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REIMBURSEMENTS BETWEEN APPROPRIATIONS FOR CENSUS BUREAU

GOVERNMENT

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HEARING BEFORE THE COMMITTEE ON OFFICE AND CIVIL SERVICE USE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 7416

A BILL TO AUTHORIZE THE BUREAU OF THE CENSUS TO
MAKE APPROPRIATE REIMBURSEMENTS BETWEEN THE
RESPECTIVE APPROPRIATIONS AVAILABLE TO THE
BUREAU, AND FOR OTHER PURPOSES

AUGUST 1, 1961

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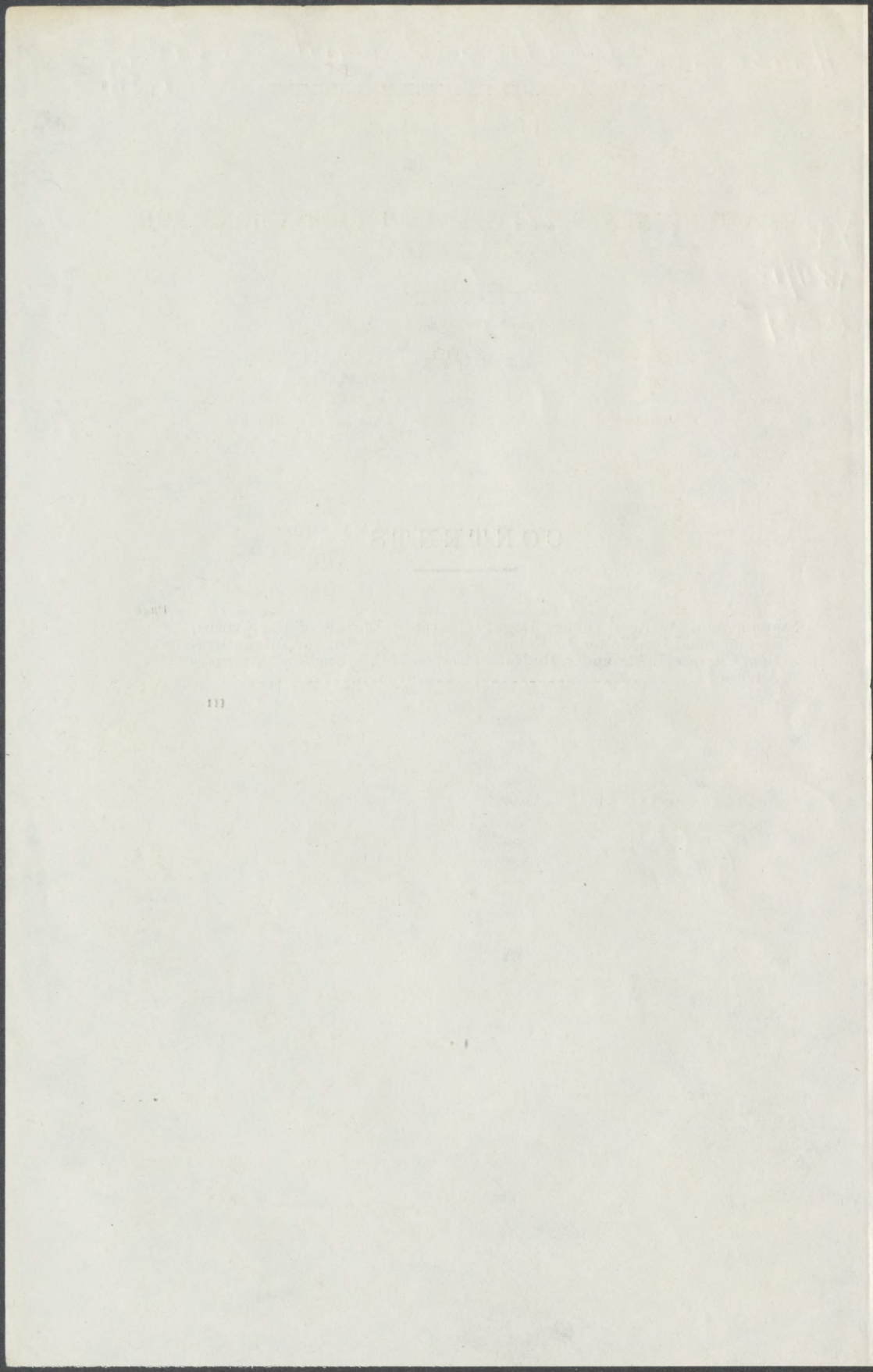
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REIMBURSEMENTS BETWEEN APPROPRIATIONS FOR
CENSUS BUREAU

TUESDAY, AUGUST 1, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m. in room 215, House Office Building, Hon. John Lesinski (chairman of the subcommittee) presiding.

Mr. LESINSKI. The subcommittee will come to order.

The subcommittee of the House Post Office and Civil Service Committee this morning has under consideration H.R. 7416, a bill introduced by Chairman Murray, to authorize the Bureau of the Census to make appropriate reimbursements between the respective appropriations available to the Bureau, and for other purposes.

(H.R. 7416 follows:)

[H.R. 7416, 87th Cong., 1st Sess.]

A BILL To authorize the Bureau of the Census to make appropriate reimbursements between the respective appropriations available to the Bureau, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter I of chapter I of title 13, United States Code, is amended by adding at the end of such subchapter the following new section:

"§ 14. Reimbursement between appropriations

"Subject to limitations applicable with respect to each appropriation concerned, each appropriation available to the Bureau may be charged, at any time during a fiscal year, for the benefit of any other appropriation available to the Bureau, for the purpose of financing the procurement of materials and services, or financing activities or other costs, for which funds are available both in the financing appropriation so charged and in the appropriation so benefited; except that such expenses so financed shall be charged on a final basis, as of a date not later than the close of such fiscal year, to the appropriation so benefited, with appropriate credit to the financing appropriation."

(b) The table of contents of such subchapter I is amended by adding

"14. Reimbursement between appropriations."

immediately below

"13. Procurement of professional services."

SEC. 2. The amendments made by the first section of this Act shall be effective with respect to each fiscal year which begins on or after July 1, 1961.

Mr. LESINSKI. This legislation has been requested by the Department of Commerce on behalf of the Bureau of the Census with the approval of the Bureau of the Budget.

The major subjects of the Census appropriations are the large decennial and quinquennial censuses and other appropriations are

made for the salaries and expenses of the survey and reporting programs. Much expense of both the periodic and continuing work lies in the necessary supporting activities which are common to both the periodic and continuing work, and which can vary within a fiscal year creating problems of funding and accountability. Among the common expense items are the cost of fact gathering and enumerating, compiling, verifying, tabulating, processing—including extensive use of computers—reviewing, analyzing, publishing, and distributing.

Under the provisions of this legislation, the Bureau of the Census would be permitted to finance these common expense items by payment from one appropriation subject to another benefiting appropriation also available to the Bureau.

We are pleased to have representatives of the Bureau of the Census with us this morning, and I should like to ask Mr. Ross Eckler, Deputy Director, Bureau of the Census, to present the views of the Bureau of the Census at this time.

**A. ROSS ECKLER, DEPUTY DIRECTOR, BUREAU OF THE CENSUS;
ACCOMPANIED BY WALTER L. KEHRES, ASSISTANT DIRECTOR
FOR ADMINISTRATION, CHARLES H. ALEXANDER, BUDGET
OFFICER, AND M. E. ERICKSON, ATTORNEY-ADVISER**

Mr. LESINSKI. First of all, Mr. Eckler, I would like to ask you a question which Congressman Rousselot, of California, has forwarded to me. What is the end cost of H.R. 7416, if it can be determined. Then please explain what the operation is all about.

Mr. ECKLER. Thank you, Mr. Chairman.

In response to the question raised by Congressman Rousselot, there is no increase in cost attached to this bill. If this were approved, we should have in fact the contrary situation, in which we have a more effective use of the funds appropriated to us by the Congress. We should be able to get the information on costs of our operations more quickly, more accurately, and more efficiently. So, the net effect of this bill is an increase in efficiency and certainly no increase at all in cost.

Mr. LESINSKI. Thank you, Mr. Eckler. You may proceed with your statement.

Mr. ECKLER. Thank you, Mr. Chairman.

Director Scammon has asked me if I would present information regarding this bill.

I might say at the outset that we are very appreciative of the interest and the help which this subcommittee and other subcommittees of the main committee have given to us over the past few years. We believe we are particularly benefited by having a group which understands our problems through this continuing contact and which, we think, will understand the gains to be realized from this particular bill.

I think it may be more efficient if I read rather quickly the prepared statement which covers a number of points, Mr. Chairman.

Mr. LESINSKI. You may proceed, Mr. Eckler.

Mr. ECKLER. H.R. 7416 enables us to adopt improved accounting practices which will give us more effective financial control and better accountability of operations and programs. The authority being sought is quite similar to that generally available to all agencies under section 601 of the Economy Act (31 U.S.C. 686) with respect to the

financing and reimbursement of costs for projects and services rendered between agencies or between bureaus of an agency. Under this act agencies may advance funds to finance costs, or may use their own appropriations to finance costs in anticipation of reimbursement when the actual costs of the projects and services are known. However, the Comptroller General in his decision No. B-136318 ruled that the provisions of the Economy Act did not extend to appropriations within a bureau, and that we would need special statutory authority to support our proposed procedures for improved accounting, which have been developed with the help of General Accounting Office staff.

In the above decision the General Accounting Office did not object to our proposed handling, except for the lack of legislative authority. The proposed legislation supports our present budget system, and as a matter of fact is essential to the maintenance of the established manner of presenting and justifying our budgets to the Congress. To the best of our knowledge, there is no opposition to the proposal. The House Appropriations Committee favorably reported an amendment to the supplemental appropriation bill, 1960, to provide the requested authority, but it was eliminated on the floor on a point of order that it constituted legislation on an appropriation bill and should be considered in the legislative committee. This is why we are here.

Mr. LESINSKI. We have various committees to take care of various subjects, and therefore it should be handled accordingly.

Mr. JOHANSEN. I would like to associate myself with that view. Anything we can do to educate the Appropriations Committee to attend to appropriations and let the appropriate legislative committee tend to legislation is commendable.

Mr. ECKLER. I think we are all together on that, Mr. Chairman.

Although the subject of H.R. 7416 has many complicated and technical aspects, I am primarily concerned with the general management implications and will endeavor to present the need and justification in a simple and straightforward manner.

Our need for H. R. 7416 arises from the fact that normally we are financed from two or more appropriations. Last year, fiscal 1961, we had four active appropriations: Salaries and expenses (current statistics), 1958 censuses of business, manufactures and mineral industries, 18th decennial census, and 1962 census of governments.

In the current year, fiscal 1962, we will have five, consisting of the above, plus an appropriation for the 1963 censuses of business, transportation, manufactures, and mineral industries. It is essential, of course, to keep separate controls over these separate appropriations and properly to reflect costs against each.

The need for H.R. 7416 would not be so great if we followed a practice of setting up separate organizations for the conduct of the work of each appropriation, but we have found it more efficient and economical to centralize our major service functions and facilities so that a single division is responsible for certain specialized work for a number of appropriations. Examples of centralized functions are field work, computer and machine tabulation work, mapping and geography work, typing pool, equipment maintenance, supply stockroom, and, of course, all our administrative functions of personnel, budget, accounting, procurement, mail and messenger service, and the like.

In addition to our regular group of appropriations, we conduct reimbursable statistical services for other Federal agencies, State and local governments, and the general public. There are several hundred projects of this character each year for which separate costs must be kept. This reimbursable statistical program is conducted along with our regular work by our regular organizations, except for our age search work which is conducted separately.

Despite the variety and scope of our work, the financing and accounting problems are quite susceptible to standard cost accounting techniques, which we have adopted and are using. However, cost accounting systems require some prorating and distributing in order to charge properly the various projects and programs involved for services actually rendered and for resources actually consumed. For certain kinds of expenses, a correct distribution of costs can be made only after the expenses have been incurred. An excellent example is operation of our electronic computers. For example at the time the cost is incurred, we do not know who is to pay the down time for repairs and maintenance. Obviously it should be prorated among the users. H.R. 7416 will enable us initially to finance all operating costs from one appropriation, which permits a control over the total cost of the computer operation and also permits development of an average cost per hour for each hour the computer is used. Each project and program would then reimburse the financing appropriation for the number of hours used at the actual cost per hour. The result is a simple financial control and correct distribution of costs.

This in brief is our situation. I have tried to present it as simply as possible and to demonstrate that we are seeking only to achieve the purposes of good accounting and sound financial control.

I should like to note that this statement has the approval of the Bureau of the Budget.

Mr. LESINSKI. Mr. Eckler, the General Accounting Office did not condemn your accounting procedures, but it found you were operating in a fashion contrary to law; and you want legislation to permit what you have been doing in the past.

Mr. ECKLER. I think that is essentially correct. We believe this is consistent with the practice which is used by other agencies which have specific provisions of this sort. It is consistent with the provision for financing across agency lines, not within an agency but across agency lines. It is consistent with the practices of good accounting procedures which have been established jointly with the General Accounting Office. The need is for specific legislative authority to authorize this pooling of the accounts for the various appropriations within the Bureau.

Mr. LESINSKI. The proposed legislation has the approval of the General Accounting Office, the Bureau of the Budget, and other agencies?

Mr. ECKLER. Yes, sir.

Mr. LESINSKI. As you answered the question propounded by the gentleman from California, this might even save money instead of costing more money.

Mr. ECKLER. It makes for the more efficient use of appropriated funds.

Mr. LESINSKI. You may not save dollars, but you get more for your dollars.

Mr. ECKLER. That is correct, Mr. Chairman.

Mr. LESINSKI. Any questions on my right?

Mr. JOHANSEN. Just one question.

On page 4, the next to the last sentence in the long paragraph reads:

Each project and program would then reimburse the financing appropriation for the number of hours used at the actual cost per hour.

That would be done within the agency, within the Bureau?

Mr. ECKLER. That is correct.

Mr. JOHANSEN. You are not referring there to interagency reimbursements, but intraagency. Is that correct?

Mr. ECKLER. That is correct. I would like to call on our budget officer, Mr. Charles Alexander, who is here, to amplify this. We now do this for interagency accounting already, I believe.

Mr. ALEXANDER. That is correct. The practice of reimbursement is quite appropriate when we are performing computer services for other agencies. The statement here has to do with extending the reimbursement procedure inside the Bureau. Under this legislation we will be handling our own work and accounting for it in the same fashion.

Mr. JOHANSEN. In other words, your management would determine with respect to a given job which of your appropriations would finance it.

Mr. ALEXANDER. For the initial financing, yes.

Mr. JOHANSEN. Initially, and in the process of carrying out the job. Then when it is completed, if there is a distribution of those costs to more than that particular appropriation, this would then permit you to make that allocation. Is that correct?

Mr. ALEXANDER. That is correct. We would do this reimbursement every month, based on the report of hours used each month for every project and job for which this computer system performed services. We account for the number of hours and even fractions of hours used by the various appropriations, projects, and programs. From this we determine the cost chargeable to each appropriation.

Mr. JOHANSEN. In other words, you wish to make legal what, from a practical operating standpoint, is virtually necessary.

Mr. ALEXANDER. That is correct.

Mr. LESINSKI. Questions on my left? Further questions on my right?

Mr. ROUSSELOT. Just as a matter of information, at FHA we used to get certain housing statistics from you monthly. Is this the kind of thing for which you would be reimbursed?

Mr. ALEXANDER. This is the kind of thing. We are now seeking authority to apply these practices to our own work. We divide our own work up into projects similar to that project performed for FHA. There are separate surveys, separate tabulation programs, and the like. We do accounting control for each job on a job cost basis. This legislation is to give us a simpler method for accounting and reimbursing when more than one of our own appropriations is involved. We have just one field organization which does enumeration work for all of our appropriations and programs, one computer organization for tabulating, one geography division that does the map work for all of our projects and appropriations. Under our proposed procedure, we can

get close control over the total of all the work that they do, and then fairly charge each of the service projects, such as the one you mentioned, on which we keep separate accounting and separate control.

Mr. ROUSSELOT. As the budget officer of your agency, will you feel required to add any additional costs to your budget?

Mr. ALEXANDER. No, sir. This legislation provides a simpler method, and will let us adopt the very best cost accounting techniques. Otherwise, it will be a rather awkward matter of picking and choosing among funds arbitrarily and trying to keep these accounts straight. It would be very difficult. The legislation will reduce the cost of our accounting functions.

Mr. LESINSKI. May I clear that up a little bit. You have personnel costs, the cost of equipment, the cost of purchases, and so forth. You can more readily distribute these costs by this method.

Mr. ALEXANDER. That is right. Mainly, distribution comes in when it is necessary to have some system of prorating joint and indirect costs, in order to get a fair and proper charge. Actually, we distribute costs monthly and settle our accounts monthly for the most part. Some costs like leave, we carry over for the full year. Annual leave is a very good example. Many times a unit will work very hard on a job for 2 or 3 months, and then when the job is finished they go on leave, and then come back and work on another job. This permits us to allocate the leave costs equitably to the jobs in proportion to hours actually worked on each job.

Mr. LESINSKI. Any further questions?

Mr. UDALL. That brings up a question I had. On this sheet which we have, headed "Statement by the Secretary of Commerce Concerning the Purpose" of the bill, and so on. In the breakdown of the 1961 estimate of the budget for the Department, totaling \$15 million, there is an item, No. 3, labeled "Leave," \$3,884,000. What is that item? Is that what you are talking about?

Mr. ALEXANDER. Yes, sir. This is the total of our annual, sick, and holiday leave for all of our people in our Bureau. The cost of this leave is borne by the projects that the people work on. A distribution procedure is very necessary, certainly for shortrun jobs, when maybe a staff works on a particular job for only 1 week, in which time they accrue leave but they do not take any leave while they are working on that job. We need a system to permit us to charge that job for the value of the leave that accrued.

Mr. UDALL. The point that piqued my curiosity is that item 1, which I assume would include salaries, and item 2, which is also salary expense, in total are only perhaps twice as large as the leave item. It seems awkward to me that you are spending half as much money for leave as you are for salaries.

Mr. ALEXANDER. The leave item covers leave for people who are not accounted for under these cost distributions, you see. The leave covers something like \$35 million, which is our total expense for fiscal 1961. The leave is leave for all people in the Bureau, including those who work directly on projects and whose time is not prorated, and therefore not in the table.

Mr. JOHANSEN. I wonder if the confusion, which I share, arises from the fact that the actual total salaries and wages are not shown. Is that not correct?

Mr. ALEXANDER. That is correct.

Mr. UDALL. That is what bothered me. I was a little concerned about a Government department spending 30 percent of its salary money on leave. That is not the case?

Mr. ALEXANDER. No, sir. Our grand total expenditures for fiscal 1961 were about \$35 million.

Mr. UDALL. All right.

Mr. LESINSKI. In other words, if an individual has 2 weeks of leave, you might charge 1 day or 2 days to a respective job, is that right?

Mr. ALEXANDER. We charge the average rate for the year. It comes to about 15 percent counting all forms of leave.

Mr. LESINSKI. If a job requires 2 months, you might charge 3 or 4 days' leave to that job.

Mr. ALEXANDER. Yes. If it is 2 months work, you would charge roughly one-sixth of each person's annual leave charge for the whole year, two months being one-sixth of the year.

Mr. LESINSKI. In other words, you are charging all costs, as a business would do, to the respective job, regardless of what it is.

Mr. ALEXANDER. That is correct.

Mr. JOHANSEN. The only reason you have been able to do it previously is because nobody told you it was illegal. Is that it?

Mr. ALEXANDER. That is substantially it. The Census Bureau has been doing reimbursable work for other Federal agencies and for the general public for many years. The legislation on work for the public goes back to before World War I. The accounting system over the years has been designed to permit costs to be developed so reimbursement could be obtained from the outside groups.

Just recently, within the past 4 or 5 years, under the Government-wide accounting improvement program, the General Accounting Office and the Budget Bureau and Treasury have been working closely with each agency to get their procedures reviewed and approved. We have just within the past 2 or 3 years developed our procedures for approval of the General Accounting Office. For most agencies this is true, also. Our accounting system has never been actually approved by the General Accounting Office. This problem came up out of the review when we submitted certain of our procedures to GAO. In reviewing them, they felt this part needed further legislative authority.

Mr. ROUSSELOT. What percentage of your annual budget comes to you from reimbursable items from people outside the Government?

Mr. ALEXANDER. A rough percentage this year would be 10 percent. Last year and the year before it was a smaller percentage because of the big census.

Mr. ROUSSELOT. Ten percent of the \$15 million is made up of outside work?

Mr. ALEXANDER. Our total outside work this year will be about \$5 million, which would be about \$2 million from the general public and about \$3 million from other Federal agencies. That is the grand total, including their share of this. I suppose something like 10 percent of this would be financed from outside work.

Mr. JOHANSEN. I do not wish to encroach on the committee's time, but would you give us just one illustration of the type of com-

pensable service that you render, for which you are paid either by other governmental agencies or by State governments or local governments?

Mr. ALEXANDER. The two oldest, probably, are special population censuses which we have been conducting for many years, the cities paying the cost and reimbursing us for our costs, and the age search operation in which we examine census records to get personal information for individuals. This has been going on for many, many decades.

Mr. ROUSSELOT. What is that?

Mr. ALEXANDER. We call it the age search operation. Usually it is for a person who is approaching or past 65 and has no birth certificate and wants some certification as to his age. We will go back to an early census record and verify the age.

Mr. JOHANSEN. Do you have a fixed fee for that?

Mr. ALEXANDER. We charge \$3 and \$4. If they want a rush job, we charge an extra dollar, \$4. Otherwise, it is \$3. That covers all the costs.

Mr. JOHANSEN. Have you ever any problem in increasing those fees as the costs increase?

Mr. ALEXANDER. We increased the fee about 8 years ago. It has been a constant problem. We have done a lot of work to keep costs down.

Mr. JOHANSEN. I wondered whether you encountered the argument that this was, after all, a public service and, therefore, you ought not to charge any more when the cost goes up, which argument I seem to have heard in connection with postal rates.

Mr. ALEXANDER. We work on the efficiency angle of this. When we first raised the fee, we made a complete review of all operations and streamlined the work a good deal. About 4 years ago we introduced a detailed time study and production standards, which helped us meet a pay raise which came through. It has been a constant struggle. We most recently, about 2 years ago, moved the operation out of town.

Mr. JOHANSEN. May I congratulate you on not having to go through this committee to get an increase in the fee you charge.

Mr. ALEXANDER. Thank you, sir. We keep our fingers crossed.

Mr. ROUSSELOT. One more question. This does not relate to this particular bill, but it is always refreshing to see somebody come before us who does not need an increase in appropriation or authorization. What is your judgment as to the need for a general, countrywide transportation census?

Mr. ECKLER. This was discussed before the committee about 2 weeks ago.

(Off the record.)

Mr. LESINSKI. Is there anything further? Mr. Kehres?

Mr. KEHRES. No, sir.

Mr. LESINSKI. I appreciate your remarks, Mr. Alexander, and I thank you gentlemen for being here this morning.

If there is no objection, I would like to insert in the record at this point a letter from the Comptroller General to the Secretary of Commerce, and also a statement of purpose regarding the cost of operation of the Bureau of the Census.

(The documents referred to follow:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 28, 1959.

The Honorable the SECRETARY OF COMMERCE.

DEAR MR. SECRETARY: Reference is made to letter of May 28, 1958, from the Assistant Secretary of Commerce for Administration, raising certain questions with respect to the treatment of depreciation of property used in the performance of services under authority of section 601 of the Economy Act of June 30, 1932, as amended, 31 U.S.C. 686.

The plan proposed in the letter for using amounts collected for depreciation of equipment has been discussed several times with officials of your Department in order to better understand its purposes, and to obtain additional information regarding the scope and particulars of the present and contemplated procedures thereunder. Also, we were furnished and have studied copies of a discussion draft entitled "Depreciation Accounting and Replacement of Capital Equipment" which explains the proposed plan in some detail. During the discussions of the plan we learned that while it originally was intended for application to the Bureau of the Census, it now is under consideration for use generally in the Department of Commerce.

The Census plan contemplates that the annual salaries and expenses appropriation made to the Bureau will be used to initially finance all replacement equipment purchases. All projects of the Bureau using depreciable equipment would be charged depreciation and part of the charge would be included in billings to (a) the Bureau of the Census trust fund established to account for special statistical work performed for persons and firms outside the Government under authority of 13 U.S.C. Supp. V, 8, and 15 U.S.C. 189a and 192; (b) the other benefiting appropriations of the Bureau; and (c) other Government agencies for which services are performed under authority of section 601 of the Economy Act. Recovery by the salaries and expenses appropriation from the other Government agencies, the trust fund, and the other appropriations of the Bureau would be limited to the amount programmed for replacement of equipment and recorded as reimbursements. However, full recovery of the depreciation costs would be made by the trust fund from persons and firms outside the Government; the excess of collections over the amounts reimbursed to the salaries and expenses appropriation would be deposited to miscellaneous receipts.

The proposal is designed as a comprehensive plan for (1) adopting depreciation accounting for all equipment of a bureau, whether used in furnishing reimbursable services or used for the bureau's own work; (2) billing for depreciation expense of equipment used in furnishing reimbursable services; and (3) using amounts collected for depreciation for partial financing of an equipment replacement program. These three objectives are discussed in this letter on an individual basis.

1. Depreciation accounting

The primary purpose of depreciation accounting is to distribute costs of fixed assets to the periods and activities benefiting from their use. As stated in 2 GAO 1282.60(b), depreciation of fixed assets should be recorded when a regular determination of the cost of all resources consumed in performing work or carrying out an activity is needed. Decisions to replace equipment and other fixed assets require consideration of such factors as the economical and efficient use of present assets, the need for additional or better assets, and the availability of financing therefor.

The financing of replacements should not be geared to depreciation accounting. The method and amount of financing, as well as the fundamental decision to replace, are matters for agency management to disclose to and discuss with the Bureau of the Budget and the Congress as a part of the annual budgetary processes. An agency may adopt depreciation accounting without regard to whether the depreciation expense is to be recovered, or to the method to be used in financing equipment replacements.

In our discussions with your staff, we were informed that the Bureau of the Census plans to adopt depreciation accounting for all equipment, irrespective of the outcome of the proposal to finance an equipment replacement program from collections realized through billings for depreciation expense. We believe that depreciation accounting can serve a useful purpose in the Bureau of the Census and elsewhere in the Department of Commerce. All significant elements of cost, including depreciation, pertaining to an activity, even though not financed from

current appropriations should be recognized in order to determine operating costs by periods and by projects, activities or cost centers. Thus, the adoption of depreciation accounting clearly is related to the recognition and disclosure of costs rather than to the equipment replacement program.

2. *Billing of depreciation expense*

(a) *Collections from outsiders.*—The proposal to include depreciation expense in billings for services furnished to parties outside the Government is consistent with the cited provisions 13 U.S.C. Supp. V, 8, and 15 U.S.C. 189a which authorize the Secretary of Commerce to furnish certain services upon the payment of the actual cost of such work by the person, firm or corporation requesting it. It also is in accord with the letter and intent of title V of the Independent Offices Appropriation Act, 1952, 65 Stat. 290, which declares it to be the sense of the Congress that services, etc., furnished by any executive agency to outside parties shall be self-sustaining to the full extent possible. Since depreciation of equipment is only one element of the costs incurred in furnishing such services, appropriate action should be taken consistent with the law for billing an equitable apportionment of all significant costs of services furnished, including depreciation of fixed assets.

Moneys received by the Bureau of the Census for services furnished parties outside the Government are deposited in a trust fund, which, under 13 U.S.C. Supp. V, 8, and 15 U.S.C. 192, is available to pay directly the costs of the work or services and to repay appropriations which have borne such costs originally. Under the Census plan, reimbursements to the salaries and expenses appropriation would be limited to equipment replacements and the difference between the amounts billed by the trust fund and the reimbursements to the salaries and expenses appropriation would be deposited in miscellaneous receipts.

While we perceive no objection to limiting reimbursements to the salaries and expenses appropriation in the manner proposed, we do not believe such a restriction is required. In this connection, we invite attention to our remarks in part 3 of this letter, "Use of amounts collected for depreciation."

(b) *Intrabureau appropriation transfers.*—The proposal contemplates that the administrative expense appropriation of a bureau would initially be charged for equipment replacements and subsequently would be reimbursed from other appropriations of the same bureau on the basis of depreciation of equipment actually used for the activities that are financed by these other appropriations. We understand that this proposal is but one phase of a larger plan under which other services and supplies would be similarly financed, furnished, and reimbursed. That is to say, one appropriation would be charged when it is known at the time that other appropriations are properly chargeable, in whole or in part, and that an adjustment of funds will be necessary to record the charges to the proper appropriation.

These intrabureau procedures, involving the performance of activities by a single bureau operating with its own funds, for and on account of itself, do not fall within the purview of section 601 of the Economy Act. This provision of law authorizes the performance of services or the furnishing of supplies by one Government agency to another under a reimbursement or advance-of-funds procedure. Such transactions involve procurement between two agencies of the Government or two bureaus of an agency operating under separate appropriations, rather than procurement transactions within a bureau of an agency. Section 1210 of the General Appropriation Act, 1951, 64 Stat. 765, provides that "No funds made available by this or any other act shall be withdrawn from one appropriation account for credit to another, or to a working fund, except as authorized by law." Also, section 3678, Revised Statutes, 31 U.S.C. 628, requires that, in the absence of express authority to the contrary, amounts made available under particular appropriation heads may be used only for activities justified under such appropriations. As a corollary, it follows that amounts specifically appropriated under particular heads may not be increased except for authorized reimbursements and transfers. 26 Comp. Gen. 902, 906; 36 id. 386, 388. We are not aware of any legislative authority which would suspend application of these statutes in your Department or otherwise permit adoption of the intrabureau portion of the proposal. Such express authority, for example, was granted in section 522(f) of the Mutual Security Act of 1954, as added by section 10(b) of the Mutual Security Act of 1956, 70 Stat. 560, 22 U.S.C. Supp. V, 1782(f), and in the first paragraph of the general provisions pertaining to appropriations for the Atomic Energy Commission contained in the Supplemental Appropriation Act, 1959, Public Law 85-766, approved August 27, 1958, 72 Stat. 881.

Accordingly, before the proposed intrabureau reimbursement procedure is adopted, it will be necessary to secure legislative authority for (1) the salaries and expenses appropriation to initially finance costs for Bureau-wide or other activities for which separate appropriations are provided, and for (2) the benefiting activities to reimburse the financing appropriation from their separate appropriations. The Congress should be afforded the opportunity to evaluate the proposal in relation to the Bureau's approved appropriation structure and to express concurrence or consider alternatives.

Before legislative sanction is sought for the proposed procedure, we suggest that the need or desirability for reimbursements between appropriations of a bureau be evaluated and that the advantages of the proposed and alternative procedures be considered in terms of improved financial management of the Bureau's operations. An alternative to the proposed procedure, which would eliminate the need for reimbursements, is to provide under one of the appropriations of a bureau sufficient funds to finance all common service expenditures rather than allocate and finance these expenditures from several appropriations.

(c) *Interagency collections.*—Section 601 of the Economy Act, with reference to payment for supplies, equipment and services obtained from other Government agencies, provides for payment on the basis of the "actual cost" of the supplies or services furnished as may be agreed upon by the agencies concerned. Such cost was construed in 22 Comp. Gen. 74, cited in the Assistant Secretary's letter, and in 32 *id.* 479, as properly including, in addition to direct costs, the overhead and other indirect expenses including depreciation of fixed assets, proportionately allocable to such services.

Under the proposed plan, the amount of depreciation to be billed other Government agencies is limited to the amount of equipment to be replaced. As previously outlined, the proposed annual replacement of equipment, the depreciation expense to be recorded each year, and the amount to be billed for depreciation are not all based on the same factors. Hence, we do not believe that replacement requirements should in any way operate to influence or limit the extent of recovery of depreciation expense in otherwise proper situations.

3. *Use of amounts collected for depreciation*

As stated above, the law contemplates that billings for services furnished to parties outside the Government be based upon recovery of all significant costs of the services furnished, including depreciation expense; and that where depreciation expense incurred in supplying services to other Government agencies under section 601 of the Economy Act is significant, it is an element of cost which properly may be included in billings and recovered. It does not follow, however, that collections so realized may be utilized by agencies unconditionally. Even in the case of revolving funds, where collections generated by the activity financed by the fund generally are available for use, the purposes for which collections, including those for depreciation, may be used by the revolving fund are dependent on the legislation establishing or governing the operations of the particular fund and on pertinent regulations of the Bureau of the Budget. Regardless of the fact that adequate financing may be available for the replacement of equipment, it is essential first to determine whether the equipment is needed and, if so, to justify the need therefor as a part of the regular budget review processes.

Under Bureau of the Budget Circular No. A-11, agencies are required annually to present to the Bureau of the Budget data, which, with certain exceptions such as appropriation transfers or allocations of funds from other agencies, describe in monetary terms by activity and object classification the work which the agency proposes to perform (1) through the use of direct appropriation obligating authority and (2) through the use of advances and reimbursements received from other agencies and from non-Federal sources. After approval by the Bureau of the Budget, the data presented by the agency is transmitted to the Congress for its consideration. Based on such data, the Congress is requested to appropriate to the agency an amount which represents the difference between the total program presented and the amount to be financed by others. The appropriations finally made by the Congress thus are net of the estimated advances and reimbursements.

The practical effect of the described budgetary and legislative processes is a congressional recognition of the scope of the program represented by the direct obligations and the reimbursable obligations to be incurred in carrying out the program presented. The sum of the appropriations and reimbursements, when apportioned by the Bureau of the Budget for agency use, becomes available

without regard to source for obligation and expenditure for any of the activities authorized to be financed by the appropriation.

Therefore, and in response to the specific inquiry by the Assistant Secretary as to the use of depreciation expense recovered, you are advised that such reimbursements, like any other items of reimbursable expense, may be utilized in carrying out any activity that has been authorized and approved for the budget year subject, of course, to apportionment by the Bureau of the Budget under the provisions of its Circular No. A-34.

A copy of this letter is being furnished to the Director of the Bureau of the Budget.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

STATEMENT BY THE SECRETARY OF COMMERCE CONCERNING THE PURPOSE AND NEED OF PROPOSED LEGISLATION TO AMEND TITLE 13, UNITED STATES CODE, BY THE ADDITION OF A NEW SECTION TO AUTHORIZE THE BUREAU OF THE CENSUS TO REIMBURSE BETWEEN ITS OWN APPROPRIATIONS

STATEMENT OF PURPOSE AND NEED

The purpose of the proposed legislation is to provide authority for crediting between Bureau appropriations so as to facilitate accounting and budget control of activities which serve or benefit more than one appropriation. Authority presently available permits necessary accounting adjustments for the portion of costs financed by other agency appropriations or from non-Federal sources, but not for the portion financed by Bureau appropriations.

The Bureau of the Census has many items of administrative and operating expense which must be prorated and distributed among its own several appropriations, and also among a considerable number of reimbursable projects for other Federal agencies and the general public by cost accounting procedures in order to charge each appropriation properly. The kinds and current annual dollar levels of such items of expense follow:

	1961 estimate
1. Bureauwide general administration	\$4, 203, 000
2. Divisional indirect expenses (including retirement, insurance, etc.) ..	4, 189, 000
3. Leave	3, 884, 000
4. Electronic systems operations	2, 475, 000
5. Purchase of supplies for stockroom issue	457, 000
6. Typing pool and reproduction services	199, 000
7. Equipment maintenance	97, 000
8. Equipment for common use	342, 000
Total	15, 846, 000

In these types of expense, ordinarily, good accounting requires the expense to be collected in one figure and then, after the fact, prorated or distributed to direct cost accounts on the basis of direct costs, or the use of the services or equipment. Such procedures have been used by the Bureau for several years in connection with the items enumerated above. Our budget presentations to the Congress in connection with our justification for general administration have been on this basis for several years.

Our procedure, generally, would be to charge these items of expense initially to one appropriation, and then periodically to bill the other appropriations and funds for their prorata share. This procedure permits us to maintain both a budget control and an accounting record of the total costs of each of these items of joint costs without losing sight of the amount each appropriation and fund is to pay, and, as a matter of fact, gives us a sound basis for assuring a fair and equitable division of costs.

Section 601 of the Economy Act (31 U.S.C. 686) provides authority to support the proposed cost accounting and reimbursement procedures for the portion of joint costs which are financed by other Federal agencies. Similarly, 13 U.S.C. 8(d) provides authority to support such procedures for cost financed from non-Federal sources. However, in the course of reviewing our accounting procedures for formal adoption, the Comptroller General has ruled that reimbursement procedures applicable to interagency services under 31 U.S.C. 686 are not applicable

to intrabureau financing among our own appropriations and, in his decision of April 28, 1959 (No. B-136318), states:

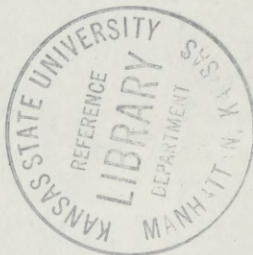
"Accordingly, before the proposed intrabureau reimbursement procedure is adopted, it will be necessary to secure legislative authority for (1) the salaries and expenses appropriation to initially finance costs for Bureau-wide or other activities for which separate appropriations are provided, and for (2) the benefiting activities to reimburse the financing appropriation from their separate appropriations. The Congress should be afforded the opportunity to evaluate the proposal in relation to the Bureau's approved appropriation structure and to express concurrence or consider alternatives."

The proposed legislation would permit a consistent basis of accounting for and financing of all work of the Bureau, and assure that reimbursable projects are financing their full share of costs, but no more. Finally, a sound basis would be provided for cost comparisons between work done at different times or by different methods, such as the use of rented equipment or Government-owned equipment. It is important that the proposed legislation be enacted as soon as possible in order that the benefits of sound cost accounting and administration of programs on a cost basis may be realized.

Mr. LESINSKI. The subcommittee will be adjourned.

(Thereupon the subcommittee adjourned at 10:45 a.m., Tuesday, August 1, 1961.)

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