

TREASURY DEPARTMENT
FISCAL SERVICE—BUREAU OF ACCOUNTS
DIVISION OF DISBURSEMENT

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One of the major reorganizations of service agencies in the Executive Branch of the Government was the merger in 1933 of some 500 civilian disbursing offices into one agency, -- the Division of Disbursement. Consolidation of the Government's disbursing functions had been urged at different times by officials of the Treasury Department, General Accounting Office and the Veterans Administration. President Franklin D. Roosevelt, on recommendation of Lewis Douglas, then Budget Director, issued an order putting into effect the proposal previously urged by various Government officers. At that time many officials who knew disbursing operations expressed the opinion substantial savings would result if all civil disbursements were to be made by the Treasury Department. The reason was not too obscure -- New York alone had 43 individual disbursing offices. Under the consolidated plan the city would have one office. Thus the consolidation took place.

The consolidation placing a large volume of work under one agency enabled the principles of mass production. Compared with present volume, the opening year, 1934, saw a modest beginning for the Division, when it issued 13 million checks at a cost of $5\frac{1}{2}$ cents per check. Once the new procedures were tested, there followed a rapid absorption of the various disbursing offices, both in Washington and elsewhere in the country. From 1934 to the present time the volume of business has steadily grown. Last year 162 million payments were made at a cost of $5\text{-}\frac{3}{4}$ cents, a surprisingly low unit cost considering the fact that during the period the salaries of employees increased 67 per cent, and the cost of supplies 225 per cent. With spiraling prices this record is unique.

In addition to making payments the Division of Disbursement has other important duties. For instance, it receives and deposits miscellaneous collections for departments in cases other than taxes and customs duties, and it also issues bonds under the Government pay-roll savings plan. Because of the close relationship with other Treasury units, the Chief Disbursing Officer, in cases where the original checks issued have been lost, stolen, or destroyed, signs -- as agent for the Secretary of the Treasury -- the substitute checks for all Federal disbursing officers.

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The Division of Disbursement in its central office and 27 regional offices hires over 3,000 permanent employees. From January to June the number of employees is increased to take care of the issuing of checks for over-deductions on withheld income taxes. Direct disbursing performed in the regional offices is supplemented by the services of 1,600 agent cashiers who are located throughout the United States making cash payments on-the-spot. Foreign disbursements are effected through some 285 consular agents and disbursing clerks who operate under the administrative supervision of the Department of State, but who disburse under the fiscal direction of the Chief Disbursing Officer. Handling the payments for most civilian agencies in the Executive Branch of the Government, the Division of Disbursement pays out a large portion of the Federal budget. In 1948 the checks drawn by it exceeded 22 1/2 billion dollars. Its cost of disbursing amounted to a little over 4/100 of one cent per dollar expended.

Modern day disbursing requires a series of successive mechanical operations controlled at every step. All processes are carefully checked, and the most efficient determined by a technical staff whose contribution to mechanical improvements has substantially increased production. In 1943 an employee averaged about 34,000 transactions a year. By 1948 the number had risen to 49,000, and with less fatigue on the part of operators. The additional 45 percent production came from simplification of procedures, better mechanical devices, and more effective production controls. The Division receives a monthly report from each office, showing the number of units processed for every activity and the number of man-hours required. These reports are consolidated in Washington. The current month's production of an office is compared not only with its production in prior months, but in relation to the production of other offices of the same size. Through this method the Division determines whether the production is high or low, and the personnel force required to do the work. The management of the Division is cost conscious, assembling unit costs for more than 80 different types of operations, known as individual tasks (e.g., typing, proofreading, mailing, etc.). By accumulating the cost of direct labor, indirect labor, and overhead expense for each class of work, and dividing the same by the units produced, the Division is able to determine the monthly unit cost.

Specific costs for offices can be compared and a determination made as to what processes are the most economical. Substantial economies were effected in 1948. For that year the Division had received an appropriation based on its 1946 cost per item of 6 $\frac{3}{8}$ cents. With improved mechanical processes and better production control the cost per item was reduced to 5 $\frac{7}{8}$ cents, so that the Division was able to turn back to the Treasury a saving of \$624,899.

In preparing the check, the several steps follow a well-defined course; vouchers are received, recorded, and examined, and blank tabulating card checks are then assigned for the exact number of payees. In the case of miscellaneous payments the name and address are typed on the check, while in the case of recurring payments, embossed addressing plates are used to imprint the name, address, and amount on the check. When the proofreading and balancing operations have been completed and any necessary corrections made, the checks are then processed through an electrical tabulator which interprets the holes punched in the checks and prepares a list showing date, disbursing symbol, and number and amount of each check. Checks are signed mechanically with a steel engraved facsimile signature of the disbursing officer, a device protected by three locks for safety. After signature the checks are enclosed in envelopes by an inserting machine and mailed to the payees. So sensitive are the electrical controls on the inserting machine that they will stop the operation of the machine at the slightest irregularity. The automatic warning signal works when no check is inserted in an envelope, or when two or more checks are inserted in the same envelope. During all mechanical operations an accurate count of the checks is made by means of numbering devices attached to the various machines. Every step in writing a check is scheduled as to time and manner to be performed. Any unnecessary movement of work in process or lost time would increase the cost. In this organization the production line is well defined, and must be followed. Every section head seeks to reduce the manual effort, and to utilize mechanical equipment when it can be operated at lower cost.

While the great majority of checks are issued according to fixed schedules, not infrequently it happens that an emergency payment must be made as, for example, when the recent evacuation of American nationals took place in China. In such cases the funds required to meet the payment are placed in a special deposit account of the Chief Disbursing Officer, and the U. S. Disbursing Officer in a foreign country is cabled to issue a draft. In a transaction such as this, payment can be made within the time required for transmission of the cable. If an emergency payment is to be made to a foreign supplier, the U. S. Disbursing Officer is sent a similar cable to make payment by drawing a draft chargeable to the applicable appropriation in the amount certified on a document

in Washington. Some foreign depository accounts are maintained in the name of the Treasurer of the United States for the purpose of receiving and paying out local currency. The Division is currently advised of the availability of these funds, so that upon receipt of a certified voucher it authorizes payment therefrom, and to reimburse the Treasurer it draws its check in dollars in Washington. In a few instances the Division has its own foreign credits for the purpose of making payments. During the war and for a short time thereafter, the remittances to veteran beneficiaries and their dependents residing in Italy were paid in Italian lire by means of checks issued in Washington. The arrangement was discontinued when permission was received to make payments in dollars. At present Philippine War Damage claims are paid in pesos obtained from the Central Bank of the Philippine Government.

The technical staff of the Division of Disbursement is proud of its accomplishments. Six years ago electrical accounting machines were installed for the production of punch card checks. Now virtually all the checks are prepared in this manner. Many other improvements have been made by the staff. One of the most recent additions consists of a continuous multiple-part form used in preparing vouchers for periodic payments. Another installation consists of a re-inking device for tabulating machines which lengthens the life of the ribbons. Electrical punch card machines are used for preparing production, personnel, and property records. Teletypes are used to speed-up inter-office communication. One of the latest experiments involves the microfilming of checks. A test of this method was first undertaken in Washington. Now the staff is extending the system to the larger regional offices. One member of the technical staff, Mr. Arthur E. Mills, in recognition of his contributions to the betterment of mechanical disbursing equipment, was recently awarded by the Secretary of the Treasury a gold medal and certificate for meritorious services.

For the individual training of prospective supervisors a work rotation schedule is arranged for about twenty persons on a "no cost" basis. In learning disbursing the trainee moves from one job to another and is required to do a full days work on each job just as any other employee would perform. This rotation is supplemented by discussion conferences with supervisors and Government authorities in the fields of disbursing, accounting, personnel management, systematization, and so forth.

The Division of Disbursement is a service agency and as such it pays all properly certified vouchers presented by duly authorized bonded certifying officers provided the agency has available funds with the disbursing officer. Being on the receiving end the Chief Disbursing Officer cannot regulate the volume of incoming work. Because of the diversified activities served, however, the work

flows fairly uniform as to volume except at the end of the month when many classes of periodic payments are made. Yet even with the added work there is no deviation in the rule that payments must be made on time. Any delay in making payments to veterans, war pensioners, old age beneficiaries, Federal employees, or public creditors would bring immediate censure. The whole concept of disbursing is predicated on the principle that payments must be made on time, despite any surmountable handicap. A disbursing officer is not excused merely because his supplies did not arrive, a machine broke down, or the power failed, that an unexpected volume of work was received, or that his force is inadequate to do the work.

During its fifteen years of existence the organization has had three Chief Disbursing Officers - Guy F. Allen from July 1, 1934 to November 30, 1945; Emmett J. Brennan from December 1, 1945 to February 28, 1947, both of whom retired; and the present incumbent, Paul D. Banning, who was appointed on March 1, 1947. From 1933 to 1949 all disbursements in Washington and the field were made in the name of the Chief Disbursing Officer. Beginning in 1949 with a few exceptions the field offices, by arrangement between the Treasury Department and the General Accounting Office, began making disbursements in the names of the regional disbursing officers. Although this transition entailed extensive planning in the expeditious transfer of over $2\frac{1}{2}$ billion dollars between disbursing officers, so smoothly was it made that not a single delay in payment occurred in any office.

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