 4, 1916 (40 Stat. 213; U. S. C., title 32, sec. 251).

(203) So much of the fourth full paragraph on page 558 of volume 39 of the Statutes at Large in the Act of August 29, 1916 (U. S. C., title 31, sec. 504), as reads: "and the Secretary of the Navy shall each year, in the annual estimates, report to Congress the number of persons so employed, their duties, and the amount paid to each."

(204) The first proviso in the third paragraph on page 377 of volume 37 of the Statutes at Large in the Act of August 23, 1912 (U. S. C., title 39, sec. 730).

(205) Section 27 of the Act of January 12, 1895, as amended (28 Stat. 664; U. S. C., title 11, sec. 37).

(206) The eighth full paragraph on page 38 of volume 35 of the Statutes at Large in the Act of May 27, 1908 (U. S. C., title 41, sec. 37).

(207) The last paragraph under the heading "Government in the Territories" in the Act of June 20, 1871 (18 Stat. 39; U. S. C., title 48, sec. 1431).

SAVING PROVISIONS

Sec. 302. (a) The omission of any provision of law from the provisions of law repealed under section 301 shall not be construed as limiting the application of section 201 or 210 of the Budget and Accounting Act, 1921, as amended, or the powers of the President thereunder, or as evidencing an intent that such provision was not to be superseded by such sections.

(b) Whenever any law authorizes expenditures for a particular object or purpose to be made from an appropriation item referred to in such law by the specific title thereto used for that appropriation item in the appropriation Act concerned, and thereafter such title is changed or is eliminated from such appropriation Act, expenditures for such object or purpose thereafter may be made from any corresponding appropriation item.

(c) Except where authority for performance of a function is specifically repealed in section 301, none of the provisions of such section shall be construed as affecting the jurisdiction or responsibility of any agency or office of the Government over any function or organizational unit referred to in such section.

(d) Existing laws, policies, procedures, and directives pertaining to functions covered by this Act, and not inconsistent therewith or repeated hereby, shall remain in full force and effect unless and until superseded, or except as they may be amended, under the authority of this Act or under other appropriate authority.

The CHAIRMAN. The author of the bill, Mr. Karsten, is with us. He is a member of this committee. He has given this matter great study and consideration, and at this time I am going to call upon Mr. Karsten.

**STATEMENT OF HON. FRANK M. KARSTEN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSOURI**

Mr. KARSTEN. Mr. Chairman, I would like to present to the committee for consideration H. R. 9038, which I introduced on Wednesday of last week.

In requesting that the committee give consideration to this bill, I have in mind the Hoover Commission report on budgeting and accounting, wherein it is pointed out to the Congress that the present governmental accounting and auditing methods controlled by the Budget and Accounting Act of 1921 are cumbersome, uninformative, and outmoded. There is great need for simplification and modernization.

The provisions of this measure call for the same philosophy enunciated in the Hoover Commission report on budgeting and accounting. The bill is designed to accomplish practically all of the major objectives and recommendations made by the Hoover Commission, with the exception of establishing the post of an accountant general under the jurisdiction of the Secretary of the Treasury. This would call for a complete deviation from established congressional policy, because its implication and ultimate effect would require a transfer of certain specified jurisdiction from the legislative branch to the executive branch of the Government.

Consequently, because established legislative authority and policy would be disturbed by virtue of creating an Accountant General in the Treasury Department, this recommendation of the Hoover Commission is not included in the legislation.

As urged by the Hoover Commission, the bill provides a complete framework for bringing the budgeting, accounting, and auditing procedures of the Government up to date. It will set up an accounting system patterned after sound commercial practices and will provide better controls over all Federal funds.

Title I on budgeting and accounting contains two parts. The first, on budgeting, clarifies the Budget and Accounting Act to emphasize authority for the preparation of a performance budget with financial information in terms of functions and activities of the Government, and a segregation of operating and of capital and investment programs. Technical amendments to the provisions of the Budget and Accounting Act are made in aid of the objective to develop budgetary information in the manner best suited to present the financial program of the Government.

Increased emphasis is placed on the development by the President through the Bureau of the Budget of plans for the organization, coordination, and management of the executive branch, with a view to efficient and economical service, and improvements in the gathering, compiling, analysis, and publication of statistical information. The authority thus granted would supplement existing authority relating to these matters.

Part II of title I comprises a complete Accounting and Auditing Act of 1950. This legislation embodies the principles and objectives of the cooperative program which is being conducted under the leadership of the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget to improve the Government's accounting, financial reporting, and auditing system. The provisions of this part will also facilitate the attainment of the budgetary improvements provided for elsewhere in the bill. This part spells out clear-cut responsibilities and duties, while at the same time providing for their exercise in proper relationship and cooperation toward the common goal of making accounting, financial reporting, budgeting, and auditing of the greatest value.

The careful allocation of responsibilities is designed to produce an integrated accounting system for the Government as a whole. Emphasis is placed on the development and use of agency accounting systems as the foundation for financial control and the production of necessary financial information. Provision is made for progressive improvement and simplification of the present accounting of the Government and a specific basis is laid for more comprehensive and selective performance of the independent audit by the General Accounting Office to the fullest extent practicable at the site of operations.

The legislation will provide flexibility that is urgently needed for putting into effect more economical and efficient accounting and auditing procedures in order to obtain maximum benefits from work now being carried on under the joint accounting program. It lays a solid foundation for carrying out the policies and objectives of this program.

Title II provides for certain transfers between appropriations within a 5 percent limit in departments in order to promote economy and efficiency, and requires prior approval of department heads before the submission to the Bureau of the Budget, the President, or the Congress, by departments, of requests for legislation authorizing subsequent appropriations.

It also includes provisions authorizing the President to set up reserves from appropriations for the executive branch when he determines the purposes intended by the Congress will be accomplished by lesser expenditures. Further, authority is provided for transfer of balances of appropriations incident to reorganizations in the executive branch.

Title III repeals over a hundred acts or parts of acts relating mainly to the compilation of the estimates and the furnishing of certain financial data, most of which have been superseded or rendered outmoded by other existing provisions of law, particularly the Budget and Accounting Act of 1921.

In general, the bill gives expression to the complete and uniform understanding between our three fiscal agencies. This is the first time a bill has been proposed which demonstrates a willingness of voluntary cooperation between the Bureau of the Budget, the Treasury Department, and the General Accounting Office, to improve the accounting and fiscal operations of our Government.

I commend this legislation to the attention of every member of the committee, and wish to express the hope that early action will be taken on the measure in order that the budgeting, accounting, and auditing of the Government can be simplified, modernized, and made effective to the maximum extent possible.

It will provide the Congress and the President the information and the means of control they need for the management of our gigantic Federal fiscal structure, as well as give the taxpayers the information they are entitled to as to where their money goes.

There are Officials of the General Accounting Office, the Treasury Department, and the Bureau of the Budget, present this morning who wish to be heard on the bill. I am sure they will be pleased to answer any questions which the members of the committee wish to ask.

The CHAIRMAN. Thank you, Mr. Karsten.

Do you have any questions, Mr. Hoffman?

Mr. HOFFMAN. Just one.

I understood you to say that under title II funds would be transferred.

Mr. KARSTEN. That title authorizes a 5-percent transfer of funds between appropriations within the Department.

Mr. HOFFMAN. Which section of title II?

Mr. KARSTEN. I might say to the gentleman that there is some controversy about this particular section being contrary to existing procedures, and I understand some amendments may be suggested along the line to eliminate that proposed section and make the responsibility in the Congress rather than in the Department, where it properly belongs.

Mr. HOFFMAN. Where is the language which authorizes the transfer?

Mr. KARSTEN. Page 18, section 201.

Mr. HOFFMAN. Just what does that mean, say, the first nine lines?

Mr. KARSTEN. It provides the authority for the transfers of funds within the Department, within that 5-percent limit.

Mr. HOFFMAN. For example, should we make an appropriation of a certain sum for the Department of Justice, can the head of that Department, with the approval of the President, under this language, transfer that to, say, the Department of Commerce?

Mr. KARSTEN. No; only transfers can be made within the Department. Not between departments.

Mr. HOFFMAN. Yes; but what I do not understand is why any department head should be given authority to transfer an appropriation made by the Congress to some other department. What is the reason for that?

Mr. KARSTEN. The bill does not contemplate transfers of funds between departments.

Mr. HOFFMAN. I know, but the Congress is supposed to appropriate the money. We appropriate a certain sum for a certain department. Under this language, if I understand you correctly, the head of that department, with the approval of the President, can take that money, at least within the limit here, 5 percent, and put it over to some other department.

Mr. KARSTEN. He may transfer within his own department only.

Mr. HOFFMAN. He might use it for an entirely different purpose, might he not?

Mr. KARSTEN. Yes. But it is within his department, and for a related purpose.

Mr. HOFFMAN. Suppose you take the Interior Department and the appropriation has to do with, say, the national parks, and they transfer the money which we appropriate for parks to something else.

Mr. BONNER. It says: "In order to promote economy and efficiency." I do not know just what it means.

Mr. HOFFMAN. Somebody else spends it if they want to. That is to say, if the Department of the Interior finds that we gave them more money than they may need, they will take that money, whatever it may be, and spend it for some other purpose, but limit it.

Mr. KARSTEN. You have the same thing existing today in the State Department and the Department of Agriculture. I understand they have a 10-percent limitation rather than the 5-percent limitation mentioned in the bill.

Mr. HOFFMAN. Of course, I am familiar with that argument that we have been doing it for a long, long time. But it does not appeal to me.

The CHAIRMAN. Mr. Bonner, do you have any questions?

Mr. BONNER. No.

The CHAIRMAN. Mr. Bolling?

Mr. BOLLING. No.

The CHAIRMAN. Mr. Lovre?

Mr. LOVRE. Yes, Mr. Chairman.

That transfer is within the Department itself; is that correct?

Mr. KARSTEN. Within the Department itself.

As I understand, some amendments may be suggested that will eliminate the transfer authority and put it in the appropriation bill rather than in this bill.

Mr. DAWSON. Mr. Riehlman?

Mr. RIEHLMAN. I want to get this straight.

Do I understand they have been transferring up to 10 percent, and this provides only 5 percent?

Mr. KARSTEN. The State Department and the Agriculture Department have been operating on a 10 percent basis. The proposed section will limit all departments to 5 percent.

Mr. HOFFMAN. It is this conflict in the general theory that the Congress should appropriate money for a specific purpose rather than for a department or individual, or the head of an agency, to use as they would see fit.

Mr. KARSTEN. You are appropriating for a specific purpose in the Department of Agriculture; also in the State Department.

Mr. HOFFMAN. Yes, in a broad way. But, for instance, say, in the Department of Agriculture, we may have an appropriation for foot-and-mouth disease, as we have had several times; and if they did not use that money they could switch it over to send out garden seeds or any purpose that came within their jurisdiction.

Mr. KARSTEN. Of course I do not think we have sent out any garden seeds.

Mr. HOFFMAN. Yes, that is true. But, you understand, they might do it for any purpose.

Mr. BONNER. Mr. Chairman?

The CHAIRMAN. Yes, Mr. Bonner?

Mr. BONNER. Let me ask you: What is the idea, what is the reason?

What do you want this for? Each division makes up its own budget, as I understand it, in the Department.

Mr. KARSTEN. That is correct.

Mr. BONNER. And that is approved and so forth and gone over, and then they come here and justify it, and the Appropriations Committees give them the money.

The point is that I might be able to justify more than I know I am going to need so as to give you some later on.

Mr. KARSTEN. You could not transfer between Departments.

Mr. BONNER. I mean within the Department. You could transfer it from one Division of the Department to another Division.

Mr. KARSTEN. That would be assuming the budget officer was padding the roll a little bit in coming down here.

Mr. BONNER. But my question is: What is the intent of this?

Mr. KARSTEN. In all departments you need flexibility in operation. For example, many times a department is assigned additional duties by legislation which is passed subsequent to the annual appropriation act for such department.

The CHAIRMAN. For economy and efficiency.

Mr. LOVRE. Mr. Chairman, I have one more question.

The CHAIRMAN. Very well.

Mr. LOVRE. Will this eliminate any further deficiency appropriation bills?

Mr. KARSTEN. No, not entirely, but it should reduce the present number of deficiency bills.

The CHAIRMAN. Do you have any questions, Mr. Harvey?

Mr. HARVEY. I just came in, but certainly, from my background in this field, I would take a very dim view of that procedure.

The CHAIRMAN. Of that provision of the bill?

Mr. HARVEY. Yes.

The CHAIRMAN. Thank you very much, Mr. Karsten.

Gentlemen, we are very fortunate, I believe, to have among us one who, I am sure, is known by all of you. He is known as the watchdog of the Congress. He is our right arm in matters of expenditures and accounting, and so forth.

The Honorable Lindsay Warren, Comptroller General of the United States, is with us.

Mr. Warren.

STATEMENTS OF HON. LINDSAY C. WARREN, COMPTROLLER GENERAL OF THE UNITED STATES; FRANK L. YATES, ASSISTANT COMPTROLLER GENERAL OF THE UNITED STATES; AND FRANK H. WEITZEL, ASSISTANT TO THE COMPTROLLER GENERAL OF THE UNITED STATES

Mr. WARREN. Mr. Chairman and gentlemen of the committee, I have a short prepared statement this morning. However, I think that Mr. Karsten has so well explained the purposes of the bill that, with your permission, I will forego reading of the statement and will talk informally and try to answer such questions as I can.

The CHAIRMAN. Very well. You can submit your statement for the record.

(The statement referred to follows:)

STATEMENT OF THE HONORABLE LINDSAY C. WARREN, COMPTROLLER GENERAL OF THE UNITED STATES, BEFORE THE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS, HOUSE OF REPRESENTATIVES, ON H. R. 9038

Mr. Chairman and members of the committee, I am glad to come before you this morning to testify on H. R. 9038, the Budget and Accounting Procedures Act of 1950. It is always a pleasure to appear before your committee, which I have always looked upon as one of the great committees of the Congress and which has brought forth some of the most significant legislation enacted in recent years. I am particularly glad to speak on this bill introduced by Mr. Karsten, chairman of the Public Accounts Subcommittee, who has long been associated with accounting in the Government, both in his own right and as clerk of this committee and secretary to its former chairman, the late John J. Cochran.

The bill before your committee represents the outcome of months of work on the part of all parties concerned in improving the budgeting, accounting, and auditing procedures of the Government. It provides a solid foundation for bringing and keeping those procedures up to date and upon enactment, will become, in my opinion, a legislative landmark comparable only to the Budget and Accounting Act of 1921. The bill is identical with a measure, S. 3850, introduced by 11 members of the Senate Expenditures Committee and reported unanimously yesterday. S. 3850 grew out of full hearings by the Senate Committee on Expenditures and able and thorough work by the staff of the Senate committee, and discussions with the staff of this committee. It takes into consideration all viewpoints and the technical staffs of the General Accounting Office, the Treasury Department, and the Bureau of the Budget were called upon in drafting it.

The bill comprises two parts. Title I on budgeting and accounting consists of two parts. Part I, on budgeting, makes technical amendments to the budget provisions of the Budget and Accounting Act of 1921 to place emphasis on the preparation of the budget in terms of performance, setting out the functions and activities of the Government, with flexibility for the President to determine the manner in which budgetary information may best be formulated to present the Government's financial program in an understandable way. The bill stresses the development by the President through the Bureau of the Budget, of plans for better organization and management of the executive branch and improvements in the statistical work of that branch, pointing up the authority already exercised by the Bureau of the Budget in those areas.

Part II of title I constitutes a complete Accounting and Auditing Act of 1950. This part embodies the principles and objectives of the joint program now going on under the leadership of the Secretary of the Treasury, the Director of the Bureau of the Budget, and myself by collaboration with all other agencies to improve accounting, financial reporting, and auditing in the Government. The provisions of this part tie in closely with budgetary improvements provided for in other parts of the bill. The accounting and auditing provisions specify clear-cut duties and responsibilities to be exercised in proper relationship toward the common goal of better accounting, financial reporting, budgeting, and auditing. The declaration of policy lays down a comprehensive congressional policy on accounting and auditing which is filled in by the specific provisions of this part. The careful placing of responsibilities on the Comptroller General, the Secretary of the Treasury, and agency heads is intended to bring about an integrated accounting system for the Government. Emphasis is placed on the development and use of agency accounting systems as the foundation for financial control and for the production of necessary financial information. Provision is made for progressive improvement and simplification of the present accounting of the Government without eliminating essential controls which Congress must maintain over the public fund. This legislation will make possible the maximum benefits from the work now being done under the joint accounting program and will lay a solid foundation for carrying out the policies and objectives of the program.

The accounting provisions place upon the heads of the executive agencies for the first time the clear responsibility for establishing and maintaining adequate and complete accounting systems. The Comptroller General is to cooperate with the executive agencies in the development of such systems under principles, standards, and related requirements prescribed by him, and to approve the

systems when proper. The Comptroller General must also cooperate with the Treasury Department in the development and establishment of the system of central accounting and reporting in the Treasury as contemplated by the bill. These provisions represent an extension of the principles and specifically continue in force the provisions of section 205 of the Federal Property and Administrative Services Act of 1949 which was the product of the efforts of this committee and its able subcommittee under the chairmanship of Mr. Hollifield.

The bill will provide authority for eliminating in an orderly manner duplicating and overlapping controls in accounting revolving around the present warrant and requisition system of making money available for disbursement. The Secretary of the Treasury and the Comptroller General, who now issue and countersign warrants as a means of control over receipts and disbursements will be authorized to waive the present requirements by joint regulations when they determine that sufficient safeguards are otherwise provided.

The auditing provisions of this part will provide clarification of authority as a basis for improving and simplifying the audit function of the General Accounting Office hand in hand with improvements in accounting and internal control in the agencies. Specific authority is provided for regulating the amount of detailed audit work to be done in the light of the systems of accounting and internal control in the agencies and the administrative application of statutes governing financial transactions. These provisions will enable progressive decentralization and refinement of General Accounting Office audits, including the making of audits not only more comprehensive in scope but on a selective basis as to individual transactions. Specific authority is provided for retention of accounts, contracts, vouchers, and other documents at the places where they are normally kept in the agencies. This will enable present arrangements between the office and executive agencies under which site and comprehensive audits are performed to be placed on a permanent basis. Another important provision will enable adaptation or waiving of the administrative examination of accounts after payment, in the light of other accounting controls in the agencies, thus eliminating a lot of unnecessary paper work and handling and copying of documents.

Title II of the bill authorizes transfers between appropriation, up to a 5-percent limit within departments to promote economy and efficiency. It requires the prior approval of Department heads before submission to the Bureau of the Budget, the President, or the Congress of requests from departments for legislation authorizing appropriations. It also includes provisions specifically authorizing the President to set up budgetary reserves in the executive branch when he determines the purposes intended by the Congress will be accomplished by smaller expenditures. Further authority is provided for transfer of balances of appropriations in cases of reorganizations in the executive branch.

Title III repeals 100 acts or parts of acts dealing chiefly with such matters as compilation of the estimates and furnishing of certain financial data. Most of these laws have been superseded or outmoded by other existing laws including the Budget and Accounting Act of 1921. Repeal of these provisions will clear the statutes of many requirements which, though they had a good purpose when enacted, are out of harmony with present conditions.

Now just a word on the relation of the bill to the recommendations of the Commission on Organization of the Executive Branch of the Government, generally known as the Hoover Commission. Boiled down, there is no difference between the objectives of the joint accounting program, as written into this bill, and the objectives of the Commission. While I have no title of authority, nor have my partners in the program, it is a matter of record that the program was established and operating before the Commission's report was even thought of. In my opinion this bill meets every objective of the Commission in the field of budgeting, accounting, and auditing, and meets them in a more realistic and workable way. Its provisions are carefully worked out in the light of actual conditions and the proper division of responsibility in our three-branch Government. The only important difference is in the jurisdictional issue about the accountant general in the executive branch. That is a matter of the highest civil service policy beyond the jurisdiction of the Commission and one which has been settled by the Congress itself in no uncertain terms on every occasion when it has been brought up. It is fundamentally to me that the Congress would ever agree with the Commission on this point. This bill provides for the Comptroller General as the agent of the Congress to exercise responsibility for bringing about a sound basic accounting structure for the Government from the stand-

point of effective financial control and independent audit. At the same time this responsibility must and will be exercised in a manner completely consistent with the proper development of accounting and financial reporting in the executive branch as an essential arm of management.

H. R. 9038 has my unqualified and wholehearted support. I believe it embodies the factors needed for simplifying and modernizing budgeting, accounting, financial reporting and auditing in the Government and giving them maximum effectiveness. The bill will provide a basis for furnishing the Congress and the President the information and means of control they need for the management of our Federal fiscal structure, and the taxpayers with full disclosure of the financial operations of the Government. Yet it in no way lessens the control exercised by the Congress over public expenditures. I urge that this committee and the Congress take early action to enact H. R. 9038.

Mr. WARREN. I will address myself primarily to the accounting and auditing provisions of the bill. I feel that I should very briefly give this committee some of the background of the bill.

In 1947 the Secretary of the Treasury, who I see has just come in, the then Director of the Budget, Mr. James Webb, and myself, had many conferences, with a view to improving the accounting in the Government.

I might say that this is the first time in history, so far as I know, that those three officials ever sat down together for a mutual purpose. It is needless to say that prior to then there had been distrust and backbiting between the agencies, and the General Accounting Office was just as much to blame as any of them were. All of us were to blame.

We came together and said that we were going to enter into an agreement with no fingers crossed, and we were going to try to do something constructive and outstanding for the government and for the Congress. We evolved then what was known as the joint-accounting program, and during the last 3 years there has been a perfect understanding and the finest coordination among the three agencies.

Notable results have already been achieved.

This matter came up on one of the Hoover proposals before the Senate, and that committee, the Senate Committee on Expenditures, has been working on this matter almost daily for the last 6 or 8 months.

This bill now before you, with possibly some amendments, is the byproduct of that understanding, and it has drawn into legislative language the principles of the joint-accounting program.

For the first time it spells out and specifies the functions of the three agencies involved. This bill is presented due to the splendid work of the individual members of the Senate committee and its staff, who have also been in consultation with the staff of the committee.

I might tell you that of the 13 members of the Senate Expenditures Committee, with 1 of them ill and absent and therefore in all probability not being consulted, 11 of the remaining 12 members introduced this bill. Yesterday, after culmination of hearings that extended over 6 months, it was unanimously reported favorably by the Senate committee.

I say to you gentlemen, seriously—and I know that the Secretary of the Treasury and the Director of the Budget will say the same thing—that this is the most outstanding bill of its nature that has been presented or has been considered by the Congress, certainly

in the last 29 years or since the passage of the original Budget and Accounting Act.

I might say, in passing, gentlemen, that the traditional control of Congress over appropriated funds is not only maintained, but is actually strengthened by the provisions of this bill. The joint-accounting program, which is the genesis of this bill, has met with the enthusiastic endorsement and approval of all of the agencies of the Government.

So far as I know, this bill, which merely carries into effect the policies and objectives of that program, again meets with the approval of everyone that I know of.

To my mind, it is the finest piece of sincere cooperation, objective cooperation, that I have witnessed during the 40 years that I have been Comptroller General.

After all, the primary purpose of this bill, Mr. Hoffman, is full disclosure; full disclosure, if you please, to the Executive; full disclosure, if you please, to the Congress, and again, if you please, full disclosure to the American taxpayer. That is the primary purpose of the accounting provisions of this bill.

The auditing provisions are progressive and in line with modern thought.

But it will take this bill, gentlemen, for us to accomplish this program, and I urge this committee to expedite its passage. I can say to you what I said to the Members of the Senate yesterday. They have a policy over there, that many Senators can introduce a single bill. We do not have that policy over here in the House. But I can say to you that if this bill becomes the law, every member of this House committee can in the future point with pride to the fact that he sat on the committee and helped to get through the most constructive measure of its kind that we have had in a long time.

I will be glad to answer any questions, if the committee has any.

Something was said about the Hoover Commission. Of course, this joint program started before the Hoover Commission was even formed or organized. It so happens that the objectives of the Commission and the objectives of the joint program are embodied to a remarkable extent in this bill. When, as Mr. Karsten has already said, it comes to Congress relinquishing its power and creating in the executive branch of the Government an accountant general, that is utterly impossible. It was overwhelmingly defeated in 1932 when proposed by Mr. Hoover by Executive order. It was overwhelmingly defeated in 1936 when Mr. Roosevelt attempted it by legislation.

I think if there is one thing that Congress is jealous of, and ought to be jealous of, it is its control over the appropriations that it makes.

That proposal of the Commission is outmoded, Mr. Chairman. That is matter over the mill dam. You hear theorists going around saying what the accounting system and the auditing system of the Government should be.

I will tell you that this bill is a practical measure, based on long experience, and it will work. It is the best measure of its kind that can be evolved, and it has thoroughly and fully protected the Congress.

As your agent, I would not be here advocating it were that not true.

The CHAIRMAN: MR. KARSTEN

Mr. KARSTEN. Mr. Chairman, I would like to ask whether the Comptroller General could give us any idea as to savings that could be accomplished under this legislation.

Mr. WARREN. The savings, Mr. Karsten, cannot accurately be estimated in dollars and cents. Anybody that comes in and makes general statements to you that a bill such as this can save so much money is just giving you pure hokum.

Of course, it will make for efficiency and there will undoubtedly be savings. For example, our new accounting system that we have installed for the Maritime Commission, there have already been savings there, and, of course, the resultant loss of jobs by more efficient methods.

A lobbyist put out over here before the Senate committee yesterday that this bill would cause the General Accounting Office to reduce 50 percent. Well, that is utterly untrue. Some reduction may be possible under some of the provisions of the bill, and if so you may be sure they will be made. But with the reductions already made it is beyond me where anyone could have obtained a figure of 50 percent.

Mr. HOFFMAN. What if it would and you get your work done?

Mr. WARREN. That would be splendid, if it would. Let me answer that right now, my friend. The General Accounting Office had 15,000 people at its peak in 1946, and without any directive whatever from the Congress we have been able to cut them today to 7,500.

Mr. HOFFMAN. You do not regret that, do you?

Mr. WARREN. I am boasting over it.

I will tell you another thing. I do not want you to say that we overestimated when I tell you this, and if any other agency has done it, I would like to know about it. We went to the Senate Appropriations Committee last month and told them that they could cut us over \$2,000,000 below the amount appropriated for us in the House, because we had been able to make the savings by more efficient methods.

But for anyone to say that you can cut so many people, that is just absolutely not true. I am going to cut that office down to the size it ought to be cut to, provided we do not impair the efficiency of it.

Mr. HOFFMAN. You had better do it before you let them know you are going to do it.

Mr. WARREN. I will let them know it. They understand that.

Mr. HOFFMAN. Then you expect visitors?

Mr. WARREN. We have plenty of them.

I would say this, though: Once a Member of Congress has been told about our program and understands it, he cooperates with us on the personnel question 100 percent.

The CHAIRMAN. Do you have any further questions, Mr. Hoffman?

Mr. HOFFMAN. How long has your term yet to run?

Mr. WARREN. If I should serve it out, Mr. Hoffman, I have 5 more years.

Mr. HOFFMAN. You are not subject to reappointment, are you?

Mr. WARREN. No, sir; nor should I be.

Mr. HOFFMAN. Have we in contemplation any additional law which would limit the holder of that office to being a Member of either the House or the Senate?

Mr. WARREN. I do not know about that.

Mr. HOFFMAN. My point is this: Certainly when you were in the House I learned to respect your ability and sincerity. This agency of which you are the head really is the only agency that Congress has of checking and being advised of what is happening to the people's money, is it not?

Mr. WARREN. That is absolutely correct. It is a nonpartisan, non-political agency, subject only to the Congress.

Mr. HOFFMAN. And whoever holds the office cannot be reappointed; is that correct?

Mr. WARREN. That is correct, and he ought not to be.

Mr. HOFFMAN. That is why I think that, being an agency of the Congress, there should be some provision in the law that only a member of the one branch or the other could hold that office. I suppose you know what I am getting at.

Mr. WARREN. Yes. Of course, I would not pass on that question. As I have told this committee before, I am not there because I wanted to be there.

Mr. HOFFMAN. I understand that, too, and I think you have done a most remarkable job.

Is there anything in this bill anywhere that would tend, even remotely, to lessen the control which Congress or the agency has over public funds?

Mr. WARREN. I give you my personal assurance there is nothing in there that would in any way lessen the control of Congress over appropriated funds.

Mr. HOFFMAN. You referred to the attempt of Mr. Hoover and Mr. Roosevelt to—what was it—abolish this agency, or transfer its functions, or cripple it, or something.

Mr. WARREN. It is the same thing. One move was to absolutely abolish it.

Mr. HOFFMAN. Do you know what were the reasons back of that, the given reasons, anyway?

Mr. WARREN. There is a school of thought existing today, mainly out side of the Government, that Congress should have no such agency as this.

Mr. HOFFMAN. Do you mean that we should just appropriate the money and let the other fellows spend it?

Mr. WARREN. That this should be in the executive branch of the Government; that Congress should have no such agency as this, and even if it did have, that it should be confined solely to reporting.

Mr. HOFFMAN. You do recover money for us, do you not?

Mr. WARREN. That school of thought says that the Comptroller General should have no power of disallowance. Well, I think this committee has heard this before, but, if not, I will remind you of it: that during the 19 years that I have been in office we have recovered and put back into the Treasury \$670,000,000 that either had been erroneously or illegally paid out. It is fair to say that except for the General Accounting Office, none of that would have come back.

The school of thought that we are talking about says, "Oh, no," under the modern dispensation, the Comptroller General should have no power of disallowance, that all he should do is to report.

All of that is old, outmoded.

Mr. HOFFMAN. Who are some of the principal advocates of that?

Mr. WARREN. Some of the principal ones—and I do not say this in a disrespectful manner—

Mr. HOFFMAN. I am not asking by way of criticism, either.

Mr. WARREN. They are people mainly inside of the Government who advocate giving more authority to the executive branch. It is just the same old room with another ring around its tail, and it has been defeated twice before.

Mr. HOFFMAN. I assume that those gentlemen, by their thinking, are of some value somewhere.

Mr. HARDY. Mr. Chairman, I might say that Mr. Warren's expression is a very typical North Carolina and Virginia expression and, I think, most appropriate.

Mr. HOFFMAN. Yes.

What have you to say about this transfer of funds within the Department?

Mr. WARREN. That is a budget provision, and I anticipate that that would come out.

Mr. HOFFMAN. If it does come out, that is the principal objection I see to this bill right now, and I cannot go for that one.

Mr. WARREN. That is a budget provision. The Director of the Budget is here.

I might say that that provision is carried in appropriations bills for some departments, but I understand that there might not be any objection to that coming out, that among other sections,

Mr. HOFFMAN. What other sections?

Mr. WARREN. 103.

Mr. HOFFMAN. That is along the same line as, 103. That is along the same line as the other one.

Mr. WARREN. That is correct.

Mr. HOFFMAN. Going over to 116, what is the purpose of that?

Mr. WARREN. Will you let my assistant, Mr. Weitzel, answer that for you?

Mr. HOFFMAN. Yes.

Mr. WEITZEL. Surely.

Mr. WEITZEL. Mr. Chairman, the purpose of 116 is to enable the Comptroller General to discontinue the maintenance in the General Accounting Office of certain accounts that are now required by law to be maintained in that Office.

Mr. HOFFMAN. Then why do they keep that law? Why do we not repeal that law that requires those accounts to be maintained?

Mr. WEITZEL. Because, Mr. Hoffman, it is impossible to say today that those accounts should stop. They are a valuable means of control under certain existing procedures. But with the development of new procedures under the joint-accounting program that will be authorized by this act, some of those accounts will become unnecessary.

Mr. HOFFMAN. You know now they will become unnecessary, you say. Why not send up bills repealing those particular statutes?

Mr. WEITZEL. Because, Mr. Hoffman, it cannot be done overnight. It is a transitory proposition. It requires development on the basis of improving agency accounting systems to the point—and that is one of the primary purposes of this part of the act—that they can be relied on for that purpose.

In that event, by proper internal accounting and internal control in the agencies conforming to requirements prescribed by the Comp-

troller General, and proper independent audit on the part of the General Accounting Office, these accounts that are now being maintained would represent unnecessary duplication and can be dispensed with on a transitional and a gradual basis, on an agency-by-agency basis, perhaps.

Mr. HOFFMAN. Wait a minute. What you are saying now is that there are certain laws that require the keeping of certain accounts, and that by section 116 you are giving the Comptroller General authority to, in effect, repeal those laws. That is what it amounts to, is it not?

Mr. WERTZEL. No, sir; I do not think so.

Mr. HOFFMAN. What does it amount to, if not that?

Mr. WERTZEL. It gives the Comptroller General, as the best possible agent of the Congress to have the proper central control, the authority to change accounts in his office.

I must tell you that some of the requirements in the law as to keeping these accounts are rather indirect.

For example, there is a requirement in 31 United States Code 76 that certain warrants shall be entered on the books of the General Accounting Office.

There has been some argument as to whether there is any basic law back of that code provision, but in view of the fact that it has been done so long, we feel there is specific authority required in order to dispense with those accounts.

Mr. HOFFMAN. Can you stop right there?

Unless there is a law authorizing the keeping of those accounts, you do not need any authority to discontinue them, do you?

Mr. WERTZEL. Mr. Hoffman, there is a rule of law, as you know, of course, that long administrative practice, ratified by Congress, is given weight as being the law.

Mr. HOFFMAN. Wait a minute. Your argument is that by custom and all that, the practice has become law, is it not?

Mr. WERTZEL. That is correct.

Mr. HOFFMAN. Then the answer you gave a while ago was not a correct one, and what you are doing here is obtaining authority to change the law with reference to the keeping of accounts; is that not correct?

Mr. WERTZEL. No, sir. This changes the law in itself because it removes the mandatory requirement for the Comptroller General to keep these accounts and makes it a permissive requirement. That is one of the big points of this bill, that if the accounting is frozen in the law, it makes it very hard to modernize and improve accounting procedures, to keep them up to date without at the same time losing any control by Congress.

Mr. HOFFMAN. With due respect, you are using a lot of words in answer to my question, but what it all amounts to is that inasmuch as these accounts are frozen—which is the word you used—there by the law, either by specific enactment or by custom, that now it requires this provision in order to make the change that you say is desirable.

Mr. WERTZEL. That is right.

Mr. HOFFMAN. My question is, if that is so, and Congress being in session most of the time under modern conditions, why cannot you come to us for that? If there might be some very vital account, or some account that Congress thought ought to be kept?

For example, I remember the merchant-marine business. Our hearings are closed, but if I remember correctly, it was said that there were some \$25,000,000 there that were paid out without authority. I think the Comptroller General's report so stated. If we had a law requiring the preservation of the evidence, or the production of evidence in the first instance, justifying those payments, you might say that under this we could do away with that.

Mr. WETZEL. Mr. Hoffman, I do not think that would follow. This is an entirely different matter, as Mr. Hardy, who was chairman of the subcommittee, would agree, I believe.

The amount that was paid out had nothing to do with the keeping of controls by the General Accounting Office. It was determined by the Maritime Commission, on which Congress had given them the authority in some cases to make those determinations.

Mr. HOFFMAN. On certain evidence. But they did not have the evidence; that is all.

Mr. WETZEL. But the General Accounting Office would not be authorized, under present law, to say what evidence they have to have.

Under that point we are developing the proper controls in the Maritime Commission.

The CHAIRMAN. Mr. Hardy?

Mr. HARDY. I want to know if I understand this picture. Under present law the Comptroller General is required to maintain certain specific ledger accounts. So that becomes a directive that ledger accounts of a certain nature shall be maintained.

It would seem to me, Mr. Hoffman, that this is a rather inflexible proposition. It does not necessarily relate to accurate bookkeeping or accurate accounting. It relates to the manner in which these accounts shall be set up. Under existing law, we have said, "You shall set up these ledger accounts"; whereas, if you changed the procedures, you may create an inflexible situation. This provision would give flexibility and would make it optional to do so, if needed and, if not, you would not have to maintain those ledger accounts.

Mr. HOFFMAN. My argument is only that if the Congress has enacted legislation which requires the keeping of certain accounts, then if the Comptroller General does not want to keep those accounts, he should come to the Congress.

In my brief experience here, the Comptroller General, so far as I recall—and he can correct me if I am wrong—has never come to the Congress and asked for specific legislation and not gotten it.

Am I right in that?

Mr. WARREN. That is correct.

Mr. HOFFMAN. Then I say that the Comptroller General, just like these other agencies such as the executive department, should come to us with his requests, because he is the only agency which the Congress has to keep its finger on the situation.

If we are going to go one step further and say, "Oh well, we will leave it to you and you do it all," we lose control over him finally.

Mr. HARDY. I wonder if we are not going a little far afield?

Mr. HOFFMAN. We are losing much now. Congress does not amount to much any more.

Mr. HARDY. Certainly. But would you not think we are going too far if we specify the accounts?

Mr. HOFFMAN. He could just come to us for anything.

Mr. WEITZEL. Mr. Chairman, if that were to be done, I am afraid it would necessitate a lot of piecemeal legislation.

Mr. HOFFMAN. We have enough of that, so that a little more would not hurt.

Mr. WEITZEL. It would require authority to discontinue 10 accounts for a certain bureau.

Mr. HOFFMAN. But what you are asking for under section 116 is what you might say is almost unlimited power to determine the kind of accounts you are going to keep.

I am no more disposed to give the Comptroller General a blank check on authority—and I am sure he does not want it; I do not believe he does—than I am any other agency of government. I did not believe that when he was in Congress, and I have never seen any evidence of it since. I think somebody else helped him write this.

Mr. WEITZEL. Mr. Hoffman, Mr. Warren wrote this himself.

Mr. HOFFMAN. Well, you are speaking for him here, and I never knew him to be tongue-tied.

Mr. WEITZEL. This bill is all tied together on the basis that the agencies' accounting systems, under requirements prescribed by the Comptroller General, are going to be the basis of the controls of Congress, as well as of those which the Secretary of the Treasury needs to exercise, and which the Director of the Budget needs to exercise.

In line with that, we want to eliminate overlapping and duplication, and I am sure you do.

Your bill provides for it, too, except that we think the bill on this joint program provides for it in a realistic and a practical way. We want to provide for eliminating overlapping and duplication of controls so that you do not have to have accounts in six different places to reflect the same transaction when everybody can use the same information from the same place.

Mr. HOFFMAN. Let me say now: You are now getting into the realm of these professors. You are a young man coming here with the idea, as so many young men have, that you know all about everything. That may be true, but nevertheless, I think our Congress should have a little authority as to what they want the agencies to do. I can only tell what you think by what you say.

Mr. WEITZEL. I would like to call your attention to a provision in your bill, which I will not specify, but which goes much further than this.

Mr. HOFFMAN. I have no more questions, Mr. Chairman.

The CHAIRMAN. Mr. Bonner, do you have any questions?

Mr. BONNER. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Burnside?

Mr. BURNSIDE. No questions.

The CHAIRMAN. Mr. Bolling?

Mr. BOLLING. Yes, Mr. Chairman.

Mr. Warren, I take it that since the point was being made, from your point of view adequately, you did not feel that there was any necessity of your saying anything further about section 116.

Mr. WARREN. No. We think it is necessary to carry out this joint accounting program, very necessary.

Mr. YATES. Mr. Chairman, may I make a statement along that same line?

The CHAIRMAN. Yes. Will you identify yourself, sir?

Mr. YATES. Frank L. Yates, Assistant Comptroller General.

There is a point, Mr. Hoffman, that I think has not been brought out earlier. I am not a young professor. I have been with the Government 33 years, and I have seen these things flow along and these problems arise. The real reason for section 116 being included by the Comptroller General and why he has asked that he be given that authority is that under the joint accounting program it is the purpose of the Secretary of the Treasury and the Director of the Budget, the Comptroller General and, indeed, all of the departments of the Government, to proceed in an orderly manner and improve accounting in the administrative departments and establishments, and in improving it to strengthen the administrative controls to be sure that they keep within the limitations enacted by the Congress in appropriation legislation.

Therefore, the purpose of asking that authority in section 116 is in order that the Comptroller General, when the accounting as the joint program goes along, is adequately strengthened in the department, to enable the Comptroller General then, and only then, to remove what would then be a duplication of bookkeeping by removing these certain ledger accounts in the General Accounting Office; but only when he is assured that the substitute brought about by the joint accounting program is adequate to justify that removal.

Since they are to be removed on an agency-by-agency basis, you can see readily, I am sure, that enactment of legislation removing them all in one package would to that extent interfere with the progress of the joint accounting program and with the orderly way in which we intend to remove those ledger accounts.

Mr. HANBY. May I raise one or two questions on that?

You are proposing to change a good many systems and procedures in the accounting of various agencies; is that correct?

Mr. YATES. That is right.

Mr. HANBY. As those procedures and systems are changed, then your control in the General Accounting Office will have to be changed to conform; is that not correct?

Mr. YATES. And also to prevent unnecessary duplication of bookkeeping in the General Accounting Office.

Mr. HANBY. Might you not have the situation that if you had a system set up in an agency which did not key into the system which you have been using in the General Accounting Office, that you would not be able to change your system in the General Accounting Office?

Mr. YATES. Exactly. It is a part of the Joint Accounting program that there shall be made in the General Accounting Office certain changes to attune its work with the improvements throughout the Government.

Mr. HANBY. So that your own system in the General Accounting Office has to be adjusted from time to time as the agency systems are changed and improved; is that not correct?

Mr. YATES. And as we can, from time to time, rely on the agency systems more heavily than we can now.

Mr. HOFFMAN. This section 116 states that the Comptroller General can discontinue his accounting systems when, in his judgment, the accounting systems of the executive and legislative and judicial agencies are sufficient to enable him to do the job which the Congress has given him. That is what it is, is it not?

Mr. YATES. That is a correct way of stating it, yes.

Mr. HOFFMAN. Assuming that—it probably has happened and will happen again—that the Congress should, because some agency or department has been a little lax in its accounting, direct by statute that such an agency should give an accounting, under this section the Comptroller General could say, "No, we do not want that; we do not need it." He could do that, could he not?

Mr. YATES. No, sir; I do not believe that would follow.

What is involved here, Mr. Hoffman, is merely the present system of ledger accounts that are kept in the General Accounting Office as one of the means, not the only one, of enforcing the limitations imposed by Congress.

As the accounts of the departments become adequate and as the Comptroller General finds that they are faithfully kept—and the General Accounting Office has periodic reviews—he may determine that it is unnecessary and unjustified to continue maintaining certain ledger accounts in the General Accounting Office.

Mr. HOFFMAN. What if he does not want to do it again?

Mr. YATES. He feels he can rely on what is happening there, with his review, to be sure that Congress' will is enforced. Then, and then only, it becomes unnecessary for him to keep these ledger accounts in the General Accounting Office, which could not be justified really at that stage since it would be unnecessary expense.

Mr. HOFFMAN. My only thought was that, inasmuch as I agreed with Mr. Warren's viewpoint that Congress should not give up any more of its authority, I was going one step further to say that they should not give any more than is necessary to the Comptroller General.

Mr. YATES. There is no question about your motives, sir, but I just wanted to be sure you understood the real reason back of it.

Mr. HOFFMAN. I realize that Mr. Warren is only going to be here 5 years.

Mr. YATES. I wish he could be here 15 more.

Mr. HOFFMAN. So do I.

Mr. LOVRE. Mr. Chairman?

The CHAIRMAN. Mr. Lovre?

Mr. LOVRE. Mr. Warren, do you approve all the provisions of this bill, with this exception?

Mr. WARREN. I would say so. You refer to sections 103 and 201.

Mr. LOVRE. That is the only exception?

Mr. WARREN. Yes. I understand that may come out.

The CHAIRMAN. Mr. Harvey.

Mr. HARVEY. Mr. Warren, this bill, H. R. 9038 is presumed to put into action the so-called performance budget; is that correct?

Mr. WARREN. That is correct.

Mr. HARVEY. What is the theory of the performance budget?

Mr. WARREN. I wonder if you would let the Director of the Budget discuss that. I have confined my remarks to the accounting and auditing provisions. The Director of the Budget is here and he will come on shortly.

Mr. HARVEY. Due to your very extensive and thorough background, you certainly have some ideas, and perhaps I can word my question a little differently.

Do you approve of the theory of the performance budget?

Mr. WARREN. Yes.

Mr. HARVEY. Why?

Mr. WARREN. I think it gives more information to the Congress.

Mr. HARVEY. In what way?

Mr. WARREN. It spells out the functions to be performed and the cost thereof.

Mr. HARVEY. Could you give me an illustration of that?

Mr. WARREN. Can you give him a good illustration, Mr. Weitzel?

Mr. WEITZEL. Mr. Chairman and Mr. Harvey, for example, in the case of an appropriation for the Department of Agriculture—now, this may be a bad example because I think a number of their appropriations are already on what you would call a performance basis—this bill would lay the foundation for the President sending up for that appropriation information as to the programs that were going to be carried out and the work that was to be done under that appropriation rather than just information on the basis of schedules, of positions and appropriation language, so that the Congress would have an idea of what actually was to be done with that money and the basis of measuring the performance after the job was done.

We would have the basis, in the General Accounting Office, for conducting our independent audit on that line also. The accounting provisions of the bill are carefully designed to tie right in with the performance budget basis.

I might say that right now we are carrying on a Government-wide survey, which the Bureau of the Budget is leading, in cooperation with the House Appropriations Committee, in accordance with the suggestions in the committee's report on the general appropriation bill, to see just what changes in classifications in accounting and budgeting are needed to give the Congress information as to the budget on a performance budget basis.

Along the line of simplification of accounts, the House Appropriations Committee has already laid the foundation for that in section 1110 of the general appropriations bill, and the procedures have been designed under the joint accounting program to simplify transfers between appropriations—but only, Mr. Hoffman, where that is authorized by law.

Mr. HOFFMAN. The other members of the committee wanted to know, too.

Mr. HARVEY. I started out to give an illustration and finally wound up with a generalization.

Mr. HARDY. Let me again ask him about the illustration.

Mr. HARVEY. I wanted it tied down to a specific example.

Mr. HARDY. Let me ask this question—I think it will do it: For instance, of the price-support operations. You mentioned the Department of Agriculture. Would the performance budget show the activities and the cost to the Production and Marketing Administration, the Commodity Credit Corporation, and so forth, with respect to price supports?

Mr. WEITZEL. I think, Mr. Hardy, an attempt has been made in the budget to tie that down. I think the people in the Department of Agriculture can verify that for you. I think their budget is more along the classic example that the Hoover Commission used in its report.

For example, the naval hospital at Bethesda received money out of several appropriations, but no Member of Congress could tell how it cost to operate the hospital.

The Bureau of Mines, I believe, received money from 16 appropriations, but you could not go to one place and find out what it cost to operate that Bureau.

It is a question for the Appropriations Committees in Congress as to how detailed they want the information.

But the performance budget idea is along the lines of the cost of the programs. In other words, they want \$2,000,000 for a road-building program and they will show you what roads they are going to build and how many miles, and where to.

Or in the case of the Division of Disbursement, they will show you approximately how much it cost to issue every check they issue, with information as to the kinds and quantities of work to be performed.

Mr. HARVEY. If I might interrupt you right there, the question I have in mind is this: Will this so-called performance budget give you a breakdown as to the amount of any given program that is expended for personnel, supplies, and the other breakdown that is commonly carried in our budgeting procedure as of now?

Mr. WEITZEL. That depends, Mr. Harvey, upon what the Appropriations Committees want. That breakdown was supplied to them this year by object classification, for supplies, transportation, travel, and so forth.

Mr. HARVEY. I am going to tell you now my impression of the performance budget. My impression of the performance budget is that it is a Mother Hubbard. You are just going to cover everything and make it nice from the outside, but I doubt very much, when you actually come down to it, that it will tie down these appropriations, as Congress has previously done, to specific things. It will, just naturally, I think, give way to very poor spending methods.

You have said in the course of your testimony, Mr. Warren, that it will give Congress and the taxpayers a better understanding of public expenditures.

In what way will I, as a taxpayer, have a better understanding of how the Federal tax dollar is being spent under the performance budget?

Mr. WARREN. That understanding and information is what I am talking about. I think that Congress, and especially this committee and its subcommittees, already know the type of reports that we are making up here on corporations. I think that our Maritime report that has been handled by this committee was considered one of the most outstanding reports ever sent to Congress, and it was unanimously approved after exhaustive hearings by this committee.

I might say that this joint accounting program is headed by an eminent accountant of distinction, who has the confidence of the entire Government, Mr. Walter Freese.

For the first time since our Corporation Audits Division in the General Accounting Office was established, we are now current on our reports. There is only one more report to be sent next week to the Congress, which would make it current. Our Corporation Audits Division, headed by Mr. Ives and Mr. Decker, will compare favorably with any accounting house in America today.

Mr. HARVEY. Would you not agree with me that one of the chronic devices of the Federal Government is the deficiency appropriation?

Mr. WARREN. Absolutely.

Mr. HARVEY. Then the question that I am asking you is—Will this performance budget help to cure that?

Mr. WARREN. I am not passing on that, Mr. Harvey. I do not know. I will say that if Congress wants the information and calls for it, Congress can get it under a performance budget.

Mr. HARVEY. But you are not sure that it will help to cure the real ill of most of our Government agencies, are you?

Mr. WARREN. It has never applied to our agency.

Mr. HARVEY. I am not talking about your particular agency.

Mr. WARREN. I do not know whether it would, or not, but it certainly will provide better accounting for control and management of operations as a basis for identifying and preventing deficiencies.

Mr. HARVEY. You will agree with me, will you not, that that is one of the greatest problems that we have, so far as our Federal appropriations are concerned?

Mr. WARREN. That is correct.

Mr. HARVEY. And to really justify a substantial change in our procedure, it ought to be able to correct that particular evil that has been so prevalent.

Mr. WARREN. I hope it will.

Mr. HARDY. Will the gentleman yield?

Mr. HARVEY. Yes.

Mr. HARDY. I think what he is afraid of is that we may run into a fiasco on the performance budget, such as we did on the omnibus appropriations bill.

Mr. HARVEY. To go ahead regarding this section 116, would you have any estimate as to the number of ledger accounts that would be eliminated if the authority were given to the Comptroller General?

Mr. WARREN. None whatever.

Mr. HARVEY. Would it be 2, 20, or 500?

Mr. WARREN. We would have no idea in the world of that until we got the figures.

Mr. HARVEY. It could be as many as 500, could it?

Mr. WARREN. Yes.

Mr. HARVEY. How many ledger accounts do you carry?

Mr. WARREN. They would run up to the thousands.

Mr. HARVEY. Could you give me an example of one that might well be eliminated under this?

Mr. WARREN. Mr. Weitzel, I wish you would give an example of that.

Mr. WEITZEL. Mr. Harvey, one of those would be limitation accounts which are kept in the General Accounting Office, where there is a limitation of so many dollars under a particular appropriation, for example, on how much can be spent on personal services in the District of Columbia. We keep in the General Accounting Office a limitation account for each of those, and there are hundreds of those. The agencies keep those accounts, and we have found from long years of experience that the effective way of auditing to see whether the agency keeps within those limitations is right within the agency itself.

We have had a system under which the agencies furnish us information from their records, which we post on those ledger accounts.

But we have no way of verifying whether that information is correct without inspecting agency accounts.

I do not want to discount the value of that under the present system, but as we go out and work with the agencies in setting up proper controls and prescribe certain related accounting system requirements and make comprehensive audits of the agencies right at the site of their operations, that is the place where we can check whether they are keeping within the limitations.

In the event, the limitation accounts in the General Accounting Office may not only become nonessential but wasteful.

Mr. HARVEY. You will have to keep in the General Accounting Office, however, will you not, some method of a record, at least, of whether the limitations have been complied with?

Mr. WEITZEL. We have in the General Accounting Office, as I indicated, this record; which means only as much as the reports that come in to us.

In other words, there is no comprehensive check on the accuracy of the reports that are furnished by the agencies to the General Accounting Office.

When we get out to the agencies, we can do it at each agency and see for ourselves in a far better way that the agencies are observing those limitations.

In other words, we will have the right to prescribe the principles and standards under which those agencies' books are kept, and then we will cooperate with the agencies in developing the systems under this bill.

Then we will make an independent audit of the agencies' accounts, see that they are keeping them in the way which will properly classify that information. If it is not proper, we will see that it is put on a proper basis. It can be done there far better than it can be done in any single place.

That is one of the examples of the kinds of accounts we are keeping in the General Accounting Office now. As the whole system is changed and the emphasis is placed on keeping the accounts within the agency, where it will serve the needs of the agency managements and Congress also, and the President, there is much development that can take place, but it has to be done on an agency basis.

Mr. HARVEY. You said just a moment ago that the checks or chits, or whatever you call them, are sent down there to your agency and they may or may not be of any value at all. Do you mean to say that they just are so ineffective, or so poor, in their accounting procedure that you cannot depend upon reports to you of expenditures?

Mr. WEITZEL. Mr. Harvey, I would not say that. But I would say that a far better way is to get out the agencies' books and see what is in the agencies' books and what they are putting in, and how they are putting it in, rather than depending on thousands of pieces of paper coming in to Washington to be posted to central accounts.

The Government has gotten so big that we, in conjunction with all other central control agencies, have found that we get all tied up in red tape in attempting to have every piece of paper on every transaction posted in the agency, sometimes in the Treasury and then, again, in the General Accounting Office.

If the Congress ever wants us to save money and at the same time produce results, a simplified and modernized accounting system, is

the answer. That is the only way we can do it, to go right back to the grass roots in the agencies and put on them the responsibility to keep proper accounts and to post transactions to those accounts and then go out there and see that they do it.

Then for the first time we will have a realistic control of expenditures in this tremendous Government today. The system that is in use now was developed when Government expenditures were one-tenth of what they are today.

Mr. HARVEY. That brings up another point that I have heard discussed quite frequently, which is that the Comptroller General acts more or less as an advisory agent to the agencies of Government with regard to expenditures. That is, they will come to you first of all and ask you the question: Is the expenditure legal? Then they ask you to prepare for them a report as to whether a given expenditure is legal or not. Is that correct? That has been the common procedure, has it not?

Mr. WERTZEL. That is, Mr. Harvey, and it will continue to be. There is absolutely no effect in this bill on that procedure.

In other words, this bill affects in no way whatsoever the disallowance power of the Comptroller General, his power to settle accounts, and his authority under the law to render advance decisions to agencies. That is reserved entirely under this bill.

Mr. HARVEY. How can you harmonize that, then, if that has been your procedure?

I am talking to Mr. Warren now.

How can you harmonize that with the expression that has just been made here, that the reports that have come up from the agencies have no value?

Mr. WARREN. I do not think it is a question of harmonizing at all. We have found from long experience that the reports do have only partial value, and this new procedure will give us the opportunity to get better control through the setting up and maintenance of proper accounting controls in the agencies.

Mr. HARVEY. You go down and check them anyway, now do you not?

Mr. WARREN. We audit them. I think you are not distinguishing between auditing and accounting.

Mr. HARVEY. You have to have both of them, do you not?

Mr. WARREN. We cannot afford to do both the accounting and the auditing especially since we can prescribe accounting system requirements.

Mr. HARVEY. Of course, I do not expect you to go down and do their accounting for them, if that is what you infer.

Mr. WARREN. No; this bill will permit the agencies to do the accounting under certain principles and requirements prescribed by and subject to audit by the Comptroller General to hold that control for the Congress.

Mr. HARVEY. I still do not think the question has been satisfactorily answered, but we will take it up in greater detail, or I would like to, if the opportunity is afforded, with the Director of the Budget.

On page 19, section 203, I note there that this gives a great deal of authority to the President to modify reserves from appropriations. I am wondering whether that does not also give the President by that very authority the right to discontinue any particular appropriation.

that he thinks does not happen to suit his thinking, even though the Congress may have enacted the legislation in good faith.

Mr. WEITZEL. Mr. Chairman and Mr. Harvey, there is a point we should make. This provision is already covered by a section which is in the general appropriations bill which has passed the House, section 1111. That section provides authority for setting up budgetary reserves for contingencies and to provide for improvements in efficiency after the date of the estimates, and so forth.

In view of that, we would have no objection—and I do not think the Budget Bureau would, either, to eliminating that section from this bill.

I would also like to say, Mr. Harvey, that that completes the answer also to your question about agencies spending more money than they have. That same section 1111 contains stringent antideficiency provisions, bringing up to date the Antideficiency Act and providing for an apportionment system and for agencies to stay within those apportionments.

So that those problems should be solved as near as possible by those provisions of section 1111 of the bill.

Mr. HARVEY. It seems to me, as Hoover said about prohibition, that it is a noble experiment and that is all.

Mr. WEITZEL. Mr. Chairman, I would like to make the one point that this bill arises out of the combined efforts and with the endorsement of the Comptroller General, the Secretary of the Treasury, and the Director of the Budget. It is a realistic way of putting into effect the objectives of the Hoover Commission. The Hoover Commission would go much further than this bill does in stripping the Comptroller General of his authority to act for Congress in the control of public expenditures, and for that reason feel that this committee would far prefer to see a bill of this nature, which has been carefully worked out as a single system for the first time putting the proper responsibilities in the proper places, so that there will be more control by Congress, not less.

Mr. HARVEY. Would you then recommend the elimination of section 203?

Mr. WEITZEL. We have no objection to that, and the elimination of section 201 and section 103, also, to which Mr. Hoffman objected.

There have been some amendments prepared, if the committee cares to use those.

Mr. BURNSIDE. I have one question right there, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. BURNSIDE. Would not this eliminate one whole set of unnecessary vouchers?

Mr. WEITZEL. It could, Mr. Burnside, by providing—and we have not touched on those provisions especially—for decentralization and refinement of the General Accounting Office audit, for making selective audits at the site, and the retention of the documents at the site of operations, so that a whole set of vouchers and accompanying documents could be eliminated under this procedure.

Mr. BURNSIDE. Not only that but when you go back to the agency you not only go to the voucher, but you can go behind the voucher if you see it is necessary and your information is available right there.

Mr. WEITZEL. That is correct, Mr. Burnside. We will audit the whole accounting system.

Other provisions of the bill will provide for periodic reviews of the accounting systems of the agencies. Audits will be made in the light of internal controls and administrative practices and the way in which that agency enforces the laws you enact.

The CHAIRMAN. Are there any other questions?

Mr. LOVRE. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Lovre.

Mr. LOVRE. I have just one question with reference to the performance budget.

Mr. HARDY's subcommittee brought out the fact that in connection with the cost of administering the NSLI program, the budget itself showed a cost of around approximately \$40,000,000, while in truth and in fact, the cost ran better than \$80,000,000 according to the oral testimony.

My question is: Under this performance budget, would you be able to determine the exact cost of administering any particular program?

Mr. WEITZEL. Mr. Lovre, I think much better information would be available to the Congress. Again, the detail of that information depends on the cost of producing it. But under lines that will be laid down in cooperation with the Appropriations Committees on both sides, every effort will be made to make that budget more informative and better supported by accounting data, so that the Congress can know what it is doing when it appropriates money for a program, and not have a large number of appropriations that may be related, but which show no relation among themselves.

Mr. BURNSIDE. I have one further question:

In Mr. Hardy's subcommittee we were unable to find the exact cost of administering that particular program under the present set-up. With this performance budget, and also with this bill, would you then be able to determine the exact cost of administering any program?

Mr. WEITZEL. That cost would be determinable. We are looking into the accounting system right now in the Veterans' Administration in the light of all that was brought out before the Hardy subcommittee on the cost of the veterans' life-insurance program, and we are going to bear that in mind in helping them with the design of their system. We worked very closely with Mr. Hardy's subcommittee on this matter.

Mr. LOVRE. Then do I understand that you will be able to determine the exact cost of administering any particular program? That is my question.

Mr. WEITZEL. I think you will be, Mr. Lovre.

The CHAIRMAN. Thank you very much, Mr. Warren and the staff. We have been very much benefited again by your testimony.

We have with us the Secretary of the Treasury of the United States, the Honorable John W. Snyder.

We are happy to have you with us, Mr. Snyder. Will you take the witness chair, please?

**STATEMENTS OF HON. JOHN W. SNYDER, SECRETARY OF THE
TREASURY; AND EDWARD F. BARTELT, FISCAL ASSISTANT
SECRETARY OF THE TREASURY**

Secretary SNYDER. Mr. Chairman and gentlemen of the committee, my purpose in being here with you today is for the purpose of express-

ing my personal interest in the bill which is before the committee for study today.

It was through my offices back in January of 1917 that we got the Comptroller General, the Treasury Department, and the Budget Bureau together to start work on a program for the simplification and improvement in our general accounting system.

As you know, all financial transactions center in the Treasury, and it is quite important to us, in the general improvement of Treasury operations, to try to improve the entire accounting system of the Government.

When I went into the Treasury, one of the first things I did was to set up a management-improvement group to study the improvement of the efficiency and economy of all the departments of the Treasury, all the bureaus and various divisions, and this struck me as being one of the vital and important segments of that type of approach to better management and better operations.

I was delighted to find that I had a strong supporter, or, rather, an equally aggressive advocate for an improvement program, in the Comptroller General. We got together and talked it over, and I found that he was equally earnest in his desire to work together on a joint program.

The Director of the Budget was also greatly interested because he found, in preparing reports to the Congress and to the President, that many times there had to be adjustments in the figures that were reported by the agencies in response to a specific question because of their different accounting systems and bases of presentation.

The Comptroller General said he had had great trouble with these things, with things of that sort, and, of course, in the Fiscal Assistant Secretary's office, we were continually confronted with that problem. Many times we were delayed in getting vital figures for Congress and for the President and for the various committees because of the adjustments that had to be made in the various figures that were presented to us.

In my opinion, the Comptroller General has made a very strong and able presentation of the value of this particular bill to the Government and to Congress.

I have with me the Fiscal Assistant Secretary, Mr. Bailett, who has acted for me in these joint conferences, and with him is Mr. Calko, who has been very active in it. But I did not want to leave the discussion to them without first coming to your committee, which you have given us the privilege to do today, and expressing my warm personal interest and advocacy of this bill.

With your permission, now, Mr. Chairman, and with the permission of the committee, I would like to read into the record at this point a very short prepared statement to register that feeling.

THE CHAIRMAN. Very well.

SECRETARY SUGDEN. I am pleased to be able personally to give you my views on H. R. 9038 because I believe it is a very good bill.

Yesterday I appeared before the Senate Committee on Expenditures in the Executive Department on Senate Bill No. 2850, which is identical to H. R. 9038.

As Secretary of the Treasury, I have a great interest in seeing the budgeting, accounting, and auditing system of the Government improved in every way possible. With that in view, I joined with the

Comptroller General of the United States and the Director of the Bureau of the Budget several years ago, in organizing and carrying out a cooperative program to make the Government's accounting and financial reporting of the greatest value to all concerned.

Much improvement has already been accomplished as the result of this program and through the wise and constructive policies of Comptroller General Warren in carrying out his responsibility for prescribing accounting requirements and performing the Government audit. At the time I appeared before the Appropriations Committee of the House of Representatives last January, I gave a report on what had been done under the program.

Mr. Chairman, I would like, with your permission and that of the committee, to include that report to Congress in my testimony here for your reference, in case you are interested.

Mr. Chairman: Very well.

The report referred to follows:

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

JANUARY 12, 1950.

Under the Budget and Accounting Act, as supplemented, authority and responsibility for prescribing accounting systems in the executive departments and establishments of the Government is in the Comptroller General of the United States. However, the responsibility for the day-to-day maintenance of the accounting systems is and must be a responsibility of the various administrative agencies where the work and operations are performed. Moreover, the Treasury Department and the Bureau of the Budget have important legal responsibilities from the standpoint of fiscal administration of the Government, which have a definite relationship to the prescribing of accounting requirements and the operation of accounting systems. In order to coordinate all of these responsibilities and to make accounting, reporting, and budgeting more effective as instruments of fiscal control and management, on January 6, 1949, the Comptroller General of the United States, the Director of the Bureau of the Budget, and the Secretary of the Treasury approved a joint program containing the following as fundamental principles:

Current accounting and financial reporting are proper functions of the executive branch and accounting systems prescribed by the Comptroller General should be in recognition of this as a fundamental principle;

Audit, independent of the executive branch, is an essential and proper function of the General Accounting Office and properly designed accounting systems are a vital factor to the effectiveness of such independent audit.

Accounting systems should be developed as a cooperative undertaking as an essential to meeting the needs and responsibilities of both the executive and legislative branches of the Government.

At the same time, they announced the following as major objectives of the program:

To provide a body of sound accounting and reporting principles and standards for general observance;

To improve the accounting organizations and the systems of accounting in the various departments and agencies;

To strengthen the facilities and accounting of the Treasury Department as the operating center for current accounting and over-all financial reports of the Government;

To produce more informative financial reports, at less accounting cost;

To improve, simplify, and strengthen the Government's system of audit and control in line with the increased effectiveness of accounting systems;

To coordinate and integrate budget, accounting, and reporting processes.

The following summary, indicative of the kind of progress being made, was recently prepared by the joint working staffs for review by the Comptroller General of the United States, Director of the Bureau of the Budget, and Secretary of the Treasury:

ACCOUNTING PRINCIPLES AND TERMINOLOGY

A comprehensive statement has been prepared dealing with 42 subjects concerning accounting principles and practices and providing the framework for a common terminology. This tentative statement is receiving intensive joint review. Meanwhile, many of these principles are being embodied in the accounting systems of particular agencies, thus providing the benefit of practical experience. Based in part on a joint study and recommendations involving inventory control methods, a separate statement of tentative principles and standards for property accounting is being prepared for early consideration by all Government agencies as a step leading to the establishment of ultimate requirements under the provisions of the Federal Property and Administrative Services Act of 1949.

REPORTING AND BUDGETARY SPECIFICATIONS

Important development work has been done in connection with the concept of performance budgeting and the use of the accrual method of accounting so that adequate recognition may be given to assets, liabilities, and the true cost of performing work and services by functions or activities. This work has taken advantage of the installation of improved systems of accounting and reporting in such agencies as the Bureau of Reclamation (Interior) and Atomic Energy Commission. The Budget Director has approved in principle the use of accounting results on the accrual basis for budgetary presentation subject to a full consideration of its practical implications in three large agencies (of which the Treasury Department is one) before deciding upon time schedules for the general use of data on such a basis for budgetary purposes. In addition, Budget-Treasury Regulation No. 1, dealing with apportionments and reports on the status of appropriations, is being completely revised but will need to be reviewed with agencies before making the revision effective. In this connection, separate reports to the General Accounting Office, relating to such data, are being eliminated. Real progress is being made, subject to the approval of Congress, toward improving the appropriation structure for certain agencies both as to reduction in number of appropriations and as to better budgeting and accounting results.

AUDITING CONCEPTS

In line with its present audit concepts, the General Accounting Office has set up a program for a comprehensive type of audit. This audit program recognizes that the accounting and internal control procedures of each agency are the basic points for effective control of the Government's financial operations. In line with this, it is the policy of the General Accounting Office to utilize audit processes based on an evaluation of accounting systems and the effectiveness of related internal checks and controls in the agencies at the site of operations, to the maximum extent practicable, as a means for fuller and more effective discharge of the Comptroller General's responsibility to the Congress. A new office subdivision has been set up in the General Accounting Office as a means of carrying out the comprehensive audit program. The United States Coast Guard (Treasury) and Maritime Commission have been placed on a comprehensive audit basis. This is in addition to the hundreds of site audits being performed by the General Accounting Office. Various Government-wide requirements for the submission of documents or reports to the General Accounting Office have already been eliminated, and as the comprehensive audit program progresses such present accounting and auditing processes of the General Accounting Office, based on central review and processing of documents and reports originating with agencies, as are determined to be unnecessary or inappropriate will be eliminated or modified.

ORGANIZATIONAL AND STAFFING CONCEPTS

Progress has been made in the application by some agencies of improved organizational and staffing concepts for accounting performance. The importance of this has been recognized in the Department of Defense, Atomic Energy Commission, Economic Cooperation Administration, and General Services Administration. The role and status of accounting have been strengthened also in the Bureau of Reclamation and Bureau of Land Management (Interior) and the United States Coast Guard (Treasury).

LEGISLATIVE RECOMMENDATIONS

Examples of work done on legislative recommendations are the property accounting and audit provisions of the Federal Property and Administrative Services Act of 1949; title IV of the National Security Act amendments of 1949, establishing the controller function and organization with respect to budgetary, accounting, and auditing, along business lines; and consideration of reorganization of accounting and budgeting in the Post Office Department along business lines. In addition, proposals for changes in basic laws needed for carrying out the policies and work of the joint program are being jointly considered.

DISBURSEMENT AND COLLECTION PROCEDURES

Intensive work has been done in simplifying basic procedures for the collection, deposit, disbursement, and audit of funds in certain agencies. Experience is thus gained for wider application of simplified procedures in the Government generally, in coordination with improved internal control procedures and the expansion of comprehensive audit at the site of operations.

Voucher payment, examination, and audit processes with respect to certain agencies have been simplified by adopting a schedule type of voucher on which a number of authorized payments to different payees are listed. This avoids sending many individual vouchers to the disbursing officers. Instead, the individual vouchers are retained in the agencies for either on-the-site audit or direct transmission to the General Accounting Office. In addition, this new procedure is being given a complete test for all agencies served by the Treasury disbursing office in St. Louis in order to evaluate savings in paper work, double handling of documents, and cost of transporting documents, with the view to its possible broader adoption.

Under procedure developed for trial installation in the United States Coast Guard (Treasury), the accounts of operating agencies will be made to serve as the key points of advance control over the spending of appropriations with a corresponding reduction of accounting work on the part of the Treasury and General Accounting Office, and simplification of the control processes now based on the warrants issued by the Treasury Department and countersigned in the General Accounting Office. The practical problems involved are being worked out in connection with the new accounting installation in the United States Coast Guard and the results will be reviewed from the viewpoint of wider application in the Government. This development has great potential advantages not only from the standpoint of economy but also as a means for providing proper integration between the central appropriation and cash accounting of the Treasury Department and the accounting of other agencies as the basis for good composite financial reports for the Government as a whole. If properly developed and installed for the entire Government, the improved procedure has the potentiality of eliminating millions of repetitive handlings and postings of documents each year.

The possibility of introducing an improved and more economical system for reconciling the checking accounts of disbursing officers of the Government is being fully explored by the General Accounting Office and Treasury Department together. In this undertaking all related operations are being considered—starting with the issuance of checks and following through to their final payment, along with the necessary processes of accounting and audit. It should be emphasized that at this stage it is a matter of looking fully into a large and costly operation to see what possibility there may be of strengthening, improving, and simplifying present methods with attendant economy to the Government. Certain proposals and procedures which have been developed are being carefully considered but conclusions as to their merit cannot be reached without a thorough analysis and testing in the light of all operating and policy factors.

Simplified collection procedures, involving elimination of the preparation of schedules of collection and their submission to disbursing officers and the General Accounting Office, have been installed in the United States Maritime Commission and the United States Coast Guard. Wider application of such procedures will follow extension of on-the-site comprehensive audit to other agencies in appropriate circumstances.

Improved and simplified collection controls, based on site audit, have also been installed by the Bureau of Land Management (Interior). Billing and collection procedures in that agency have been simplified and integrated with its control over accounts receivable.

Regulations of the General Accounting Office have been amended to provide for Government-wide discontinuance of the submissions to that Office of advance copies of all schedules of collection prepared by administrative agencies. In addition to the saving in paper work involved in the submission and handling of these documents, there is a saving in eliminating the posting of the collection schedule numbers on the covering warrants issued by the Treasury Department.

ACCOUNTING SYSTEMS OF AGENCIES

Work under the program has been concentrated heavily on the improvement of the accounting systems and procedures of individual agencies. This approach is of great importance not only from the standpoint of benefits to the individual agencies involved but also of providing realistic and practical methods which have stood the test of actual experience for Government-wide application.

A new series of accounting releases has been initiated by the General Accounting Office to accomplish interim modifications of existing regulations and other wise provide a flexible basis for stimulating accounting development by agencies themselves consistent with principles and other broad requirements necessary to effect proper integration of accounting in the Government generally and permit assembling over all financial data on the proper plane. All agencies were advised that the present basic regulations of the General Accounting Office on accounting (General Regulations No. 100) were to be regarded as a flexible starting point for developing improved accounting. This has provided an effective means for revising existing requirements along the right lines and for obtaining the proper degree of initiative on the part of the agencies in contributing to such revisions. Work done along these lines has reached into almost every agency of the Government but only a few of the agencies in which the work has concerned major accounting installations or conversions are cited here as examples.

A completely revamped accounting system for the Bureau of Reclamation (Interior) has been installed. Operations have largely been decentralized to projects, with a resulting reduction of accounting work loads in Washington and the regional offices. Accrual accounting, with development of project costs, has been integrated with appropriation accounting. A completely revised system of financial reporting provides the information needed by management from an operating standpoint and affords the basis for a performance budget in terms of actual costs.

Major revision of the accounting system of the United States Maritime Commission has accomplished a strengthening of the control over all assets and greatly simplified and improved the accounting procedures. Such simplification and improvement has been principally concerned with receivables and related collection procedures, property accounting, trust fund accounting, and the clearing up of sizable backlogs in accounting work. The revisions in accounting procedures have been developed in coordination with application of on-the-site comprehensive audit. Technical improvements have been accompanied by a decrease in the accounting staff.

Work in planning for the accounting system of the Economic Cooperation Administration (before legislation was enacted) contributed to the establishment of the accounting organization at the highest level with the appointment of an outstanding professional accountant as controller. The system, as developed, has been approved in principle and is being reviewed in actual operation in the light of all needs to be served. Features of the system of special interest from the standpoint of the joint program are accrual accounting, decentralization of responsibility for control of expenditures to the points of obligating authority, subject to internal audit by the ECA Controller; and special techniques and methods in the direction of simplified and economical account keeping, reporting, and control.

The accounting of contractors dealing with the Atomic Energy Commission has been integrated with the Commission's accounting system, on an accrual basis, thus avoiding duplication and overlapping. This method of accounting has been coordinated with audit procedures utilizing contractors' books of account in lieu of requiring numerous reimbursement vouchers. Only about one voucher a month is needed, supported by statements which key the voucher into the contractor's account. Operations for the Commission are drawn together on a cost basis and utilized for budgeting in terms of costs and performance with

appropriate reconciliation to total obligations. Accounts have been established for the investment of the Government in capital assets and working capital available for future operations.

Cooperative effort contributed to the development of the provisions of title IV of the National Security Act amendments of 1949, which laid the ground work for a transition to fundamentally improved methods of budgeting, accounting, and reporting for the entire Department of Defense, and established the Office of Comptroller in that Department and coordinated jurisdiction over these functions. Progress is being made, through continuing cooperative effort, in the direction of establishing performance budgeting, accounting in terms of costs on the accrual basis, improved internal control and internal audit, and simplified fiscal accounting and disbursing processes. Full time working liaison has been established from the standpoint of the joint program.

A completely revamped accounting system is being installed in the United States Coast Guard which will provide better control and information, particularly with respect to the cost of operations by programs or activities. Comprehensive audit by the General Accounting Office at the site of operations has been instituted. Collections are being deposited directly with the United States Treasurer thereby eliminating double handling of cash and extra accounting. Further, procedure for controlling and accounting for disbursing funds is being simplified so as to reduce paper work and avoid certain duplication in accounting under present methods which have been traditional in the Government. All that is being done here will be analyzed and reviewed from the standpoint of its wider implications for improving accounting and related fiscal operations in the Treasury and other agencies of the Government.

In the Bureau of Customs procedure for the rendition of collectors' accounts for audit has been improved, providing for a better basis of accounting and overcoming certain administrative difficulties previously encountered. The framework for a revised system of revenue accounting has been developed on the principle of strong internal audit and control, without duplication as between collectors and controllers of customs, and improvement of on-the-site audit by the General Accounting Office.

A complete revamping of the Bureau of Engraving and Printing's accounting system is being cooperatively developed in line with a proposal to give the Bureau a business-type budget with a revolving fund method of financing and comprehensive on-the-site audit by the General Accounting Office. Target is the budget for fiscal year 1952 but conversion cannot take place until executive and congressional policy is finally settled in the light of the planning work being done.

An improvement has been made in the accounting in the Treasury Department for interest on the public debt. The expenditures for such interest are now accounted for on the basis of the interest which becomes due and payable rather than payments made by the Treasurer of the United States. Not only does this provide better accounting results but it also has accomplished savings in processing paid interest coupons.

Constant effort is being directed at improving the classifications and bases for reporting the Government's receipts and expenditures in the Daily Statement of the United States Treasury. The public-debt interest matter is a case in point. The change made in showing refunds as a deduction from receipts rather than as an expenditure is another example. Also considerable work has been done in developing procedures through which a more current classification might be obtained of the expenditures of the Department of Defense which to some extent must now be distributed for precise classifications on the basis of transfer and counter warrants processed about a month after the transactions take place.

A completely revised system of accounting has been installed in about one-fourth of the offices of the United States marshals. Installation work is proceeding in the remainder. Improved control and information are being accomplished with substantially less paper work, through adoption of the new system.

A completely revamped accounting system is being installed in the Bureau of Land Management (Interior). This is being coordinated with application of on-the-site comprehensive audit. Simplified disbursement and collection procedures have been installed and integrated with appropriate accounting control over all receivables.

In addition to the aforementioned illustrative cases, intensive work has been done or is under way with the following agencies in accomplishing more or less complete revisions of accounting systems: General Services Administration

Bureau of Mines (Interior); Department of State (military-assistance program); Department of Agriculture (working capital fund); farmers Home Administration and Rural Electrification Administration (both Agriculture); National Advisory Committee for Aeronautics; Veterans' Administration (both insurance and finance activities); District of Columbia; Housing and Home Finance Agency (Office of Administrator); Bureau of Standards (Commerce); and Selective Service System.

Work has also been or is being done with the following agencies involving the improvement of special phases of their accounting: Immigration and Naturalization Service (Justice); Geological Survey and Bureau of Indian Affairs (both Interior); Post Office Department; Bureau of Census and Civil Aeronautics Administration (both Commerce); Federal Security Administration; Interstate Commerce Commission; Smithsonian Institution; Federal Power Commission; and Bureau of Internal Revenue (Treasury).

It is impractical to list the many procedural improvements and simplifications which are being accomplished as a day-to-day proposition of dealing with the accounting problems and work of the various agencies of the Government under the influence and guidance of the policies and objectives of the program. Contacts reach into almost every accounting operation of the Government and hundreds of improvements and simplifications in forms and procedures are being accomplished as a normal course of business—to a considerable extent as the result of proposals originating with the various administrative agencies. A vigorous day-to-day attack is continuing on unnecessary and antiquated methods.

SPECIAL ASPECTS OF ACCOUNTING

In connection with general developmental work under the program and the actual installation of improved accounting systems in particular agencies, considerable attention has been given to various aspects of accounting having Government-wide import. Their application is important in the interest of improved accounting results and the simplification of accounting processes.

Progress has been made in the practical application of accrual accounting. Such method of accounting results in having the accounts and reports of agencies reflect, classify, and analyze expenditures of appropriated money in terms of amounts of goods and services received, not simply contracted for or ordered. Expenditures under the accrual concept represent disbursements in combination with unpaid liabilities. Inventories acquired are taken up as assets and recorded as costs when they are applied to specific purposes. Accounts receivable and other controls over money due the Government are also factors. Actual experience is providing a basis for reviewing Government-wide application of accrual accounting to both expenditures and receipts. Development of accounting in this direction is leading to simplification of accounting for obligations and commitments and enabling the latter type of accounting better to perform its primary function of control to avoid overspending of appropriations or other limitations. These developments in accounting should ultimately make it possible for the Executive, the Congress, and the ordinary citizen to have a much better idea of the actual costs of the work and services the Government performs.

The establishment of effective control over Government property is a special and important phase of the application of the accrual method of accounting. A comprehensive joint study and report on the property accounting problem was completed, in June 1949, by the Bureau of the Budget, Treasury Department, and General Accounting Office and was made available to all Government agencies after obtaining concurrence by the General Services Administration which was created by the Federal Property and Administrative Services Act of 1949. Further cooperative working arrangements have been established with the General Services Administration in this area. The report reflects comments and suggestions of all Federal agencies and various outside professional groups (such as the Controllers' Institute, American Institute of Accountants, and others). It provided the basis for much of the work done in connection with the Federal Property and Administrative Services Act of 1949. It has also been used as a guide in specific work done in developing the property phases of accounting in certain agencies. A tentative statement of property accounting principles and standards required to be established by the General Accounting Office under the aforementioned act is being prepared and will be issued to agencies for comment in the near future. Provision has been made for the assignment of staff of the Corporation Audits Division of the General Accounting Office to make surveys and initiate cooperative work with various agencies for the development of improvements in property accounting. This will be continued with other agencies.

big systems work under the program and with the development of appropriate on-the-site property audits.

There has been much progress in decentralizing accounting operations to the points of operating responsibility in agencies so as to make accounting more useful for purposes of current management. This has been done by using "branch office" accounting techniques, common to business, and has resulted in substantial savings from elimination of duplicating and overlapping accounting records as between central offices and field offices. In the systems used, each segment of the accounting system is interlocked into the system as a whole by means of reciprocal accounting relationships, thus providing an effective basis for internal control and for composite reports derived through consolidation of interlocking individual statements. Repetitive recording of transactions (either on a summary or individual transaction basis) and maintenance of many forms of memorandum records have been eliminated with resulting economy. Steps are being taken to obtain general adoption of this principle for the accounting structure of the entire Government.

One of the important objectives of the program is to effect proper integration between certain accounting of the Treasury Department and the accounting of other agencies. It is intended to accomplish this, first, by effecting reconciliations between the accounts of each agency and those of the Treasury Department pertaining to appropriations, disbursing funds, and receipts and repayments; second, by developing interrelated accounting processes which will avoid or simplify aspects of such reconciliations and establish necessary accounting relationships in the direction of coordinating central reporting for the Government as a whole. A start has been made on tying into the appropriation and receipt accounting of the Treasury Department the related accounting of other agencies through reconciliations of the records as they now exist. In line with this approach, provision has been made by the General Accounting Office for eliminating various present requirements for the submission of reports to that office. Present requirements for the submission by agencies of transcripts of their appropriation accounts will be eliminated. Requirements for the submission of reports on the status of appropriations and trial balances have been eliminated for many agencies in which accounting systems have been developed and approved. Government-wide elimination of these latter reporting requirements has been approved in the General Accounting Office and will take effect shortly. Reporting requirements relating to disbursements according to appropriation limitations are being eliminated on an agency by agency basis wherever comprehensive or other site audit has been started or where certification has been made by the General Accounting Office that an adequate system of control over limitations is in effect in the agency and arrangements have been made for the periodic inspection of such system.

Cooperative work has been done and is continuing in developing hospital accounting in agencies on an appropriately integrated basis with reporting requirements of the Bureau of the Budget with respect to costs of various phases of hospital operations. This work is being done with a view to the needs of management for cost data in day-to-day administration.

Suggested forms and procedures for developing cost data in connection with the acquisition and operation of motor vehicles have been developed in collaboration with the Intergovernmental Motor Equipment Committee. These suggested forms and procedures have been distributed to agencies and are intended to be used as the basis for the cooperative development in each agency of appropriate procedures for accumulating needed management data as well as for reports to the Bureau of the Budget.

CENTRAL ACCOUNTING AND REPORTING

Joint work is now starting in framing the outlines of the central reporting system for the Government and such central accounting as may be necessary. This involves arriving at conclusions concerning the nature and principles of the central system, taking into consideration all work that is now being done in different fields under the joint program and the evolutionary implications of such work with regard to central reporting and accounting. This is a necessary first phase of one of the most important but challenging undertakings of the program. The conclusions reached are to be presented for policy consideration as to both scope and principles of the central system and a program for its development and installation. Certain of the projects previously mentioned have a special significance for the central system. The work under way on performance budgeting and the application of accrual accounting will have

an important bearing. Interim changes which have been made in the principles underlying the preparation of the daily Treasury statement have important implications, such as the new basis of accounting for expenditures for public debt interest as it becomes due and payable, the treatment of refunds as deductions from receipts, and the more current classification of expenditures on the basis of checks issued rather than checks paid. The installation or conversion of accounting systems in such places as the United States Coast Guard, Bureau of Reclamation, Department of Agriculture, and Bureau of Customs is providing a practical means of working out the necessary processes for reconciliation or integration of agency accounting with the central appropriation and cash accounting of the Treasury which is essential if over-all financial data is to be compiled on the proper basis.

Since a basic concern of this program is the improvement of accounting, the General Accounting Office has a leading role by virtue of the Comptroller General's legal responsibility for prescribing accounting systems. His staff, therefore, must bear the brunt of the work of the three central fiscal agencies involved in the Government-wide accounting field. This work, however, is so intertwined with the legal responsibilities and interests of the Treasury Department and Bureau of the Budget in related aspects of the program, having to do with operating accounting, budgeting, and fiscal administration, that appropriate participation in the accounting systems work and continuing three-way exchange of views and technical consultation is essential.

One of the prime requisites of accounting in the Government is to develop reliable information and control in connection with the formulation, enactment, and execution of the national program of the Government. Therefore, the active participation of the Bureau of Budget is essential to the development of accounting requirements in proper relation to improved budget administration and the needs of management. Bureau of the Budget participation also contributes further to the program by providing assistance in connection with management problems which are related to accounting development.

The Treasury Department has a vital interest in the results to be achieved under the program. It is essential that the full potentialities of the Treasury Department's accounting and reporting be developed so as to enable the Department to fulfill its important fiscal responsibilities and furnish current financial information regarding the operations of the Government as a whole. The manner in which this is done will have an important bearing on the determination of general requirements to govern accounting and reporting by other agencies of the Government. It is significant that the Treasury Department has a dual role in participating in the program. By joining with the General Accounting Office and Bureau of the Budget in taking leadership in the program, the Department carries a degree of responsibility in seeing that the program goes along in the right direction and that everything possible is done to make it successful in terms of worthwhile accomplishments. On the other hand, the Department is in the same position as any other operating agency of the Government. It is confronted with the same question of improving its accounting as a legal matter. There is, however, this difference: by virtue of its dual role it behooves the Treasury Department to set an example in making a progressive attack on the problem of acquiring a model accounting system of its own. As a leader in the program there is no excuse for expecting other agencies with operating accounting responsibilities to do a better job than the Department itself is doing.

The heads of all departments and agencies in the executive branch have designated responsible representatives through whom arrangements for the effective and continuing participation of the various agencies in the program are handled. It is important to have such central points through which the viewpoints of each agency may be obtained and contact maintained. Much more, however, is needed. The success of the program depends a great deal on how seriously the individual departments and agencies of the Government take their responsibility for developing and maintaining efficient accounting organizations and systems both for their own purposes and to supply essential information for the budgetary and fiscal administration of the Government generally. Progress under the program will be measured in no small degree by the extent to which the necessary effort toward better accounting is generated by each individual department and agency itself.

Secretary SNYDER. The bill under consideration today, H. R. 9038, embodies in all essential respect, the policies and objectives of the cooperative program to which I have referred, and I firmly believe

that this legislation, if enacted, will provide a solid foundation in law for continuing to build the most efficient budgeting, accounting, reporting, and auditing system for the Government.

Moreover, the legislation makes provision for certain flexibility which is needed for putting into effect more economical and efficient accounting and auditing procedures so as to obtain maximum benefits from work that is going forward under the cooperative program.

A feature of the bill, with which I am impressed, is that a clear division of responsibility and duties is established while at the same time provision is made for the exercise of such duties and responsibilities in proper relationship and in harmony with common objectives. This is essential if the Government's work is to be performed efficiently on the basis of an integrated financial system.

As far as results are concerned, it is my opinion that under the proposed legislation, the long-range accounting objectives of the Commission on Organization of the Executive Branch of the Government will be accomplished.

The CHAIRMAN. Thank you, Mr. Secretary.

Mr. KARSTEN?

Mr. KARSTEN. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Hardy?

Mr. HARDY. No questions.

The CHAIRMAN. Mr. Bonner?

Mr. BONNER. No questions.

The CHAIRMAN. Mr. Donohue?

Mr. DONOHUE. No questions.

The CHAIRMAN. Mr. Burnside?

Mr. BURNSIDE. No questions.

The CHAIRMAN. Mr. Lavre?

Mr. LAVRE. No questions.

Mr. HARVEY. Mr. Secretary, do you anticipate that this will make the duties of your office more effective, insofar as your responsibilities are concerned for meeting the requirements of our Federal budget?

Secretary SNYDER. The effect on the Treasury Department comes more after the budget is passed on, rather than before. It will enable us, though, to furnish figures to the Congress more readily and more accurately in the preparation of future budgets in giving them the history of the performance of past budgets.

What will help us here in the Treasury Department, that is, in Mr. Bartlett's section, will be that he can more readily arrive at composite figures on certain phases of operation of the Government, of all the agencies; whereas, as I mentioned previously, many times in calling for specific figures as to a certain type of operation, we find we have to make many adjustments between agencies' accounting systems in order to arrive at a composite figure for the Government as a whole.

That is one of the principal places in which it will enable the Treasury Department's accounting system to be improved. It will allow adjustments there and will allow coordination between agencies.

We have gone a great distance already in accomplishing that, as is demonstrated in the report which I presented to the Appropriations Committee earlier in the year and which I am making part of this testimony.

Mr. HARVEY. Well, it is your duty to meet the revenue requirements to operate our Federal budget.

Secretary SNYDER. That is correct. That is the primary responsibility of the Treasury.

Mr. HARVEY. I could imagine that one of your greatest problems in anticipating these needs is to have a firm budget.

Secretary SNYDER. That is correct.

Mr. HARVEY. And, of course, one of the greatest difficulties in anticipating the requirements is in the form of our deficiency appropriations.

Secretary SNYDER. That testimony, of course, has been touched on by the Comptroller General's office, and it certainly can be expanded to a great extent by the Bureau of the Budget in giving you expert advice and counsel on that.

From our point of view, it tends certainly in that direction, because that is one of the specific directives, to try to aid and extend the deficiency laws to date that are already in effect, and are extended by the provisions.

Mr. HARVEY. Do you think that this bill will have a tendency to reduce deficiency expenditures?

Secretary SNYDER. I could not speak with authority on that, but I expect the Bureau of the Budget, or Mr. Bartelt, in his capacity as Fiscal Assistant Secretary, could give you that information.

Mr. BARTELT. I think that might be answered in a general way by saying that under the proposed comprehensive accounting and auditing system, the Comptroller General will be much closer to the points of operations in that he will have his auditors in the various departments. Those accounts having been established according to the principles and standards which he would lay down, it seems to me that he could set out procedures which would make it possible to disclose the probability of deficiencies earlier than might otherwise be the case.

Moreover, he, being closer to the point of operations, I think would be in a position to advise not only the Congress with respect to that matter, but also the Bureau of the Budget.

There is no accounting system in the world that will prevent a deficiency. The prevention of a deficiency is to a large extent an administrative matter.

But I would say that the accounts should be in such form and condition as to develop that information for use by the responsible officers concerned.

Mr. HARVEY. In other words, what you are saying is that this would not help cure deficiencies. It will just help you to anticipate them and probably raise the required revenue easier.

Mr. BARTELT. I would say that accounting is only a tool of management. Accounting will not prevent anything. Men prevent things. But a good system of accounting, which is something the Government sorely needs, certainly will disclose the type of information that you have in mind, that ought to be helpful in making proper administrative decisions.

Mr. HARVEY. Thank you.

Mr. HARVEY. Right on that point, do I understand you to mean that this proposal would enable the Congress, through the Comptroller General, to anticipate deficiencies based on the trend of expenditures in the past?

Mr. BARTELT. I think, sir, that is a very correct statement. The Comptroller General will be much closer to the various points of operation than he is now.

Mr. HARDY. So that to the extent that the Comptroller General or the Congress could prevent deficiencies, they would have some advance notice which they do not now have; is that correct?

Mr. BARTELT. You are certainly correct.

The CHAIRMAN. Mr. Richman.

Mr. RICHMAN. No questions.

The CHAIRMAN. Are there any other questions by the committee members of Mr. Bartelt?

Secretary SNYDER. Mr. Chairman, Assistant Fiscal Secretary Bartelt and Mr. Calk will be available here for any detailed information the committee may wish.

The CHAIRMAN. Thank you.

Secretary SNYDER. I wish to thank the committee very much for hearing us today.

The CHAIRMAN. Our next witness will be one who is well known to this committee, and who has testified before us previously, on other occasions, and whom I know we are all happy to welcome back among us. Hon. Frederick J. Lawton, Director of the Bureau of the Budget.

STATEMENT OF FREDERICK J. LAWTON, DIRECTOR OF THE BUREAU OF THE BUDGET

Mr. LAWTON. Mr. Chairman and gentlemen of the committee, this bill H. R. 9038 is similar to the Senate bill reported yesterday, which was the result of about 6 months of study by the staff of that committee and the staff of the three agencies represented here this morning. It flowed from an original bill introduced by Senator McCarthy, which was considered earlier this year by the Senate committee.

Its provisions are, in the main, as far as the budgeting provisions are concerned, very similar. With respect to the accounting provisions, they are quite different.

The committee asked for a study to be made of that earlier bill, and it was made in cooperation by the three agencies and the staff of the committee. As a result a bill identical with H. R. 9038 was considered yesterday and reported unanimously by the Senate committee.

This bill represents, as the Secretary of the Treasury and the Comptroller General have stated, a real advance in budgeting and accounting legislation.

As to the budgeting side, which is embodied in part 1 of title I, it emphasizes the policy of Congress that the form of the budget should be primarily on a performance or a function and activity basis, that there should be a segregation of capital and investment programs from operating programs, that the timing for presentation of the budget to the Congress is changed from the first day of the session to the first 15 day of the session, and that more emphasis is given to administrative management and improvement. It also strengthens, in accordance with the Hoover Commission report, the functions of the Bureau of the Budget with respect to improvement of statistical activities.

The phase of the bill relating to appropriations, which is title II of the bill, provides for the transfers which were discussed here earlier

this morning. This transfer provision followed from the Hoover Commission proposals, and is also based on provisions now in appropriation acts in some cases and in basic law in others. It is a provision which is a matter for the judgment of Congress as to whether it wants to allow that flexibility, or not. It is one of the things that might prevent some of these small overruns of appropriations which are in the nature of true deficiencies, as distinguished from supplemental appropriations, which are not deficiencies but result from enactment of new laws and things of that sort.

The provision of section 203 with respect to reserves has been enacted by the House in substantially similar form in section 111 of the omnibus appropriation bill, which has been reported by the Senate Appropriation Committee and is pending now before the Senate.

If that provision is enacted into law, we would recommend that section 203 be stricken from this bill.

The repealer provisions are largely technical in their nature and result from items still carried in the code which, in our opinion, in a great many respects have been either countermanded or repealed completely inoperative by either the Budget and Accounting Act itself, or by subsequent legislation dealing with appropriations and fiscal affairs.

There is one provision to which I want to call your attention in the repeals, and that is in No. 86, page 33, line 24, that repeals the so-called personnel ceilings law. The establishment of personnel ceilings has become somewhat an archaic exercise because of legislation that Congress has made in the basic law that required the establishment of such ceilings. This is a matter which can be much better handled through fiscal procedures than through an entirely separate procedure dealing with the same things with which appropriations and fiscal procedures deal.

I just want to add my endorsement to that of the Secretary of the Treasury and the Comptroller General to this bill. I feel that, as I said before, it is a distinct step forward. It is a bill that makes no attempt to revive old sores or old issues on questions of jurisdiction between various agencies of the Government, but it represents the fruit of a genuine cooperative effort that has been going on for 3 years now in the accounting field.

We have felt that it is the real practical solution, laying aside any theories that may be involved in it, that it is a practical solution to the problem and is in accordance with determinations that Congress has made and remade several times as to the control of accounts.

That completes my statement, Mr. Chairman.

THE CHAIRMAN. Do you have any questions, Mr. Karsten?

MR. KARSTEN. No questions, Mr. Chairman.

THE CHAIRMAN. Mr. Hardy?

MR. HARDY. No questions.

THE CHAIRMAN. Mr. Bonner?

MR. BONNER. No questions.

THE CHAIRMAN. Mr. Donohue?

MR. DONOHUE. No questions.

THE CHAIRMAN. Mr. Burnside?

MR. BURNSIDE. No questions.

THE CHAIRMAN. Mr. Loper?

MR. LOPER. No questions.

The CHAIRMAN. Mr. Harvey?

Mr. HARVEY. Yes, Mr. Chairman.

You spoke, Mr. Lawton, about a Senate amendment that might be a very effective substitute for section 203. Could you tell me something about that proposed amendment?

Mr. LAWTON. It is not a Senate amendment. It has passed the House already, section 1111 of the omnibus appropriation bill.

The Senate Appropriations Committee has reported it out. It is now pending before the Senate, of course, and apparently no opposition has been shown to it, as far as I know. The Senate Appropriations Committee has approved it, as well as the full House.

Mr. KARSTEN. Will the gentleman yield?

Mr. HARVEY. Yes.

Mr. KARSTEN. In that connection, would it not be desirable not to have identical laws passed, but we should pass either one or the other?

Mr. LAWTON. It should be passed in the other bill, for the reason that it is a part of the re enactment of the antideficiency bill.

Mr. KARSTEN. The other bill is stronger, too, is it not, surrounding that section?

Mr. LAWTON. It is a little bit stronger. But the main point is that it is tied in directly with the apportionment procedures in that bill. It is right in the apportionment section of that bill, which provides the mechanism through which these reserves are established, and it ties much better there than it would by having a separate piece of legislation here.

Mr. KARSTEN. This bill would not destroy its effect in any way at all, would it?

Mr. LAWTON. Not if it is enacted in section 1111. If it is not enacted in that section, we would recommend it here.

Mr. HARVEY. Are you through, Mr. Karsten?

Mr. KARSTEN. Yes.

Mr. HARVEY. Will the performance budget make for easier presentation to the Congress?

Mr. LAWTON. It should make not only for easier presentation, from the viewpoint of understandability, but it gives the Congress the kind of information that we feel and that the Hoover Commission felt Congress really needs to pass on the budget.

The question was brought up a few minutes ago about the national service life insurance costs. The same thing is true of the cost of the administration of the GI bill, the administration of hospital services, the administration of other things in the Veterans' Administration.

In the performance budget, what you would have as a primary classification would be the operations that the Veterans' Administration conducts.

What is of interest to Congress, we feel, is how much the Veterans' Administration is spending to run the GI bill, how much it is spending for insurance, how much it is spending for hospital services, how much it is spending for the administration of pensions.

Under the present accounting system, or the accounting system heretofore in existence, you could not get that kind of information because the accounting system was geared to how many pencils they bought, how many miles they traveled, and things of that sort.

In the performance budget, that becomes the secondary classification. We still get the information, but it becomes secondary, not primary.

Mr. HARVEY. I will agree with you. I think you have a very worthwhile objective. But the SGI question that now comes up is: How far will your Bureau go in actually preparing the budget, getting at these very costs that are more or less incidental, so far as the general public and the Congress are concerned?

Mr. LAWTON. We try to do it to some extent now. We tried this year. Of course, this year's budget was based on a function and activity basis. To the extent that we had workload and unit cost information available, we put it in.

For example, for the division of disbursement we show the workload that will come from the main sources, from the Social Security Act, from the Railroad Retirement Act, the Veterans' Administration, and those classes of checks and receipts that the disbursing office gets. We have a unit cost operation for the handling of those checks.

We show that unit cost operation in the budget. It is information that has been available heretofore. It has for some time been furnished to the Appropriations Committees.

But we now furnish it in the budget so that Congress, when the budget comes out, will know what the budget is asking be appropriated in those areas. They will know what the workload is, what the change in the workload is, what the unit cost in handling the workload is. That is the unit cost basis. You cannot apply that to every agency.

Mr. HARVEY. That was to be my very next question.

I am wondering, from the standpoint of effective budget preparation, whether the theory of the unit cost will be (a) a cumbersome and costly preparation and (b) whether comparable unit costs will be really comparable.

Mr. LAWTON. In mass operations, large-scale operations, such as, for example, handling of claims, which is done, for example, under the Social Security Act, and done under the Railroad Retirement Act, under the Veterans' Administration—

Mr. HARVEY. Comparable administrative procedures.

Mr. LAWTON (continuing). And where there is a mass operation, a large-scale operation, then you can get real value out of the unit cost data.

But to take, for example, a small unit of Government such as the Bureau of the Budget. To try to operate our work on a unit cost basis, with the variety that each of our divisions handles, that cuts across our organizational lines, we could easily spend much more money than it would be worth in trying to have a unit cost operation, show, for example, how much it costs to handle a particular estimate.

Mr. HARVEY. How many staff members do you have, Mr. Lawton, in the Bureau of the Budget?

Mr. LAWTON. Five hundred and twenty.

Mr. HARVEY. Do you anticipate that should this piece of legislation be enacted, that it will enable you to operate with less personnel?

Mr. LAWTON. No; I do not.

For example, if we get better information on which to operate we can do a better job, because it will be more accurate.

Mr. HARVEY. Will it increase the number of personnel required?

Mr. LAWTON. No; it will not. It does not affect our personnel. It gives us a better product and better information on which we can judge the validity of requests, because we can go behind present weaknesses

in the accounting system and on the basis of stronger accounting get more accurate information.

Mr. HARVEY. A great deal of the expenditures in many of the departments are so-called housekeeping expenditures. Will the Public Law 152 and the activities of the General Services Administration be integrated effectively? Can they be integrated effectively with this new budgetary procedure?

Mr. LAWTON. Yes, they can be and are being integrated. We have for the past 2 or 3 years been operating on the basis of staffing standards for certain housekeeping activities. Those housekeeping activities primarily considered so far are operations of personnel offices, payroll work, vouchering, certain parts of the procurement operation, warehousing, and things of that sort.

With the assistance of General Service Administration in the case of the property items and the Civil Service Commission in the case of the personnel items, we are attempting to establish and find out the definite costs that it ought to take to operate those activities that are common to all agencies, and if any of them are out of line, to dig in and find the reason why they are out of line and change them.

Mr. HARVEY. I have just one final question, and that goes back to that section that gives the 5 percent leeway.

Mr. LAWTON. Section 201, page 18.

Mr. HARVEY. It would be agreeable with you to eliminate that section, would it?

Mr. LAWTON. Yes.

Mr. HARVEY. That is all, Mr. Chairman.

Mr. KASTEN. On that point, I would like to ask: Could you explain the reason why we do this today in some of the departments? It is my understanding if you have a program and it changes, the money is not available unless you would have a clause of this kind; is that correct?

Mr. LAWTON. Well, it varies. There is sometimes no real rhyme or reason to the appropriation structure, in the first place. Last year there were 56 appropriations in the Post Office Department, and now there are only 4. That is a real improvement because it separated transportation costs, segregated them into one fund. That is desirable because they are not under control, so far as the Post Office Department is concerned. ICC fixes the rates, and the Civil Aeronautics Board fixes the rates, and the Post Office pays them.

In the case of operations, they are also separated. So that in the Post Office Department, you would not now have cases there where you have the same necessity for transfers that you had when there were 56 appropriations.

Mr. KASTEN. Could you transfer funds under the existing four appropriations without this authority?

Mr. LAWTON. No.

Mr. KASTEN. If you needed additional money to transport the mail you would have to come to Congress and get permission to take it out of the funds for general operations or personnel for the transport of the mail, would you not?

Mr. LAWTON. The real operation function is embodied primarily in one appropriation. There is one for operations, one for overhead, one for claims, and one for transportation costs. The one for opera-

Ops is the huge one. Transportation costs are fixed by agencies outside of the Post Office Department. I think Congress wants to look at those separately; they usually have. It is not the kind of thing you would transfer. Since operations are together in one major appropriation, you can transfer between the operations of one post office and another post office, or between the purchase of equipment. If you need more trucks you can have them as against having the personnel.

But in the Veterans' Administration where you have a single appropriation for the operation of the Veterans' Administration, you have all the flexibility you need.

Mr. KARSTEN. When you say flexibility, that is more flexibility than you have here, I suppose.

Mr. LAWTON. Yes, much more, sir.

When you come to Agriculture, where funds are segregated into a lot of departmentalized appropriations, they have the basic authority to make transfers.

Mr. KARSTEN. Where you have a general appropriation that may be used within the agency for any purpose you do not need the authority as you have here, do you?

Mr. LAWTON. The basis for this authority, as it originated in the Hoover Commission thinking—

Mr. KARSTEN. This was a recommendation of the Hoover Commission, was it not, based on their report?

Mr. LAWTON. Their bills that were supposed to carry out their recommendations contained this transfer provision. But the philosophy behind that was that they were stating that there should be greater flexibility on the part of the head of the department to manage and operate his department.

To that extent, this limited transferability was supposed to be an ultimate advantage. It would also have the effect, as we would use it—and we have used such existing authority in connection with pay acts and things of that sort—to require transferring to offset additional requirements in one appropriation where they might have a little extra money in another.

We would use it for that purpose, I think, just as we have offset pay act costs by transfer between appropriations heretofore.

But in many of those cases the recommendation went to Congress to do it. With this provision, we could require the agency to take it away from one appropriation and give it to another, up to 5 percent.

The CHAIRMAN. Are there any other questions?

Mr. DONOHUE. That is within the same agency, is it not?

Mr. LAWTON. Definitely.

Mr. DONOHUE. So this is not a performance budget or a segregated budget.

Mr. LAWTON. That transferability provision can operate under any form of budget, whether it is performance or not.

Mr. DONOHUE. But it is sort of general in scope. It is not related to the question of performance or activity schedules, as distinguished from object schedules.

Mr. HANBY. In the case of the Department of Defense, you might have appropriations switched from one arm of the service to another within the 5-percent limitation under that provision, might you not?

Mr. LAWTON. I would think this would apply in each of the departments. You see, each of those is still a department.

Mr. HARDY. They are still departments you say. Nobody knows quite what the status is.

The CHAIRMAN. Mr. Riehlman?

Mr. RIEHLMAN. Mr. Lawton, you referred to the Post Office Department. With respect to this past year when their request was made for funds, it was under four headings; is that correct?

Mr. LAWTON. That is right.

Mr. RIEHLMAN. The one I was interested in particularly was that dealing with transportation. The rates are set by the ICC and the CAB; is that correct?

Mr. LAWTON. That is correct.

Mr. RIEHLMAN. Under this new performance budget, would it be possible for the members of the Appropriations Committee to find out the exact cost or subsidy for the transportation of mails through the airlines and the railroads?

Mr. LAWTON. It could be done. You can do that with or without performance budgeting. There is a law pending now to separate mail pay from subsidy. But that sort of thing can be done. That is a matter of judgment rather than strict accounting because it really means an analysis of the carriers' operations, and it is an after-the-fact determination. A separate appropriation could be made for it. There is an independent bill before the Congress, which would separate the appropriations for subsidy from those for transportation and put the subsidy appropriations elsewhere.

Mr. RIEHLMAN. Under the present budgeting system, or under this performance budget, that is not broken down, is it?

Mr. LAWTON. There is an attempt made to break it down in an analysis, which we prepared in the budget, of the capital investment and other types of operations. This would get you into the position, I think, as soon as the accounting develops the reports and as soon as the difficult determination is made as to what actually constitutes a subsidy, of segregating operating from other programs.

Mr. RIEHLMAN. That would include the subsidy, of course.

Mr. LAWTON. Yes.

Mr. RIEHLMAN. Thank you.

The CHAIRMAN. I have here a statement from Mr. William Finan, who is Assistant Director of the Bureau of the Budget for Administrative Management.

STATEMENT OF WILLIAM F. FINAN, ASSISTANT DIRECTOR OF THE BUREAU OF THE BUDGET FOR ADMINISTRATIVE MANAGEMENT

The CHAIRMAN. Did you wish to read your statement, Mr. Finan, or to make a supplemental statement?

Mr. FINAN. I can read the statement, or leave it with the committee, whatever you decide.

The CHAIRMAN. I suggest that, since we have your printed statement, we can take that under consideration.

Would you like to make any verbal statement in addition to that, in the light of the testimony you have heard?

Mr. FINAN. I do not believe so, Mr. Chairman.

The CHAIRMAN. Thank you very, very much, gentlemen.

(The statement referred to follows:)

STATEMENT OF WILLIAM F. FINAN, ASSISTANT DIRECTOR OF THE BUREAU OF THE BUDGET FOR ADMINISTRATIVE MANAGEMENT

Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear before your committee to discuss provisions of H. R. 9038. The Director of the Bureau of the Budget has expressed his general endorsement of H. R. 9038. In this statement, I will set forth in more detail the views of the Bureau of the Budget on part I of title I and on title II of the bill pointing out how they differ from present requirements and practice, and I will also speak briefly on those sections dealing with accounting, which are being covered in detail by representatives of the Treasury Department and the General Accounting Office.

Additional legislation, for the most part, is not needed to permit continued improvement of the budget process and the budget document along lines recommended by the Hoover Commission. On the other hand, H. R. 9038 brings up to date and clarifies various budget statutes, and includes desirable provisions dealing with recommendations of the Hoover Commission. As such, the bill gives strong backing to constructive budgetary improvements now under way.

The principal provisions of the first part of title I are those modifying slightly the date for submission of the budget to Congress, giving statutory direction for the presentation of the budget on a performance basis and emphasizing the role of the Bureau of the Budget in assisting the President to improve agency statistical activities and Government organization and management. Other provisions serve merely to bring up to date and clarify a few sections of the Budget and Accounting Act of 1921 and one section of the Government Corporation Control Act of 1945.

The first section of this part, section 101, amends section 2 of the Budget and Accounting Act to add a definition of the term "appropriations," making it clear that the term is intended to include, in appropriate context, funds and authorizations to create obligations by contract in advance of appropriations.

Section 102 includes amendments to eight other sections of the Budget and Accounting Act. The first of these revises section 201 of the Budget and Accounting Act to permit the budget to be transmitted to the Congress during the first 15 days of each regular session instead of on the first day as presently required. This provision gives the President desirable flexibility in timing the submission of the state of the Union message, the Economic Report, and the budget. This amendment also specifies certain kinds of information to be included in the budget. While the requirements presently set forth in section 201 of the Budget and Accounting Act are slightly amplified and modified, for the most part they are continued unchanged or are changed merely to clarify wording. Two new requirements would carry out recommendations of the Hoover Commission one specifying that the budget document set forth functions and activities of the Government in order that the budget be presented on a performance basis, and the other requiring a segregation of operating and of capital and investment programs. Those requirements are in line with existing practice and with plans for further improvement of the budget document. One other added requirement calls for the inclusion of summary information that would permit reconciliation of expenditures with proposed appropriations. Such information would show the Congress the relationship between expenditures and the appropriations proposed in the President's budget. While not included in past budgets, information of this type has been presented to the House Appropriations Committee for the past several years.

The Bureau of the Budget concurs in the requirements as prescribed in this amendment.

We are also in agreement with other amendments to the Budget and Accounting Act set forth in six additional subsections of section 102.

Subsections (b) and (c), which amend sections 203 and 207 of the Budget and Accounting Act relating, respectively, to the submission by the President of proposed supplemental and deficiency appropriations and to functions of the Bureau of the Budget in preparing the budget and appropriation requests, do not change the present law except to clarify terminology and eliminate an obsolete provision relating to the alternative budget for fiscal year 1923.

Subsection (e), which amends section 204 of the Budget and Accounting Act, provides a desirable clarification with respect to the authority of the President to determine the contents, order, and arrangement of proposed appropriations and statements of expenditures included in the budget.

Subsection (d) amends section 205 of the Budget and Accounting Act to eliminate an obsolete provision pertaining to submission of the 1923 alternative budget and to substitute a requirement that the President submit to the Congress supplemental notes and tables whenever a basic change is made in the form of the budget. Such supplemental notes would be designed to show where various items embraced in the budget for the prior year are contained in the new budget.

Subsection (f), which amends section 214 of the Budget and Accounting Act, makes the head of each department and establishment responsible for preparation and submission to the Bureau of annual and supplemental or deficiency appropriation requests. This amendment brings provisions of the Budget and Accounting Act in line with recommendations of the Hoover Commission stressing responsibility of department heads for budget formulation.

Subsection (g) amends section 215 of the Budget and Accounting Act to permit the President to set the date for submission of departmental appropriation requests to the Bureau of the Budget instead of requiring their submission on September 15. This change is desirable in that it permits flexibility in setting the date for submission of departmental appropriation requests to the Bureau.

The final amendment to the budgeting provisions of the Budget and Accounting Act, contained in subsection (h), revises section 216 which requires departmental appropriation requests to be prepared and submitted in such form and detail as the President may prescribe. This amendment merely clarifies the language of the existing section.

Section 103 would permit a department head, during the two fiscal years following passage of the bill, to make such transfers and adjustments between appropriations available to his department as might be needed in effecting a conversion to the performance-type budget provided for in this bill. These transfers would be subject to the approval of the President and would be reported currently to both the President and the Congress. This section extends to civilian agencies of the Government authority vested in the Secretary of Defense by the National Security Act amendments of 1949. The Bureau has no objection to this provision. We do not anticipate that there will be extensive use of the authority inasmuch as the situation facing the Government as a whole is somewhat different from that involving the unification of the three military departments.

The Bureau endorses section 104, which authorizes the President, through the Director of the Bureau of the Budget, to develop programs and to issue regulations and orders for improving statistical activities in the executive agencies. The Bureau is also in agreement with section 105, which emphasizes the Bureau's role of assisting the President to improve the organization and management of the executive branch. These sections are in line with recommendations and findings of the Hoover Commission. We do not, however, interpret them to vest new functions in the Bureau of the Budget, nor as representing a substitution for existing authority of the President.

Section 106 amends the Government Corporation Control Act of 1915 to make its provisions relative to the date for submission of corporation budgets to the Bureau consistent with section 102 of this bill. This section is a desirable inclusion in H. R. 9038.

With respect to title II of the bill, it includes sections modeled after certain provisions of the National Security Act amendments of 1949 and other provisions designed to carry out recommendations of the Hoover Commission.

The Bureau has no objection to section 201, which would allow a 5-percent interchange among appropriations of any department or establishment. In view of improvements already made in the appropriation pattern and others that will be proposed, we feel, however, that there will be less need for interchange authority in the future than was the case in the past.

It is assumed that this provision does not supersede provisions of existing law which authorize transfers between appropriations of an agency under specified conditions. If this assumption is correct, we would suggest that the matter be clarified by an indication in the committee report.

Section 202 would require the approval by the head of an agency of requests by any unit of the agency for legislation which would authorize appropriations. This is in accord with the views of the President and the Hoover Commission on the responsibilities of department heads and is consistent with present practice.

Section 203 is intended to clarify the President's authority to promote economy and reduce expenditures through the establishment or modification of a reserve from appropriations made to the executive branch, so long as he determines that the purposes intended by the Congress will be accomplished by the expend-

ture of amounts smaller than were appropriated. This section adopts a proposal of the Hoover Commission which recommended that the legal basis for this authority of the President should be clarified. This provision would be desirable in the absence of other similar legislation. The general appropriations bill for 1951, however, includes in section 1111 a more detailed provision dealing with reserves. That bill has passed the House and has been approved by the Senate Appropriations Committee. We do not believe it desirable to have two similar statutes dealing with the same subject. We would, therefore, prefer to see section 204 omitted from this bill in the event of enactment of section 1111 of the general appropriations bill.

The Bureau of the Budget is also in agreement with section 204, which authorizes the transfer of appropriation balances in connection with reorganizations effected pursuant to law. Reorganization statutes and plans usually make somewhat similar provision in connection with functions transferred from one department to another. On the other hand, it is desirable that department heads be given authority to transfer appropriation balances in connection with transfers of functions within their departments. The first part of section 204 is, in particular, a desirable adjunct to authority vested in several department heads by recently enacted reorganization plans and is in accord with the principles delineated by the Hoover Commission.

I would now like to refer to certain of the accounting proposals incorporated in part II of title I of the bill. This title, cited as the Accounting and Auditing Act of 1950, is in keeping with the objectives and goals of the joint-accounting program now under way as a cooperative effort of the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget to improve accounting, financial reporting, and auditing in the Federal Government. Under this program considerable progress has been made. The program has now reached the point where statutory changes are deemed necessary in order to enable progress to continue. Three sections of this bill, those dealing with warrant procedures, administrative examination of vouchers, and auditing, are urgently needed. These sections conform to recommendations of the Hoover Commission.

The proposed declaration of congressional policy set forth in section 111 is, in our opinion, a comprehensive and sound statement. Appropriate emphasis is placed, in this and other sections, on the importance of continued collaboration among the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget in the interest of improved accounting and auditing. The assignment to the heads of executive agencies of responsibility for establishing and maintaining their accounting systems represents an essential and significant step toward realization of improved accounting and budgeting.

Other provisions of this part of the bill deserving commendation are those which deal with responsibilities of the Treasury Department for preparation of reports on the financial operations of the Government for the President, the Congress and the public and those which authorize the Comptroller General to discontinue the maintenance in the General Accounting Office of certain accounts when adequate accounting systems and internal controls have been established in other agencies of the Government. In addition, the auditing provisions which authorize the Comptroller General to require that agencies retain contracts, vouchers, and other fiscal records at the places where accounts are regularly kept rather than send them to the General Accounting Office not only paves the way for discontinuation of present practice whereby millions of vouchers and supporting papers are sent to Washington for audit, but also sets the stage for extending the practice of conducting *sine audit*.

The Director has expressed our approval of title III of the bill which repeals many statutory provisions that are no longer needed. The Bureau, in conjunction with the General Accounting Office and the Treasury Department, has analyzed these provisions and prepared a report showing the substance of each provision to be repealed and the reason which makes repeal desirable. We will be glad to make a copy of this report available to the committee.

Mr. WARREN. May I say one word, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. WARREN. Mr. Chairman, I would like to point out that our joint accounting program which this bill writes into law, has the enthusiastic endorsement of eminent accountants who also have knowledge of the Government's fiscal problems. Now one final thing, 10 days ago

the House Committee on Post Office and Civil Service, by unanimous vote at a hearing, reported out the bill for better accounting in the Post Office Department. The House passed that bill by unanimous vote. It is now pending before the full committee of the Senate.

That bill greatly implements and is a part of the bill that is being presented here today, so far as the Post Office Department is concerned.

The CHAIRMAN. Before the gentlemen leave, there are certain sections in this bill that have been agreed to be eliminated, with any amendments made by this committee.

Would you give us a list of those so that we might be clear on them?

One of them is section 201; is that right?

Mr. WEITZEL. That is right.

The CHAIRMAN. What are the others?

Mr. WEITZEL. 103 and 203.

The CHAIRMAN. Is that right?

Mr. LAWTON. 203 is contingent upon the passage of the omnibus appropriation bill with section 1111 in its as it now stands.

The CHAIRMAN. We can eliminate it and go to the floor and we can put that in by amendment if it is defeated, or they can do it in the Senate. We can leave it out and, if necessary, put it back in in conference. We can do that.

Mr. BONNER. I move we strike out the three sections, Mr. Chairman, and, as you say, if it is found necessary by the lack of enactment of the bill now pending by the Senate, it would be reinserted in this bill.

Does that meet with your approval?

Mr. LAWTON. Yes.

Mr. BONNER. I move they be stricken.

The CHAIRMAN. You have heard the motion. Are you ready to vote?

All in favor say "aye."

(Unanimous affirmative response.)

Mr. BONNER. Gentlemen, I now move that we report out the bill favorably.

The CHAIRMAN. You have heard the motion. Are you ready to vote?

All in favor of the bill will please say "aye."

(Unanimous affirmative response.)

The CHAIRMAN. It is unanimously voted that the bill be reported out favorably.

(The following statements and letters were received by the committee:)

JULY 12, 1950.

HON. JOHN TABER.

1126 House Office Building, Washington, D. C.

DEAR CONGRESSMAN TABER: I regret deeply that the knowledge of your desire to be heard on H. R. 9038, a bill to authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify governmental accounting and auditing methods and procedures, and for other purposes, came to my attention after the committee had met and, without a dissenting vote, ordered reported the above-named bill with certain amendments.

The bill was amended by striking out all of section 103, title I, and sections 201 and 203, title II.

I am hopeful that the amendments made by the committee will serve to meet the objections you had in mind. However, if you still have objections to the bill

as amended, I will be glad to include in the hearings, and call to the attention of the committee, any statement you may wish to make concerning the amended bill.

Sincerely yours,

WILLIAM L. DAWSON, *Chairman.*

HOUSE OF REPRESENTATIVES,
Washington, D. C., July 13, 1950.

HON. WILLIAM L. DAWSON,
*Chairman, Committee on Expenditures in the Executive Departments,
1501 House Office Building, Washington, D. C.*

DEAR CHAIRMAN DAWSON: I have your letter of July 12. If I had known that H. R. 9038 was pending before your committee, I would have asked for a hearing just as soon as you had started on it.

The first part of title I relating to the budget is the curse of the bill.

Frankly, I have not had enough opportunity—in view of the other pressing matters with which I am beset—to go over the details and describe them to you. I can just say this: That the so-called performance budget which this bill provides is a cover-up to prevent the Congress from having an opportunity to pass on each project separately.

These lump-sum appropriations, without specific provision for individual agencies and individual construction items, are such a menace to proper legislative consideration of a bill appropriating funds, that only those who have had no experience in appropriating funds could be deluded into believing that it was in the interests of the Government.

Frankly, it will result in the Congress being unable to make anything but a meat-ax cut upon the estimates that are furnished with reference to any department. It will not be able, as it has always tried in the past, to make an intelligent appraisal of the needs of the agencies for an appropriation.

Those connected with the executive branch of the Government have for many years tried to put across this cover-up proposal. They have obtained the support of certain groups of accountants who did not understand the situation. It has become a very serious menace at this time. It was a very serious menace in the Hoover report.

It gives an administrative agency greater flexibility and the power practically to appropriate, but at the same time it takes away from Congress the power to handle these items itself and to control the way money shall be spent.

To get down to the other side of the situation: It does away with the printing of the "green sheets" as a part of the budget submission. The green sheets show for the last completed fiscal year, the current fiscal year, and the next succeeding fiscal year, the number of employees by grade and salary and the amount of money required to meet those salaries for each grade. Without this information being submitted with the budget, it is absolutely impossible for us to tell the needs for personnel of each unit of the Government.

This last year, the budget illegally omitted the information and when the agencies were asked for the information 95 percent did not have it available, and they did not make it available to the committee in time to be of service. It can only be of real service if the committees have it in the budget so that it is available to them when they start their hearings.

This elimination, to my mind, was absolutely criminal.

Frankly, I regard the performance budget and the elimination of the green-sheet information as a step backwards—30 years at least—and as an attempt to destroy the control by Congress over the appropriations.

I cannot even consider that the departments have made an honest approach to the proposal in any way, and the attempt by your committee to sneak the bill through without an opportunity to be heard is, to my mind, something that I cannot condone.

I, nevertheless, appreciate your offer to print any statement that I wish to make and I hope that you will include this in the hearings and the report.

I might say that I have written to Mr. Sabath, the chairman of the Rules Committee and asked for a hearing upon this bill and I hope that the Rules Committee will provide the hearing which your committee should have provided, before it reported the bill.

Very sincerely yours,

JOHN TARR.

STATEMENT OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES ON
H. R. 9038

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES.

Washington, D. C., July 13, 1950.

Mr. Chairman and members of the committee: The American Federation of Government Employees desires to endorse H. R. 9038, currently under consideration by the Committee on Expenditures in the Executive Departments of the House of Representatives.

Generally speaking, it is apparent that the measure will be a step forward in simplifying accounting and auditing procedures within the Federal Government. The size and necessary complexity of our Government business operations has increased in recent years to a point where action by Congress to modernize these business methods becomes essential.

In addition to establishing by law the principle of a performance budget for Federal Government operations, the bill will give to the President of the United States and the Bureau of the Budget much-needed authority to develop improved statistical data. The provision authorizing the Director of the Budget to initiate improved plans for management in the executive branch of the Federal Government will establish an incentive for providing more efficient service by that Government to the citizens of the country. In all probability monetary savings will result also, which will further enhance the operations of our Federal service.

Accounting and auditing provisions containing the policy of the Congress on these subjects will enable the Chief Executive through the Director of the Budget and the Comptroller General to improve the accounting and reporting functions of these agencies.

Taken in its entirety, the bill presents a valuable attempt to streamline Federal fiscal and accounting procedures, which will increase materially the efficiency of the Federal budgetary system.

Of particular interest to members of the American Federation of Government Employees, however, are the provisions on page 33, lines 22 to 25, repealing current statutes on personnel ceilings and restricting promotional opportunities for employees of the United States Government.

Members of the federation through convention action have instructed their officers to support the elimination of artificial barriers to the efficiency of the Federal service. A system of arbitrary personnel ceilings which does not enable cognizant officials to give proper consideration to the workload at hand can only result in decreasing the effectiveness of an agency's operations. Similarly, limitations on the amount of expenditures for promotion of employees has on many occasions caused an agency to lose the valuable contributions of workers who are capable of filling positions of greater responsibility.

In the final analysis, the sums appropriated by Congress for continued operation of Federal agencies, determines the number of employees who shall be retained and the funds available for providing promotions.

When viewed from this aspect the repealing provisions noted above simply present a realistic approach to the problem of employing Federal personnel. In addition, these sections should result in monetary savings since the Bureau of the Budget will no longer be required to maintain the elaborate statistical system now in effect to meet the requirements of these laws.

Favorable consideration of H. R. 9038 by the committee is earnestly requested by this federation so that Federal employees may be assured in the future that in arriving at the essential number of workers required to complete specific projects proper consideration will be given to the amount of work to be accomplished. Additional opportunities for promotion resulting from the repealing clauses in title III, section 301, will not only benefit individual employees meriting such advances, but will improve the caliber of Federal service by making the abilities of these workers more easily available.

GOVERNMENT EMPLOYEES' COUNCIL OF THE AMERICAN FEDERATION OF LABOR,
Washington, D. C., July 14, 1950.

Hon. WILLIAM L. DAWSON,

Chairman, House Committee on Expenditures in the
Executive Departments, House Office Building, Washington, D. C.

Mr. Chairman and members of the Committee on Expenditures in the Executive Departments: The Government Employees Council of the American

60 BUDGETING AND ACCOUNTING PROCEDURES ACT OF 1950

Federation of Labor recommends that your committee favorably report H. R. 9038, a bill to simplify and expedite the accounting and auditing procedure within the Federal Government.

We strongly endorse and recommend the adoption of page 33, lines 22 to 25, regarding the present statutes on personnel ceilings and restricting promotional opportunities for employees of the United States Government.

We appreciate the opportunity of being permitted to file a statement on this most important legislation.

Most sincerely,

THOMAS G. WALTERS, *Operations Director.*

(Thereupon, the committee hearing was closed at 12 noon.)

x

