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U.S. Treasury Dept.
Annual Report, 1964.

of the
Secretary of the Treasury
on the
State of the Finances

For the Fiscal Year Ended June 30, 1964



Treasury Library

Statement of source and application of funds, fiscal years 1964 and 1963

Funds provided and applied	1964	1963
Funds provided:		
Sales of printing.....	\$26,424,992	\$28,464,977
Operation and maintenance of incinerator and space utilized by other Treasury activities.....	421,323	398,468
Other services.....	57,854	109,612
	26,904,169	28,973,057
Less cost of sales and services (excluding depreciation and other charges not requiring expenditure of funds: Fiscal year 1964, \$1,598,388; fiscal year 1963, \$1,602,327).....	25,338,375	27,282,908
	1,565,794	1,690,149
Sale of surplus equipment.....	17,810	10,153
Decrease in working capital.....	734,551	
Total funds provided.....	2,318,155	1,700,302
Funds applied:		
Acquisition of fixed assets.....	2,245,012	619,930
Acquisition of experimental equipment; and plant repairs and alterations to be charged to future operations.....	73,143	110,742
Increase in working capital.....		969,630
Total funds applied.....	2,318,155	1,700,302

Fiscal Service

BUREAU OF ACCOUNTS

The major functions of the Bureau are Government-wide in scope: Central accounting and reporting; disbursing for virtually all civilian Federal agencies; supervising the Government's depository system; determining qualifications and underwriting limitations of companies to write fidelity and other surety bonds covering Government activities; investing Government trust funds and other funds; administering Treasury loans and advances to Government corporations and agencies; and staff participation in the joint financial management improvement program.

Pursuant to Treasury Department Order 185-2, dated June 24, 1964 (see exhibit 54), the Office of Defense Lending was abolished and its functions transferred to the Commissioner of Accounts effective at the close of June 30, 1964.

Management improvement

Annual recurring savings of \$710,635 were realized in fiscal 1964 as a result of the Bureau's continuing search for operating economies. The major portion, \$684,000, occurred in the disbursing area primarily from the increased use of electronic data processing equipment. Significant benefits were also realized from management surveys, application of a job analysis program at the first-line supervisory level, and added emphasis at all levels to improve the quality of suggestions submitted under the Treasury Department Incentive Awards Program.

During the year the Bureau's middle management executive development program, formulated in conjunction with and conducted by staff of American University, was offered on 3 separate occasions to a total of 52 Treasury employees, including 17 from outside the Bureau of Accounts.

Systems improvements

As a result of a joint study under the Joint Financial Management Improvement Program, Department Circular No. 1075 was issued on May 28, 1964. The circular is designed to improve the timing of large advance payments made by agencies to States, educational institutions, and others under Federal grants and other programs. The deferment of these payments to coincide more closely to the actual cash requirements of the recipients in carrying out the programs involved has a substantial potential for saving public debt interest. Another joint project resulted in legislation to permit use of statistical sampling procedures in voucher examination, which also has a considerable Government-wide potential for savings in administrative costs.

Improvements in fiscal operations to bring about a more favorable effect on the balance of payments included letter-of-credit arrangements for better timing of cash withdrawals from the Treasury to finance local cost projects of the Agency for International Development. In the case of contributions to the United Nations, the same objective was achieved through the issuance of noninterest-bearing nonnegotiable bonds, rather than the advance of Treasury cash prior to the time funds were actually needed by the U.N. agencies. Other methods included the reserving of foreign currencies on an unfunded basis, thereby releasing for current use currencies which had previously been set aside for future use by certain special programs; and the issuance of local currency checks, rather than U.S. dollar checks, for making payments in certain excess currency countries (where the United States owns more local currency than needed for regular operations) to beneficiaries of the Veterans' Administration, Social Security Administration, Railroad Retirement Board, and the Civil Service Commission.

As a result of collaboration between the Bureau and the Department of Defense, proposed legislation was submitted to Congress to permit single (or composite) checks supported by a list of individual recipients, to be drawn in favor of banking institutions for credit to recipients' personal bank accounts for salary and other periodic payments.

Action initiated in fiscal 1963 for a voluntary system of withholding State and D.C. income taxes from the salaries of Federal employees whose place of employment is outside the State of residence was completed with the issuance of Department Circular No. 1074, on September 19, 1963. Bureau staff worked with the Civil Service Commission and other agencies on this procedure which assists the States in the administration of their tax laws and the employees by simplifying their tax payments.

Central accounting and reporting

In April 1964 the Division of Central Accounts and the Division of Central Reports were consolidated. The new Division of Central Accounts and Reports provides the organizational integration compatible with the operational integration that will result from the electronic computer system being installed for central accounting and reporting.

The maintenance of the Government's unified system of central accounts is one of the principal responsibilities of the newly created

Division, as is the compilation of the Government's major financial reports. The central accounts, in addition to serving as an accounting basis for compiling receipt and expenditure data for Government financial statements, serve to interlock the accounting results of the Government's disbursing, collecting, and administrative offices and the Treasurer of the United States.

During fiscal 1964 a total of 3,486,521 accounting items were processed by the central and regional offices, a slight reduction from the previous year due to continued paperwork simplification.

Considerable progress was made in applying the computer system to the central accounting and reporting function. By June 30, 1964, master files were established on magnetic tape with all codings and classifications necessary to produce the large variety of output data required from the system.

Further refinements were made during the year to the monthly reports being submitted by Federal agencies on obligations incurred by object of expenditure. The consolidated Government-wide reports are still in an experimental stage, and are being evaluated for possible future publication.

The more significant changes relating to accounting and reporting for foreign currencies include procedures for the reservation of foreign currencies for program purposes on an unfunded basis, pursuant to section 508 of Public Law 88-257, approved December 31, 1963 (77 Stat. 856), and a complete revision of the foreign currency account structure. For details regarding total receipts, withdrawals, and balances of foreign currencies, see tables 102 and 103.

Internal auditing

Twenty audit reports were made during the year of Bureau and nonbureau activities, two of which were operational audits of certain Bureau functions. Comprehensive surveys were also made of the Denver, New York, and Washington regional disbursing offices. Six audits of Bureau activities and one nonbureau activity were in process at fiscal yearend.

Staff assistance was furnished the Fiscal Management Division, Office of the Administrative Assistant Secretary, by the Bureau's Internal Audit Staff in designing and installing a complete accrual accounting system for the Office of the Comptroller of the Currency.

Disbursing operations

Again in fiscal 1964 the average cost of processing checks and bonds was reduced, this year to 3.11 cents. These costs include amortization of owned (capitalized) EDP equipment, but exclude postage.

During most of the fiscal year 1964 the Division of Disbursement operated 11 regional disbursing offices servicing over 1,500 offices of agencies located throughout the United States, its possessions, and the Philippines. The Division assumed the disbursing operations of the Department of State in 14 countries, and is now rendering disbursing service for 24 embassies located in certain foreign countries in Central and South America and the Far East.

Due to the centralization of high volume payments in EDP-equipped offices, the regional disbursing offices in Dallas, Tex., and Portland, Oreg., were closed in July and August 1963, respectively. In July

1963 the computer system installed in the Washington Regional Office became operative. Six of the eight regional disbursing offices located in the contiguous United States now utilize EDP systems to prepare social security benefits, veterans' benefits, and other types of recurring payments. More than 88 percent of the Bureau's checks were issued by the electronic method.

There follows a comparison of the fiscal year 1963 and 1964 workloads:

Classification	Volume ¹	
	1963	1964
Payments:		
Social security benefits.....	177,966,489	189,431,084
Veterans' benefits.....	63,911,104	62,721,888
Income tax refunds.....	40,704,667	42,358,609
Veterans' national service life insurance dividend program.....	6,076,295	4,406,015
Other.....	44,768,616	45,932,888
Adjustments and transfers.....	127,112	111,758
Savings bonds issued.....	4,529,171	5,087,062
Total.....	337,183,454	350,049,304

¹ Excludes reimbursable items numbering 3,481,807 in 1963 and 13,427,282 in 1964. The increase was accounted for chiefly by check volume associated with the Railroad Retirement Board.

Deposits, investments, and related activities

The types of depositary services and the number of commercial banking institutions authorized to provide each service, as of June 30, 1964, are shown in the following table:

Type of service provided by depositaries	Number of banking institutions
Receive proceeds of deposits by taxpayers and sale of public debt securities for credit in Treasury tax and loan accounts.....	11,946
Receive deposits from district directors of internal revenue, military finance officers, and other Government officers.....	995
Maintain official checking accounts of postmasters, clerks of U.S. courts, and other Government officers.....	4,637
Furnish bank drafts to Government officers in exchange for collections.....	2,250
Service State unemployment compensation benefit payment and clearing accounts.....	50
Operate limited banking facilities at military installations:	
In the United States and its outlying areas.....	278
Foreign.....	158

Investments.—Government trust funds are invested in marketable U.S. securities and in special securities issued for purchase by the major trust funds as specifically authorized by law.

The Railroad Retirement Act, as amended by the act of October 5, 1963 (45 U.S.C. 228o(b)), changed the applicable interest rates on special securities issued to the railroad retirement account. These interest rates are now equal to the average market yield, at the end of the month preceding the date of issue, borne by all marketable public debt securities not due or callable until three years from the end of that month, adjusted to the nearest one-eighth of one percent, but in no case less than three percent per annum. With this change, interest rates on the special public debt securities issued to all major trust funds, except the unemployment trust fund and the highway trust fund, are related to the average market yield on marketable