100
SERIAL

78TH CONGRESS : : : : 2D SESSION

JANUARY 10–DECEMBER 19, 1944

# HOUSE DOCUMENTS

## VOL. 46

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

J66
SERIAL 10910
Copy 1

THE LIBRARY OF
CONGRESS
SERIAL RECORD

AUG 27 1945

Copy /
GOVT. SOURCE

78th Congress, 2d Session - - - - - - House Document No. 439

# ANNUAL REPORT OF THE

# Comptroller General of the United States

19 43

FOR THE FISCAL YEAR ENDED

JUNE 30

U. S. GOVERNMENT PRINTING OFFICE • WASHINGTON

# *Foreword*

This report of the work of the General Accounting Office is submitted pursuant to section 312 (a) of the Budget and Accounting Act, 1921, 42 Stat. 25. It covers the first full fiscal year of World War II, a year during which the war expenditures of the Nation increased from 26 billion to 75 billion dollars. The full impact of those tremendous expenditures began to be felt in the General Accounting Office during the year, and the most strenuous efforts of all within the Office were required in the rendition of decisions to war agencies, the audit of war expenditures, the settlement of war claims, and the rendition of other services for which the Office is responsible.

I feel most strongly the obligation which the General Accounting Office has, as the agency of the Congress, to perform a prompt and careful audit of the war expenditures, so that there may be no delay in war production because of doubt as to the validity of payments to war contractors, and so that any illegal or erroneous payments may be recovered while there is yet time. With this in mind, I have instituted a series of measures designed to expedite the war audit in every way possible commensurate with accuracy and efficiency. These measures commenced in the fiscal year 1942, with the segregation of the audit of cost-plus-a-fixed-fee and certain other war contracts from the regular audit in Washington. They have included the establishment of a war contract project audit organization which is operating, as this foreword is written, in 214 centers of cost-plus contract activities. Such measures have included, also, the establishment of the four Army Audit Branches of the General Accounting Office at Atlanta, Ga.; Chicago, Ill.; Los Angeles, Calif.; and New York, N. Y., as well as plans for a proposed Navy Audit Branch at Cleveland, Ohio. By these measures, more fully described in Chapter IV of this report, it is anticipated that the war audit will be kept current in the field and brought to a reasonably current status in Washington, and that the general audit situation will be greatly helped.

One encouraging result of the decentralization which has taken place in the work of the Office—including the move of the Postal Accounts Division to Asheville, N. C., on the recommendation of the Public Buildings Administration and the Bureau of the Budget, as discussed in Chapter I—is the ability of the Office to recruit in the

field qualified employees of a type increasingly hard to obtain in Washington. This factor has contributed materially to the success of the audit in the field.

In Chapter I of the report there are noted general developments which have affected the work of the General Accounting Office during the year, or in which the Office has had a part. Special attention is invited to the steps taken during the year to come to an effective understanding with the Commodity Credit Corporation with respect to the audit of the Corporation's financial transactions.

Chapter II describes the work performed by the Office during the year in terms of results accomplished and progress made in attacking the job at hand. It will be noted therefrom that collections of $18,932,537.39 were made through efforts of the Office during the fiscal year 1943, or more than twice the amount so collected during 1942, and that of the amount collected in 1943, $4,381,489.47 was recovered in the war contract project audit. While the number of vouchers audited during 1943 was 23,335,441, an increase of 3,319,803 over the number audited in 1942, unaudited vouchers on hand at the close of the fiscal year increased from 10 million in 1942 to 13 million in 1943 due to the increased number received during the latter year. It is expected that this backlog will be substantially reduced by the decentralization of the war audit.

Faced by a combination of increasing work and a decreasing supply of available qualified personnel, those of us in charge of the administration of the General Accounting Office have felt more keenly than ever the necessity to leave nothing undone which could contribute to the more efficient and effective performance of that work. Chapter III treats of the activities of this nature carried on during the fiscal year, including planning, training programs, and an employees' suggestion plan.

Chapter IV describes in some detail the participation of the General Accounting Office in the war program.

During the fiscal year, Richard N. Elliott, who had served in the office of Assistant Comptroller General since March 6, 1931, and as Acting Comptroller General from July 1, 1936, to April 10, 1939, and from June 20 to October 31, 1940, attained the age of 70 years. Accordingly, Mr. Elliott was retired May 1, 1943, pursuant to section 303 of the Budget and Accounting Act, 1921, and section 1 of the Act of April 23, 1930, 46 Stat. 253. He was succeeded as Assistant Comptroller General by Frank L. Yates, who had been with the Office since its inception, having joined the staff of the former Auditor for the War Department in the accounting offices of the Treasury in October 1919. Mr. Yates had served in the General Accounting Office as an

attorney and, for many years, as a special assistant to the Comptroller General and attorney-conferee in the immediate office of the Comptroller General. I found him there when I assumed office in November 1940, and have since leaned heavily upon his judgment, fairness, and knowledge of Government accounting matters. I count the General Accounting Office fortunate in being able to command at this critical time, in a position of such high responsibility, the services of one whose loyalty, ability, and experience give him unsurpassed qualifications for the office to which he has succeeded.

No new legislation is recommended in this report. The recommendation made in my annual report for 1942, for legislation to permit the commutation of authorized expenses of transportation of household goods of civilian officers and employees, when transferred from one official station to another for permanent duty, was incorporated in suggested legislation submitted to the Congress by the Civil Service Commission, as shown by the Congressional Record for September 14, 1943. I am in full sympathy with the general objectives of that proposed legislation, the provisions of which, I am informed, are in accord with the program of the President. In the event final legislative action has not been taken on this proposal by the time of making this report, I wish to commend it to the consideration of the Congress.

LINDSAY C. WARREN,
*Comptroller General of the United States.*

# TABLE OF CONTENTS


| | Page |
|---|---|
| CHAPTER I—GENERAL DEVELOPMENTS | 1 |
| Administrative authority over expenditures | 4 |
| Audit of Government corporations | 6 |
| Space and decentralization | 10 |
| CHAPTER II—WORK PERFORMED | 13 |
| Decisions and other legal work | 13 |
| Administrative accounting systems and forms | 16 |
| Administrative accounting systems | 16 |
| Accounting forms | 16 |
| General Regulations and Circular Letters | 17 |
| Inspections, surveys, and special investigations | 17 |
| Survey of accounting procedures, Government of the District of Columbia | 19 |
| Investigation of irregularities | 22 |
| Appropriation and fiscal officers' accounts | 23 |
| General audit | 26 |
| Audit of expenditures | 26 |
| Audit of collections | 27 |
| Preaudit | 28 |
| Examination of contracts | 28 |
| Special audits | 29 |
| Tennessee Valley Authority | 29 |
| Panama Canal | 32 |
| General supply fund, Procurement Division, Treasury Department | 34 |
| Federal Crop Insurance Corporation | 34 |
| Agricultural Marketing Act Revolving Fund, Farm Credit Administration | 35 |
| Emergency Crop and Feed Loan Offices, Farm Credit Administration | 36 |
| Federal Farm Mortgage Corporation | 36 |
| Customs Service | 36 |
| U. S. Senate and House of Representatives Restaurants | 37 |
| General claims work | 38 |
| Debt collections | 41 |
| Gasoline tax collections | 42 |
| Indian tribal claims | 42 |
| Transportation audit and claims | 44 |
| Postal accounts and claims | 47 |
| Audit and settlement | 47 |
| Accounting responsibility | 47 |
| Advances to air carriers | 48 |
| Savings stamp accounts | 49 |
| Money order accounts | 50 |
| Postal Service quarterly accounts | 50 |

CHAPTER II—WORK PERFORMED—Continued. Page
Reconciliation, clearance, and records 50
General condition of fiscal officers' accounts 53
General condition of vouchers 54
General statement of collections 54
CHAPTER III—ADMINISTRATIVE ACTIVITIES 57
Planning and Budget 57
Administrative finances 58
Personnel 58
Employees' suggestions 63
CHAPTER IV—WAR ACTIVITIES 67
Decisions and advice to war agencies 67
Cost-plus-a-fixed-fee contracts 68
Audit of war expenditures 70
War contract project audit 70
Army Audit Branches 74
Proposed Navy Audit Branch 75
Inspection of war accounts and contracts 75
United States Maritime Commission and War Shipping Administration 78
Settlement of war claims 81
Other war measures 82
APPENDIX A.—Examples of statutes enacted during the fiscal year 1943, conferring unusual administrative authority over expenditures 83
APPENDIX B.—General Regulations and Circular Letters 89
APPENDIX C.—Administrative Order No. 8 (Revised)—Employees' Suggestions 93
APPENDIX D.—Statistics 95

# General Developments

Effective July 1, 1921, the Budget and Accounting Act, 1921, 42 Stat. 20, created the General Accounting Office, under the control and direction of the Comptroller General of the United States, to provide an independent audit and settlement of the Government's accounts by an agency of the Congress.

By the same Act, the tenures of the Comptroller General and of the Assistant Comptroller General are fixed at 15 years, the Comptroller General not to be eligible for reappointment, and both officers are made removable only by joint resolution of Congress or by impeachment. The offices of the former accounting officers of the Treasury were abolished, and their powers and duties were transferred to the General Accounting Office, to be exercised without direction from any other officer. Provision is made by the Act for settlement and adjustment in the General Accounting Office of all claims and demands whatever by the Government or against it, and all accounts in which the Government is concerned, either as debtor or creditor. Balances certified by the Comptroller General are made final and conclusive upon the executive branch of the Government, and the Comptroller General is directed to investigate all matters relating to the receipt, disbursement, and application of public funds and to make reports and recommendations to Congress at certain times and in certain manner. These and other provisions of the Budget and Accounting Act give expression to the intent of the Congress that the accounting officers shall be independent of the operating agencies and responsible to the Congress.

However, most of the work assigned to the General Accounting Office was not new, and neither were the principles which led to its creation. Before the adoption of the Constitution, accounts and claims involving the Government had been settled by a committee of the Congress, or by officers responsible to the Congress. The Constitution provided that no money should be drawn from the Treasury but in consequence of appropriations made by law.

While that document laid out the three great branches of Government, it made no provision for the organization of such branches. The First Congress, meeting in 1789, was agreed that there should be a Department of the Treasury, the principal discussion having cen-

tered upon the question as to whether the Department should be administered by a board or by a single individual with proper checks in the form of a comptroller, an auditor, a register, and a treasurer. In the debate in the House of Representatives preceding enactment of the Treasury Act of 1789, James Madison had observed that the principal duty of the comptroller seemed to be deciding upon the lawfulness and justice of the claims and accounts subsisting between the United States and particular citizens; that this partook strongly of the judicial character, and that there might be strong reasons why such an officer should not hold office at the pleasure of the executive branch, but should have such a tenure as would make him responsible to the public generally. In the course of the same debate William Smith of South Carolina had suggested that during the comptroller's tenure he ought to be independent of the executive, in order that he might not be influenced by that branch of the Government in his decisions.

While these suggestions were not adopted until 1921, the Treasury Act of 1789 did provide that the Secretary of the Treasury should report to either house of Congress respecting all matters referred to him by them or which appertained to his office. The Act provided, also, for a comptroller and an auditor, among other officers. The duties of the comptroller included superintending the adjustment and preservation of the public accounts, examining all accounts settled by the auditor and certifying the balances, and countersigning all warrants drawn by the Secretary of the Treasury which should be warranted by law. Those of the auditor included receiving all public accounts and, after examination, certifying the balances and transmitting the accounts with the vouchers and certificates to the comptroller for his decision thereon.

Early in the history of the Government, differences arose between the Congress and the executive departments, because of the insistence of heads of departments that they were granted control of the entire sums appropriated to the departments and had authority in themselves to apply those sums as they saw fit, whether such disposition agreed with the congressional direction or was dictated by a departmental determination. These differences led to the appointment of a committee of the House of Representatives to inquire and report whether moneys drawn from the Treasury had been faithfully applied to the objects for which they were appropriated and whether such moneys had been regularly accounted for; and to report, likewise, whether any further arrangements were necessary to promote economy, enforce adherence to legislative restrictions, and secure the accountability of persons entrusted with public money. The commit-

tee's report disagreed with the administrative conception as to disbursement of appropriations and stated that:

> There are two previous requisites which are necessary to justify the expenditure of public money, and, without which, no legal expenditure can be made: First, that the expenditure for the object to which it is applied, should be authorized by law; and, secondly, that an appropriation should have been made to cover that authorized expense. * * *

Out of the conclusions expressed in this report grew the Act of March 3, 1809, 2 Stat. 535, which later became section 3678, R. S., 31 U. S. C. 628, specifically directing that the sums appropriated by law for each branch of expenditure in the several departments should be solely applied to the objects for which they were respectively appropriated, and to no other, with an exception subsequently repealed.

Another question which concerned the early Congresses was that of advances of public moneys. The discussion of this question culminated in the Act of January 31, 1823, section 3648, R. S., 31 U. S. C. 529, prohibiting the advance of public money except under direction of the President to disbursing officers and to military and naval personnel on distant stations. Other restrictive provisions were written on the statute books at an early date in an effort to assure that the public moneys were paid out only as authorized by law. Such provisions, with those which the Congress has added from time to time, and with the modifications that have been made by the Congress to meet changing conditions, are still for application in spending and accounting for public funds as appropriated by the Congress.

For the enforcement of all of these provisions the Congress had to rely on the accounting officers. The number of such officers had grown from one comptroller and one auditor in 1789 to two comptrollers and six auditors in 1849, with a Commissioner of the General Land Office and a Commissioner of Customs exercising accounting functions. With respect to the status of such officers, the Woodbury Report on Reorganization of the Treasury Department, presented to the Senate in 1834, stated:

> * * * It seems required, by a due regard to system, uniformity, and proper accountability, that neither those empowered by law, to decide on the necessity of certain services and purchases, nor those who made the purchases and contracts, should also adjust the accounts rendered for them; but that the auditors themselves, whether the claims originate under authority of the heads of bureaus, or of departments, should have the exclusive power, in the first instance, to judge of the reasonableness and just amount due, looking to all the evidence in the case, and to the laws and fixed prospective regulations that apply to it. * * *

This principle was given effect by the Act of March 30, 1868, 15 Stat. 54, which provided that the Act of March 3, 1817, for the prompt

settlement of public accounts, should not be construed to authorize heads of departments to change or modify the balances that might be certified by the Comptroller of the Treasury, but that such balances should be final and conclusive upon the executive branch of the Government.

The Dockery Act of July 31, 1894, consolidated the accounting system under the Comptroller of the Treasury, who was given appellate and revisionary powers over the decisions of the six auditors, as well as the authority to render decisions in advance of payment upon questions presented by heads of departments or disbursing officers. However, the accounting officers were left in the Treasury Department. The Comptroller of the Treasury in his annual report for 1911 took the position that the accounting officers should be directly and solely responsible to Congress. In the following decade public sentiment grew, both within and outside of Congress, for an independent audit of the public accounts by an agency responsible to the Congress. At the same time, public interest was growing in a national budget system to improve the financial administration of the Government. These two objectives were achieved in the Budget and Accounting Act, 1921.

## ADMINISTRATIVE AUTHORITY OVER EXPENDITURES

As indicated above, a primary purpose in establishing the General Accounting Office was to obtain an independent audit of Government financial transactions by an agency of the Congress and thus to insure that the will of Congress is carried out in respect of such transactions. In the realization that the application to an all-out war program of laws enacted during peacetime for the normal operations of the Government might seriously impair the prompt and effective prosecution of the total war in which the Nation is now engaged, the Congress in the past few years has enacted many statutes granting authority to administrative officials of the Government to make expenditures without regard to other laws previously enacted for the purpose of controlling and safeguarding the use of public funds. Many recent statutes granting such broad administrative authority were pointed out in my annual reports for the fiscal years 1941 and 1942. Many other similar statutes were enacted during the fiscal year 1943.

Some of these statutes take the form of specific exemption from one or more general statutory requirements. Of such nature are the following provisions of the War Department Civil Appropriation Act, 1944, approved June 2, 1943, 57 Stat. 94:

* * * *Provided*, That any appropriation for civil functions under the Corps of Engineers for the fiscal year 1944 shall be available for contracting in such

manner as the Secretary of War may determine to be in the public interest without regard to the provisions of section 3709 of the Revised Statutes or section 3 of the River and Harbor Act of August 11, 1888.

Other statutes, by providing for the acceptance of certificates made by administrative officers, without further evidence of the facts and circumstances upon which payments are made, preclude the accounting officers from making any independent inquiry as to the existence of such facts as would establish whether the payments are proper or improper. Such a statute is the Act of October 26, 1942, 56 Stat. 987, which provides:

> That during the existence of the present war in which the United States is engaged, and during the six months immediately following the termination of such war, certificates of officers of the Army, Navy, Marine Corps, and Coast Guard of the United States, executed on and after December 8, 1941, attesting to the existence of the stated facts, and which are filed with and relate to vouchers and papers involving pay and allowances of civilian and military personnel under the jurisdiction of the War or Navy Departments, shall be accepted as supporting such payments so far as said facts are concerned without the necessity of any other supporting evidence or certificates: *Provided*, That the Secretary of War or the Secretary of the Navy may prescribe the places where and the classes of pay and allowance accounts to which the above authority of law may be made applicable.

Provisions of both of the types illustrated above appear in combination in the appropriation for the former Board of Economic Warfare, made by the First Supplemental National Defense Appropriation Act, 1943, 56 Stat. 705, in part as follows:

> * * * (4) expenses outside the United States without regard to the Standardized Government Travel Regulations and the Subsistence Expense Act of 1926, as amended, or any limitation of law or regulation governing the payment of transportation and subsistence to military or naval personnel, and section 901 of the Act of June 29, 1936 (49 Stat. 2015); * * * *Provided further*, That not to exceed $500,000 of this appropriation shall be available to meet emergencies of a confidential character to be expended under the direction of the Executive Director, who shall make a certificate of the amount of such expenditure which he may think it advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the amount therein certified.

Additional examples of such provisions are included in Appendix A to this report.

No doubt in many situations arising during the present national emergency there is need for freedom of action and procedural short cuts which may be effectively realized only by granting administrative officials wide latitude in the expenditure of public funds and the accounting therefor. Perhaps the benefits which flow from such freedom of action and short cuts during an emergency may outweigh, in proper cases, any temporary harmful results. This would appear to

have been particularly true with respect to initial legislation designed to get the war program under way with the greatest possible speed. In the desire not to impede the prosecution of the war program, I have withheld objection to certain temporary grants of authority for war purposes. However, now that the initial stages of that program are past, serious consideration should be given to whether there should be a general and continued granting of such broad authority to administrative officials in the expenditure of public funds and, in any event, to the extent of the authority to be granted in the light of the particular object to be accomplished and the benefits expected to accrue therefrom.

## AUDIT OF GOVERNMENT CORPORATIONS

Efforts of the General Accounting Office were continued during the fiscal year 1943 to reach an understanding with Government corporations not rendering a full accounting to the Office, as to the manner of accomplishing the audit and settlement of their accounts. Particular occasion arose during the year to consider the relationship between the Office and the Commodity Credit Corporation. The administrative expenses of the Corporation have been given the regular governmental audit in the General Accounting Office, as required by annual appropriation acts making the Corporation's funds available for these expenses. The capital fund transactions, such as loans on or the purchases of commodities, charges for warehousing and transportation, and interest payments, have not been audited by the Office, although such transactions have been subjected to a commercial type of audit by the Reconstruction Finance Corporation and, in part, by the Federal Reserve Banks. A joint committee, consisting of representatives of the Department of Agriculture and of the General Accounting Office, was etablished for the purpose of studying the accounting relationships between the Commodity Credit Corporation and the General Accounting Office. After reviewing the findings and recommendations of that committee, the Department—subsequently, the War Food Administration—and the General Accounting Office were in agreement that the regular governmental audit was not suitable to the capital fund operations of the Corporation.

In general, the purpose of the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress, in the light of restrictions and limitations placed by the Congress generally upon the expenditure of appropriated moneys. It is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending those funds,

upon the basis of documents and records usually submitted to the General Accounting Office and retained in its custody. In contrast, the commercial type of audit, as applied to a business corporation, is separate and apart from the accounting system and internal financial control of the corporation and is designed to determine the true financial condition of the corporation as of a given date and the results of its financial operations during the period covered by the audit, as well as establishing whether the funds of the corporation have been regularly expended in accordance with corporate authorization. These determinations are made by detailed examination of the operating and financial records of the corporation at the places where they are being used in the conduct of corporate business.

Aside from the more fundamental differences in approach and purposes apparent between these two systems, the nature of the capital fund operations of the Commodity Credit Corporation is such that it is impractical, if not impossible, to assemble in one place the original vouchers and other original papers supporting the capital fund operations of the Corporation and still permit the Corporation to carry out the business responsibilities imposed upon it by the Congress. For example, papers supporting particular transactions, such as warehouse receipts, bills of sale, etc., must, in many cases, be retained by the Corporation at particular locations for continued use in connection with the original transaction. In other cases, these original documents are required to be recorded and held in public offices or deposited with banks or other institutions. As a further example, notes purchased by the Commodity Credit Corporation, evidencing borrowings by farmers and others, are required to be deposited with the banks at which the notes are to be paid for eventual surrender upon payment.

The Corporation recognized the desirability of having a commercial type of audit of its capital fund operations by the General Accounting Office. The General Accounting Office joined in this recognition, but doubt was entertained as to whether the Office was authorized to perform this type of audit for the Corporation under existing legislation. On the other hand, doubt was entertained as to whether the Commodity Credit Corporation was authorized to permit a regular governmental audit of its capital fund transactions. Accordingly, the Congress was asked to resolve these doubts by expressly authorizing the General Accounting Office to make an audit of the capital fund transactions of the Corporation in accordance with the principles applicable to commercial corporate transactions.

Language to accomplish the desired purpose, without disturbing the performance by the General Accounting Office of the govern-

mental type of audit of the administrative expenses of the Corporation, was incorporated in H. R. 2869, 78th Congress, a bill to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1945, and for other purposes. Section 3 of the bill, as enacted and sent to the President, provided as follows:

Sec. 3. Section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby amended by changing the designation thereof to section 7 (a) and by deleting from the first sentence thereof the term "June 30, 1943" and by inserting in lieu thereof "June 30, 1945"; and is further hereby amended by striking out the period at the end of the section and inserting in lieu thereof a comma and the following: "without regard to provisions of any other existing law relating to public funds: *Provided, however*, That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business.

"(b) The financial transactions of the Corporation beginning with the period from July 1, 1943, shall be audited by the General Accounting Office in accordance with the principles applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That the Corporation shall continue to have the authority to make final and conclusive settlement and adjustment of any claims by or against the Corporation or the accounts of its fiscal officers: *Provided further*, That a report of such audit shall be made to the Congress, together with such recommendations as the Comptroller General may deem advisable, and that each such report shall cover a period of one fiscal year and shall not be made until the Corporation and the Secretary of Agriculture shall have had a reasonable opportunity, not to exceed ninety days, to examine the report, point out errors therein, explain or answer the same, and file a statement which shall be submitted by the Comptroller General with his report: *Provided further*, That a copy of each such report shall be furnished the Secretary of the Treasury and that the findings contained therein shall be considered by the Secretary in appraising the assets and liabilities and determining the net worth of the Corporation under sections 1 and 2 of the Act of March 8, 1938 (52 Stat. 107), as amended: *Provided, however*, That nothing in this section shall be construed as modifying legislation authorizing the use of funds of the Corporation for administrative expenses and requiring accountability therefor.

"(c) The expenses of the audit as provided in this section may be paid up to and including June 30, 1945, from moneys advanced therefor by the Corporation, or from any appropriation or apppropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General: *Provided*, That any such advances or reimbursements shall be considered as nonadministrative expenses of the Corporation. For the purpose of such audit the representatives of the General Accounting Office shall have access to all papers, books, files, accounts, financial records, warehouses, and all other things, property, and places belonging to or under the control of or used or employed by the Corporation and shall be afforded full facilities for verifying transactions with and balances in depositaries and with fiscal agents: *Provided further*, That the certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business may be accepted by the General

Accounting Office in its audit of the financial transactions of the Corporation as final and not subject to further audit verification.

"(d) Any examination of the corporate records shall be made at the place or places where such records are normally kept in the transaction of the corporate business, and the Corporation shall retain custody of contracts, vouchers, schedules, or other financial or accounting documents, either original or duplicate, relating to its nonadministrative transactions."

For reasons not related to the audit provisions, H. R. 2869 was vetoed by the President, and the life of the Commodity Credit Corporation as an agency of the United States was extended until December 31, 1943, by the Joint Resolution approved July 16, 1943, Public Law 151, 78th Congress, which did not include the audit provisions. However, as this report is written there are pending several bills providing for further extension of the Commodity Credit Corporation and for an audit of the Corporation's capital fund operations by the General Accounting Office in the manner set forth above.

Meanwhile, agreements have been reached with other Government corporations whose financial operations are such as to render a governmental audit unsuitable thereto, to provide for an audit of such operations by the General Accounting Office in accordance with the principles applicable to commercial corporate transactions. Final action in such cases has been withheld, however, pending disposition of the question of audit of the capital fund operations of the Commodity Credit Corporation.

A joint report on Government corporations was prepared and submitted by the Bureau of the Budget and the General Accounting Office to the Joint Committee on Reduction of Nonessential Federal Expenditures, Congress of the United States, under date of May 21, 1943, pursuant to a request of the chairman of the Committee. The report comprised 50 statements, covering 51 individual corporations or types of corporations, prepared through the efforts of the Bureau of the Budget and the General Accounting Office and with the assistance of the corporations concerned. It was furnished, not as an exhaustive treatment of the subject, but to inform the Committee in summary form as to the existing status of the corporations with respect to (1) control of their administrative expenses by the Congress and by the Bureau of the Budget; (2) audit of their expenditures by the General Accounting Office; and (3) their financial condition and the Government's financial interest and contingent liability in connection therewith. Information was likewise furnished, generally, as to the authority for creation and the chartering of the corporations, the purpose thereof, and the administrative expenses of each for the fiscal year 1943.

Included in the report was a table showing that of the 51 corporations listed therein, one, although created by an act of Congress, had never been in active operation; that another was not then in operation; and that 3 were in process of liquidation. Of the 49 corporations indicated as in active operation or liquidation, the table showed that the administrative expenses of 14 were subject to the budgetary control of the Bureau of the Budget and Congress; that an additional 14 were subject only to the control of the Bureau of the Budget; and that 15 were audited by the General Accounting Office.

On August 6, 1943, a supplemental joint report was transmitted by the Bureau of the Budget and the General Accounting Office to the Joint Committee, covering four additional corporations which were thought to be of possible interest to the Committee.

## SPACE AND DECENTRALIZATION

The lack of proper housing has been a major handicap of the General Accounting Office since its inception. Simple economy would dictate that the personnel and files of the Office be housed in one building, or two adjacent buildings, but this has never been possible. In the first annual report of the Comptroller General, for the fiscal year 1922, it was stated that the supreme need of the General Accounting Office was a building which would house its entire personnel of more than 2,000 and its records, at that time in 20 different buildings. Subsequent annual reports contain similar statements. The number and identity of buildings occupied has varied from time to time, as the current needs and availability of space have changed. As of June 30, 1943, 1,288,839 square feet of space in 19 buildings at 17 separate locations in Washington, D. C., were being utilized, while the personnel had increased to more than 9,000.

The widely scattered location of buildings complicates administration and, in addition to the serious transportation problem involved, causes many delays in the work of the Office. The audit work on one account may be, and often is, performed in as many as eight buildings, while to obtain necessary information frequently requires searching the files in several buildings. In addition to the handicap of location, most of the buildings are crowded and ill suited to their present uses. The files of the General Accounting Office constitute, with few exceptions, the only original records of the expenditures of the Government since its beginning, and these are the records on which the Government must rely to adjudicate many thousands of claims every year in the General Accounting Office, in the courts, and before the Congress in private relief bills. The records contained in these files are also

valuable from a historical standpoint. Because of the lack of suitable space and storage facilities, however, such records are filed or stored largely on temporary wooden shelves, unprotected from dust, insects, and rodents, in buildings beset with fire and water hazards. The immediate problem at hand, though, has been the providing of even a mere shelter in which to house the immense volume of records being received daily.

In January 1943, acting on the urgent recommendation of the Commissioner of Public Buildings and the Bureau of the Budget, due to the extreme need for additional space for war activities in Washington, the Postal Accounts Division of the General Accounting Office was moved to Asheville, N. C., where suitable space had been located by the Decentralization Service of the Public Buildings Administration. Another impelling reason for the decision to move the Division from Washington for the period of the war emergency was the extreme difficulty being encountered in the recruitment of qualified personnel in sufficient numbers to maintain a relatively current condition of work. Investigation indicated, and experience has proved, that sufficient personnel could be obtained in the Asheville area.

At the time of the move, there were 838 positions in the Postal Accounts Division. Of this number, 271 employees transferred to Asheville, approximately 50 of these having been transferred to the Division from other parts of the General Accounting Office or from other governmental agencies for the purpose of accompanying the Division in its move. At the present time, approximately 600 of the 825 employees of the Division have been employed locally at Asheville, which is indicative of the availability for recruitment of most classes of personnel required for the work.

The loss of approximately two-thirds of the experienced personnel of the Division at the time of the move and the shifting of many of those remaining to other classes of work greatly handicapped the normal functioning of the Division during the first six months after the move. However, now that most of the necessary restaffing has been accomplished, the Division is in a far better position to place its work on a current basis than it would have been had it remained in Washington. It is expected that the present plans and reorganization of the work of the Division will enable it to reach a current status during the present fiscal year and that June 30, 1944, will find the work on a normal basis.

In April 1943, the Claims Division was moved to Temporary Building T8, a new building erected on the Friendship site, at Newark Street near 38th Street NW., in Washington, thereby placing practically the entire Division under one roof for the first time in several years.

While this consolidation has contributed materially to the efficient performance of the work of the Claims Division, the advantages thus gained have been offset in part by the distance between the new location and the other buildings of the Office.

In addition to these moves, one building used for files was vacated and a rented building at 1331 U Street NW., was occupied during the year. While these moves permitted the assignment of additional space to the other divisions of the Office, and thus improved the space situation to a considerable extent, the continued growth of the work received in the General Accounting Office requires that even more space be obtained in the near future.

The space occupied by the Office in Washington, D. C., as of June 30, 1943, is shown by the following table:

*Rented buildings*

| Name of building: | *Square feet of space* |
|---|---|
| Moses Building | 95,856 |
| 1st and M Streets NE | 193,405 |
| 119 D Street NE | 63,076 |
| 141 12th Street NE | 9,000 |
| 2215 5th Street NE | 34,218 |
| 401 South Capitol Street | 15,162 |
| 411 South Capitol Street | 37,799 |
| 613 G Street NW | 73,355 |
| 1220 19th Street NW | 38,922 |
| 1331 U Street NW | 75,275 |
| 1420 U Street NW | 18,532 |
| 1700 Kalorama Road NW | 27,100 |
| 1701 Kalorama Road NW | 18,945 |
| 1712–24 Kalorama Road NW | 20,320 |
| Total | 720,965 |

*Government-owned buildings*

| | |
|---|---|
| General Accounting Office Building | 146,932 |
| Old Post Office | 235,321 |
| New Post Office | 21,033 |
| Civil Service Commission | 32,270 |
| Temporary Building T8, Friendship | 132,318 |
| Total | 567,874 |
| Total square feet of space occupied | 1,288,839 |

For information as to decentralization of the war audit activities, attention is invited to Chapter IV below.

# Work Performed

## DECISIONS AND OTHER LEGAL WORK

Under section 8 of the Act of July 31, 1894, 28 Stat. 207–208, as amended by Title III of the Budget and Accounting Act, 1921, 42 Stat. 23, *et. seq.*, the Comptroller General is required to render decisions in advance of payment at the request of any disbursing officer or the head of any department or establishment, with respect to questions involving payments to be made by them or under them. During the fiscal year ended June 30, 1943, the Comptroller General rendered 1,357 advance decisions to the heads of executive departments or establishments and 3,035 advance decisions to disbursing officers. During the same period, 127 advance decisions were rendered at the request of certifying officers pursuant to the Act of December 29, 1941, 55 Stat. 875. Also, decisions are rendered to claimants who request review or reconsideration of claims which have been disallowed in whole or in part and to disbursing officers who request review or reconsideration of items for which credit has been disallowed in their accounts. During the fiscal year 1943, such decisions were rendered to claimants in 2,093 cases and to disbursing officers in 172 cases. As an incident to the settlement of claims and the auditing and settlement of accounts, it frequently is necessary to construe contracts, statutes, and administrative regulations, and otherwise determine the liability of the Government to make a payment or the legality of a payment which has been made. The decision of the Comptroller General in such cases usually is in the form of instructions to the chiefs of divisions of the General Accounting Office in charge of the auditing and settlement of accounts and claims. Such decisions not only govern the disposition of the particular cases involved but serve as precedents for guidance in similar cases then pending or which may arise later. The number of such intraoffice decisions issued during the fiscal year 1943 was 2,341.

When the United States is sued in the Court of Claims, it is the practice of the Attorney General, in most cases, to forward a copy of the petition to the General Accounting Office for report and recommendation and for the furnishing of transcripts from the records and authenticated copies of such pertinent documents as are on file in the General Accounting Office. When the decision of the Court of

Claims is adverse to the United States, the Attorney General usually requests an additional report of the General Accounting Office together with a recommendation as to the advisability of further proceedings in the case. A total of 362 reports were made to the Attorney General with respect to Court of Claims cases during the fiscal year 1943. Also, a total of 1,060 reports and recommendations were made to the Attorney General in connection with miscellaneous other matters including collection proceedings against various persons and firms, including disbursing officers and their sureties, and the defense of suits against the United States in the District Courts of the United States.

During the fiscal year 1943, there were furnished 1,139 reports to the Bureau of the Budget, to Members and Committees of Congress, etc., with regard to various matters, and 101 reports were made, principally to the Attorney General, in cases involving the acquisition of lands.

The accomplishments of the Index-Digest Section of the Office of the General Counsel—the work of which was fully explained and commented upon in the annual reports of the Comptroller General for the fiscal years ended June 30, 1941, and June 30, 1942—were as follows:

| | |
|---|---|
| Decisions, office memoranda, etc., for which card index-digests were prepared | 4,036 |
| Decisions selected for publication in Volume 22 of Decisions of the Comptroller General of the United States for which syllabi and index-digests were prepared | 352 |
| Decisions selected for inclusion on the "Daily Synopses of Decisions" for which synopses were prepared and for which mimeographed copies were ordered for distribution to the various governmental agencies | 323 |
| Telephone inquiries concerning previous decisions of the accounting officers on a given point | 3,735 |

The granting by Congress of particular administrative authority over public funds, as discussed in Chapter I, and the withdrawing or restricting of such previously granted authority, directly affect the work of the General Accounting Office by giving rise to various and complex fiscal problems requiring interpretation of the statutes involved for the purpose of determining the extent of the authority conferred or withdrawn, or the restriction imposed, having regard for the language used, the object sought to be accomplished, and the statutes applicable generally to fiscal transactions of the Government. Also, the decision work of the General Accounting Office is directly affected by new activities and programs undertaken in the light of existing conditions, whether they be related to the physical prosecution

of the war or to fiscal and economic matters arising out of the war. For example, the maintenance of military and naval forces gives rise to various complex legal questions involving the rights of members of the different armed services. Such rights have been extended and changed to a considerable extent by legislation recently enacted or amended, such as the Pay Readjustment Act of 1942, approved June 16, 1942, 56 Stat. 359. Of the 352 decisions published in Volume 22 of the Decisions of the Comptroller General of the United States—which decisions were selected (out of a total of over 9,000) for printing as being of general interest or application—it is noted that 88 directly affect members of the armed forces and relate to their rights to pay, transportation of household effects and dependents, uniform allowances, rental and subsistence allowances, mileage and travel allowances, personal property damages, etc., and the rights of their designated beneficiaries to the death gratuity pay authorized by law. The establishment of the Women's Army Auxiliary Corps by the Act of May 14, 1942, 56 Stat. 278, the Women's Reserve of the Naval Reserve by the Act of July 30, 1942, 56 Stat. 730, and the Women's Reserve of the Coast Guard Reserve by the Act of November 23, 1942, 56 Stat. 1020, resulted in the rendition of several decisions of which 4 were considered to be of sufficient importance and general application to be published in Volume 22.

The published decisions include 23 relating to various questions arising under the cost-plus-a-fixed-fee type of contract, further discussion concerning which will be found in Chapter IV. The Federal "Transportation of Property" tax prescribed by section 620 of the Revenue Act of 1942, 56 Stat. 798, 979, resulted in several decisions of which 5 were published. Many decisions involving civil employees in all branches of the Government—legislative, executive, and judicial—were rendered interpreting the Joint Resolution of December 22, 1942, 56 Stat. 1068, which authorized the payment of overtime compensation to civilian employees of the Government, of which 38 were published. Decisions were published in 4 cases involving the War Overtime Pay Act of 1943, Public Law 49, approved May 7, 1943.

In addition to the preparation of drafts of decisions for the consideration of the Comptroller General in the various matters presented, the legal staff of the General Accounting Office is engaged constantly in conferring with and advising administrative officials of the various Government agencies with respect to the legality of proposed expenditures and programs, and in interviewing claimants with respect to decisions, settlements, and claims.

## ADMINISTRATIVE ACCOUNTING SYSTEMS AND FORMS

The activities involved under this classification of work include the development and prescribing of accounting systems, forms, and procedures for the several departments and establishments in Washington and in the field, in collaboration with the agencies, in respect to their accounting and fiscal requirements, as required by section 309 of the Budget and Accounting Act, 1921, 42 Stat. 25.

*Administrative accounting systems.*—The development of adequate systems of administrative accounts is accomplished by surveys of the problems presented with a view to effectuating improvements. As a result of decentralization of departments and agencies, initiation of war activities, and other elements brought about by the war program, the demand for service by the General Accounting Office in this particular field has increased tremendously. Because of the increase in the work, shortage of qualified personnel due to the requirements of the armed services, and the pressure of other work more urgently required, the development of systems has fallen behind the rate at which this activity has been pursued heretofore.

During the fiscal year the General Accounting Office made surveys of accounting requirements, prescribed and supervised the installation of accounting systems, or rendered assistance in effectuating improvements in existing accounting systems and procedures for the following agencies:

Department of Agriculture, Bureau of Dairy Industry.
Department of Commerce, Bureau of Foreign and Domestic Commerce.
Federal Trade Commission.
Federal Works Agency, Public Buildings Administration.
Department of the Interior, Bonneville Project.
Department of Justice.
Library of Congress.
National Archives.
National Housing Agency.
National Housing Agency, Federal Public Housing Authority.
Post Office Department.
Selective Service System.

*Accounting forms.*—Pursuant to the authority vested in the Comptroller General of the United States by section 309 of the Budget and Accounting Act, 1921, 15 standard forms and 380 special accounting forms were prescribed during the fiscal year 1943.

In all cases where special forms are presented to the General Accounting Office for consideration and approval, investigations are conducted to determine whether such forms are essential; whether they meet the need of the agency concerned as well as the audit and other requirements of the General Accounting Office; and whether or not

existing standard forms could be utilized to meet the requirements for which the forms were designed. Among the special forms approved during the fiscal year 1943 were the following: Public voucher for fees and mileage of jurors, Administrative Office of the United States Courts; report of overtime meat inspection, Department of Agriculture; voucher for grants to States for emergency maternity and infant care, Department of Labor; pay rolls for evacuee workers, War Relocation Authority, Office for Emergency Management; list of official excess baggage charges, Department of State; and pay roll of civilian enemy aliens and prisoners of war, War Department. Further details as to the number of special forms approved are set forth on page 95, Appendix D.

## GENERAL REGULATIONS AND CIRCULAR LETTERS

General Regulations are issued, pursuant to the authority vested in the Comptroller General by law, to regulate, control, or prescribe procedures and practices for observance by Government departments and establishments in connection with the accounting for and the audit of the public funds. Through these regulations the entire Government service is advised as to the form, method and time of rendition of accounts to the General Accounting Office, for audit; the accounting procedures to be followed by disbursing or other accountable officers and by the administrative offices; and other matters of general application in respect of the accounting to be rendered. During the fiscal year 1943, there were promulgated two new regulations and 11 supplements or amendments to existing regulations.

Circular Letters are issued to advise the departments, establishments, and others concerned as to matters of general interest in connection with the rendition, audit and settlement of the accounts, but not requiring the promulgation of a regulation. During the fiscal year 1943 one such letter was distributed.

Attention is invited to the material commencing at page 89, Appendix B, describing the respective General Regulations, etc., issued during the year.

## INSPECTIONS, SURVEYS, AND SPECIAL INVESTIGATIONS

Inspections, surveys, and special investigations of matters relating to the receipt, disbursement, and application of public funds are made at the seat of Government and elsewhere under the provisions of section 312 (a) of the Budget and Accounting Act, 42 Stat. 25. Regular inspections are made of fiscal offices of the United States for the purpose of determining compliance with law, regulations of

the General Accounting Office, and administrative regulations issued by departments or agencies of the Government. Surveys of procedures relating to fiscal matters are made from time to time to determine the adequacy thereof. Investigations in some instances result from disclosures made by regular inspections and surveys, and in others are initiated because of information brought out by the regular audit, special audits, or otherwise coming to the attention of the Comptroller General.

These activities serve the dual purpose of determining that funds of the United States are being properly accounted for and of deterring noncompliance with law and regulations. When irregularities are discovered, investigation is frequently necessary to determine the amounts for collection or recovery. During the fiscal year 1943, 477 Federal offices were visited, resulting in the inspection of 465 accounts and requiring the rendition of 736 reports of inspections, surveys, and special investigations.

There were reported 101 cases of noncompliance with pertinent departmental regulations, covering matters pertaining to Customs Regulations, Treasury Circulars, Army and Navy Regulations, etc. These matters have been reported to the departments for their consideration in keeping with the policy of aiding the departments and agencies in the enforcement of their administrative regulations. The table on page 97, Appendix D, shows the departments and agencies involved and the number of noncompliances in each instance. Two hundred fifty-five instances were found of noncompliance with statutes, consisting, among others, of failure to keep Government funds safely without loaning, using, depositing in banks or exchanging for other funds than as specially allowed by law, as required by section 3639, R. S., 31 U. S. C. 521; failure to deposit public moneys with the Treasurer of the United States or with a depositary of the United States as provided by section 3620, R. S., 31 U. S. C. 492; and presentation of false claims against the United States as penalized by sections 3490 and 5438, R. S., 31 U. S. C. 231, and 18 U. S. C. 80, respectively.

There were found 108 instances of noncompliance with General Regulations of the General Accounting Office, including failure to account for moneys in the manner prescribed; improper rendition of accounts to the General Accounting Office; improper handling of canceled, spoiled, voided and undelivered checks, and other matters related thereto; and improper handling of transportation requests and the advancement of moneys for travel expenses. Included in Appendix D, page 96, is a tabulation showing by States the number of offices visited, accounts inspected, and reports rendered as a result

of inspections, surveys, and investigations conducted during the fiscal year.

The noncompliance with statutes and regulations noted above does not include matters which were corrected when brought to the attention of officials in charge of the offices under inspection. Collections or recoveries during the fiscal year 1943 on account of moneys found due the United States resulting from disclosed irregularities total $1,968,355.05, which may be compared with the amount of $136,666.30 similarily recovered or collected during the fiscal year 1942. The collections of $1,968,355.05 during the fiscal year 1943 include recoveries made as a result of exceptions taken during the course of field audits, as well as overpayments brought to attention of the administrative offices, which were collected through prompt administrative action.

*Survey of accounting procedures, Government of the District of Columbia.*—In previous annual reports of the Comptroller General, the attention of the Congress has been invited to the efforts of the General Accounting Office to develop, prescribe, and install adequate accounting systems and procedures in the various branches of the District of Columbia Government. See particularly the annual report of the Acting Comptroller General for the fiscal year 1937, pages 7 to 11, inclusive.

During the fiscal years 1942 and 1943, representatives of the General Accounting Office made a survey of the accounting systems and procedures in effect in the various activities of the District Government and, in conjunction therewith, an audit of available collection documents and records covering the fiscal years 1932 to 1942, inclusive. Due to the unsatisfactory condition of the records in many instances, complete audit was not possible for the fiscal years 1932 through 1941. The records for the fiscal year 1942 were found to be more inclusive, resulting in a more satisfactory and expeditious audit for that year.

There has recently been considerable improvement in the accounts and procedures in certain branches of the District Government as a result of the survey and audit by the General Accounting Office; however, additional recommendations have been made to the Board of Commissioners of the District of Columbia for modifications of systems and procedures with a view to improving the general accounting structure. The Board has shown a willingness to cooperate with the General Accounting Office and has acted favorably on a number of the recommendations made.

The basic accounting records of the District of Columbia Government maintained in the office of the Auditor do not provide an adequate system of centralized accounting control from which reliable

statements and reports can be prepared. In order to protect the interests of the District and of the Federal Government, a centralized system of control accounts, coordinated with the accounts of all offices of the District, should be maintained in the office of the Auditor of the District. The absence of such control accounts contributes to a great extent to the unsatisfactory conditions found to exist in several of the District offices. Among the more important items for which control accounts are not now maintained are the following:

1. Accounts receivable.
2. Stores (stock in warehouses).
3. Nonexpendable property (equipment).
4. Real estate and improvements.
5. Retirement deductions made from the salaries of civil-service employees, firemen and policemen, and teachers.
6. Collections (office of Collector and other offices).
7. Investments and accrued interest thereon.
8. Tax levies.
9. Liabilities.

The need for proper control over and information as to accounts receivable is apparent. The savings and benefits which normally result from proper control records for accounts receivable outweigh the comparatively slight cost of their maintenance.

Stores are assets which may be easily wasted or lost because of carelessness or indifference. Such assets are readily convertible into cash and should be controlled through proper accounts. The slight cost of operation, compared with the potential value of such accounts in savings and economy, would be well justified.

While some measure of control is exercised over certain tax levies, such control is incomplete inasmuch as all tax levies are not included, either with respect to original levies or increases and decreases applicable thereto. Considering the fact that the greater part of the revenues of the District are derived from such levies, it is important that control thereof be complete and accurate in order that proper accounting may be required of the Collector of Taxes, and in order that proper information can be developed with respect to potential revenues and the manner in which collection is effected.

Section 702, Title 31, D. C. Code, 1940 edition (41 Stat. 387; 44 Stat. 727), specifically provides that the individual retirement accounts of the teachers of the District of Columbia shall be kept by the Auditor. However, under the existing organization these accounts have been transferred to the Budget Officer by order of the Commissioners. The logical place for maintaining retirement records, even without legal direction, is in the Auditor's office, where the accuracy thereof can be assured and controlled through proper ac-

counts. The retirement records for civil-service employees are likewise maintained in the office of the Budget Officer, where proper accounting control cannot be maintained and the accuracy thereof cannot be assured. These records, as well as those for the policemen and firemen's relief funds, should be maintained in the Auditor's office. The maintenance of all retirement records in the Auditor's office would not only assure proper accounting control, but would result in economy and efficiency in operation by eliminating duplicate handling of pay rolls and consolidating the set of pay record cards kept in the office of the Budget Officer, for the purpose of recording retirement deductions, with the set kept in the Auditor's office for recording tax deductions and other information. In this way there would result a complete single record of the salaries, retirement and other deductions, and net amounts paid individual employees of the District, as required by regulations of the General Accounting Office.

A committee appointed by the Commissioners in March 1936, to make a study of tax delinquency in the District of Columbia, proposed that the Collector of Taxes adopt vigorous, systematic collection methods similar to those of private corporations carrying large numbers of accounts, and recommended a follow-up mail campaign. A survey during the fiscal year 1942 of procedures and practices in the Office of the Collector of Taxes disclosed that no serious efforts had been made to comply with these recommendations, and it was evident that revenue, to the extent of thousands of dollars annually, was being lost through failure to follow up delinquencies. The Commissioners were informed of these conditions and efforts are now being made by a delinquent collection unit, established recently in the Office of the Collector of Taxes, to collect amounts due the District by delinquent debtors.

Examinations of the accounts and records of the various examining and licensing boards and commissions of the District of Columbia, and a study of the statutes which authorized the creation of such boards and commissions, revealed varying statutory provisions for the use and disposition of fees which these boards and commissions are authorized to charge and collect. In view of the lack of uniformity, and in order to provide a more effective control over such funds, it has been suggested to the Commissioners that legislation be sought of such nature as will require (a) transmission of fees collected by each of the boards and commissions in question to the Collector of Taxes of the District of Columbia for deposit by him for credit to appropriate accounts in the Treasury of the United States, and (b) payment therefrom of the expenses of such boards and commissions, by the Disbursing Officer of the District of Columbia, on vouchers certified by the officers

of the various boards and commissions and approved by the District Auditor, in harmony with the basic principles of accounting for other receipts and disbursements of the District of Columbia. The Commissioners are seeking legislation along the lines suggested.

*Investigation of irregularities.*—An examination of the accounts and procedures of Gallinger Municipal Hospital in the District of Columbia, and interviews with hospital personnel and other individuals, revealed numerous apparent irregularities which included incorrect records, alleged thefts, and bribes. Administrative improvements were recommended and the Commissioners were informed of charges against hospital employees.

Examination of the accounts, records, and procedure of the Water Registrar's office of the District of Columbia disclosed many irregularities, such as the absence of systematic and orderly procedures and a lack of compliance with statutes and orders of the Commissioners, resulting in the loss of revenue involving thousands of dollars. The conditions found were of such a serious nature that they were reported to the Commissioners, with recommendations for remedial measures, and also to the Chairman of the Senate District Committee for the use of his Committee. The Board of Commissioners appointed a special committee to make a complete investigation of the affairs of the office of the Water Registrar and to report on methods of improvement, and the committee has reported its findings, conclusions and recommendations.

During the fiscal year 1943, an examination was made of the accounts and records of St. Elizabeths Hospital, Federal Security Agency, which disclosed the existence of certain conditions and practices that appeared to be irregular and prejudicial to the best interests of the United States, as well as those of the patients. Some of the irregularities consisted of the improper handling of patients' personal property; improper handling of leave of absence of employees; improper operation of employees' cafeteria, including the failure to record all elements of cost in computing amounts to be charged for meals; purchase of supplies and materials in excessive quantities, which resulted in losses through spoilage; irregular procedures employed in purchasing supplies and materials; lack of control over supplies and materials, resulting in numerous shortages; and losses from farm operations, apparently due to mismanagement. The irregularities were brought to the attention of the Federal Security Agency from time to time, and assurances have been received from that Agency that corrective measures have been directed.

A number of requests have been received from the Department of Justice for the assignment of representatives of the General Account-

ing Office to assist the United States district attorneys at New York in the preparation for trial of cases which arose in connection with past operations of the Work Projects Administration. Such cases cover civil and criminal actions instituted on account of false invoicing and other irregularities such as described on page 46 of my annual report for the fiscal year 1942, under contracts which provided for the furnishing of equipment and labor relating to such operations, the irregularities having come to attention as a result of disclosures made by employees of the General Accounting Office, or of the Work Projects Administration. Upon receipt of such requests appropriate instructions were issued for the assignment of properly qualified personnel to assist in the cases in question. At the close of the fiscal year 1943, 16 of such cases were reported as still pending in the District Courts at New York, with a representative of the General Accounting Office assigned to render assistance to the United States attorneys concerned in the prosecution of those cases.

For information as to the inspection of accounts relating to the war program, and investigation of irregularities developed in that connection, attention is invited to Chapter IV, "War Activities."

## APPROPRIATION AND FISCAL OFFICERS' ACCOUNTS

Under the provisions of section 147, Title 31, U. S. C., the Treasurer of the United States must receive and keep the moneys of the United States and disburse the same upon warrants drawn by the Secretary of the Treasury, countersigned in the General Accounting Office, and not otherwise. It is likewise provided in section 76 of this Title, that every requisition for an advance of money, before being acted on by the Secretary of the Treasury, shall be sent to the General Accounting Office for action thereon as required by section 78, and that all warrants, when authorized by law and signed by the Secretary of the Treasury, shall be countersigned in the General Accounting Office. Section 77 directs that moneys paid by virtue of such warrants shall be charged to the appropriation specified therein in the books of the Treasury and the General Accounting Office.

Pursuant to these and related provisions of law, there are maintained on the books of the General Accounting Office a set of appropriation and fund accounts which during the fiscal year 1943 consisted of 50,591 appropriation and expenditure, 24,105 limitation, 260,587 emergency relief project, and 26,621 receipt accounts. Through such accounts determination is made as to whether expenditures are made in excess of amounts appropriated by law or allocated by the President under authority of emergency relief acts, or in excess of the limi-

tations established by law covering one or more appropriations; and the receipts of the United States are recorded therein under prescribed classifications in order that it may be determined that their application and disposition are in compliance with law.

There were maintained during the fiscal year 1943, pursuant to section 304 of the Budget and Accounting Act, 31 U. S. C. 44, 16,876 personal accounts with accountable officers disbursing or collecting for the United States. Periodic settlements are made of these accounts, as stated under "General Audit," below, at which time the accountable officer and his administrative office are advised of the balance due the United States as shown by the account rendered at the close of a specified period, the sum of outstanding exceptions as of the date of settlement, and the audited balance due the United States. If an accountable officer fails to account for balances found due in the settlement of his accounts, the Department of Justice is furnished a transcript from the books and proceedings of the General Accounting Office, together with certified copies of pertinent documents, for use in instituting suit as provided in section 505 of Title 31, U. S. C. For a statement as to the number of periodic accounts rendered by accountable officers and settled during the fiscal year, see "General Condition of Fiscal Officers' Accounts," page 53.

Other accounts maintained in the General Accounting Office include ledgers to record public debt transactions, to show the principal amount incurred and outstanding; accounts of receivables, for the purpose of recording loans made; and nearly 72,000 miscellaneous accounts necessary for the purpose of auditing certain classes of transactions. For a more detailed statement of the above accounts, see Appendix D, page 98.

While the actual work required and performed in establishing any new account or set of accounts entails a considerable amount of time, as a result of close cooperation between the various establishments of the Government and the General Accounting Office such accounts have been set up and important documents, especially those affecting the war effort, have been cleared with unprecedented promptness. As a further contribution by the General Accounting Office, Accounts and Procedures Letters, designating new appropriation and limitation accounts, including symbols, titles, and other pertinent information, are issued shortly after notice has been received that the President has signed the bill authorizing expenditures and making appropriations therefor. That this is possible is the result of the improved procedure now in effect, under which a careful study is made of each appropriation bill when introduced, at which time the accounts required to record the intent of the Congress with respect to accounting matters

are tentatively established and a draft of the Accounts and Procedures Letter is prepared. As the bill receives consideration by the Committees and Houses of Congress, the drafts are revised to incorporate the changes made therein affecting accounting, so that when the bill is finally passed and approved, the Accounts and Procedures Letter prescribing the necessary accounts is ready for immediate issue. Thus, all research has been completed and no undue delay is encountered in the final action necessary to make such funds available for even the most urgent expenditure. An analysis by departments of the new accounts established, as well as accounts canceled and changed in the General Accounting Office during the fiscal year 1943, is embodied in the statement included in Appendix D, page 99.

Documents prepared, examined, and approved or countersigned by or in the name of the Comptroller General and posted to the above accounts during the fiscal year 1943 consisted of approximately 80,000 appropriation warrants, transfer and counter warrants, etc. Of the warrants examined and countersigned by the Comptroller General during the fiscal year, there were considered 1,253 appropriation warrants, 1,879 transfer appropriation warrants, and 165 surplus warrants. Warrants examined and countersigned during the fiscal year in the name of the Comptroller General included 31,018 covering warrants, 12,407 transfer and counter warrants—which usually are prepared in the General Accounting Office—4,915 transfer and counter warrants, procurement series, and 4,795 pay warrants. In addition, 23,386 requisitions for disbursing funds were examined and approved in the name of the Comptroller General. For an explanation of the purpose of each of these documents, see the statement in Appendix D, page 98.

In addition to the foregoing, other documents received, examined and recorded included 53,109 requests for adjustment of previously reported expenditures or receipts, of which 33,162 were completed, a part thereof being included in the total of transfer and counter warrants issued by the Office, as reported above; approximately 1,161,325 advices of collections deposited with accountable officers of the United States, which were examined and posted to the accountable officer's ledger; 25,399 monthly and quarterly accounts of fiscal officers, which, in connection with the audit thereof, were reconciled with the accountable officer's ledger; 26,271 reports of disbursements and collections by appropriation limitations, which were posted to expenditure and limitation ledger accounts; 423 statements of general ledger balances from departments and establishments of the Government, which were reconciled with the general appropriation control accounts; and 285 reports of disbursements and collections under emergency relief proj-

ects and appropriation limitations, which were posted to the relief project and limitation ledger accounts. Also, 57 consolidated statements of fiscal officers' accounts were prepared for suit.

## GENERAL AUDIT

As indicated above in Chapter I, section 3678, R. S., 31 U. S. C. 628, provides that, except as otherwise provided by law, sums appropriated for the various branches of expenditure in the public service shall be applied solely to the objects for which they are respectively made, and for no others. In this manner has the Congress implemented the constitutional requirement that no money shall be withdrawn from the Treasury but in consequence of appropriations made by law.

*Audit of expenditures.*—It is the duty of the General Accounting Office in the audit of expenditures to enforce not only the general requirement just referred to, but hundreds of other general or specific limitations, restrictions, and prohibitions which have been enacted into law in an effort to establish and maintain congressional control over expenditures. The limitations, restrictions, and prohibitions to be applied range from those incorporated in a single appropriation act or directed at a single branch of activity—for example, the provision in section 2097, R. S., 25 U. S. C. 122, that no funds belonging to any Indian tribe with which treaty relations exist shall be applied in any manner not authorized by such treaty, or by express provisions of law—to those covering the entire Government service, such as the prohibition in section 3736, R. S., 41 U. S. C. 14, against the purchase of land on account of the United States, except under a law authorizing such purchase.

Not only must these statutory provisions be given effect in the audit of expenditures, but the liability of the Government under general rules of law must be determined in the case of a myriad of financial transactions. The transactions on the payment side coming to the General Accounting Office for audit are limited only by the activities of the Government. The particular payment to be audited may have been made by or to a United States marshal in a western State. It may be pursuant to a contract for construction work on the Alaska-Canada Highway, or in liquidation of an agreement between a foreign service officer and a native businessman in Asia or Africa. The subject matter of the transaction may be lend-lease food for one of the United Nations, or amphibious vehicles for an American army of invasion.

Other types of payments by the Government which must be audited include those to employees for personal services or in reimbursement

of expenses of official travel; those to the armed forces as pay and allowances; and those for rental or acquisition of buildings or land. Likewise for audit are the millions of dollars paid by the Government for communication services, and payments under veterans', pension, social security and civilian retirement laws. To all of these and many other transactions there must be applied the tests of compliance with applicable statutes and lawful obligation of the taxpayers' money.

*Audit of collections.*—Section 3617, R. S., 31 U. S. C. 484, provides in part that the gross amount of all moneys received from whatever source for the use of the United States, except as otherwise provided, shall be paid by the officer or agent receiving the same into the Treasury, at as early a day as practicable, without any abatement or deduction on account of salary, fees, costs, charges, expenses, or claim of any description whatever. Among the collections audited are rents and royalties for land or mineral rights, fees under permits or licenses for use of the public domain, and proceeds of the sale of Government property, or of agricultural or industrial products of Government institutions. In the audit of collections, just as in the audit of disbursements, effect must be given to applicable statutory provisions, administrative regulations and contractual agreements.

Disbursing, certifying, or other accountable officers are notified of exceptions taken in the audit of the accounts and, upon completion of the audit, certificates of settlement are issued as indicated above under "Appropriation and Fiscal Officers' Accounts," showing the balances due the United States.

During the fiscal year 1943, 21,940,851 vouchers were given a post audit, including 1,878,936 collection vouchers, 133,300 vouchers of the Tennessee Valley Authority, full treatment of which will be found hereinafter under "Special Audits," and 394,118 vouchers audited by the Chicago Branch, discussed in Chapter IV, "War Activities." The number of vouchers audited was 2,711,246 greater than the number, 19,229,605, audited during the fiscal year 1942. Nevertheless, due to the much greater number of vouchers assigned for audit during 1943, there were 7,462,395 vouchers assigned to the general audit work but not reached by the close of the fiscal year, or an increase of 2,212,189 over the number on hand at the close of the prior year.

As a result of the audit, 164,591 notices of exception were stated during the fiscal year 1943, or more than twice the number stated in 1942. In addition to these regular notices of exception, 27,523 informal exceptions were stated in the field against vouchers covering payments under cost-plus-a-fixed-fee contracts, discussed at length in Chapter IV. Collections in the audit of such contracts amounted to $4,381,489.47 of a total of $5,167,832.86 collected as a result of the

general audit work during the year. The latter amount may be compared to the amount of $293,601.42 collected in the audit in 1942.

For general statements as to the condition of vouchers in the General Accounting Office during the fiscal year 1943 and the amount of collections made by or through efforts of the Office during the fiscal year, attention is invited to page 54.

*Preaudit.*—As fully explained on page 58 of my annual report for the fiscal year 1942, the practice of preauditing vouchers, with the exception of those covering payments under the farm programs of the Agricultural Adjustment Agency and the Postal Service, was discontinued, effective February 28, 1942, due to war conditions.

The field preaudit of payments to farmers under the provisions of section 8 of the Soil Conservation and Domestic Allotment Act of February 29, 1936, 49 Stat. 1149, as amended, and other programs administered by the Agricultural Adjustment Agency, continued throughout the fiscal year 1943. Additional field offices were established in Blacksburg, Va.; Raleigh, N. C.; and Lexington, Ky., for the preaudit of all applications submitted from the East Central Region. The opening of these offices brought the total number of field offices to 30, in addition to the Washington office which continued to preaudit applications for 1941 and prior programs submitted from the East Central Region. Effective as of April 30, 1943, the office in Hartford, Conn., was discontinued, and its work was combined with that of the office in Harrisburg, Pa., which, in addition to preauditing all applications submitted from the Northeast Region, also preaudits applications submitted from the Insular Region.

During the year 4,370,670 applications for payment, aggregating $572,841,051.43, were preaudited under these programs, exceptions being taken to 24,745 payments.

The adoption of a combined form for both soil conservation and parity payments on one application, for use in all regions, resulted in the elimination of approximately 1,600,000 applications which otherwise would have been submitted under the parity program.

*Examination of contracts.*—Under the provisions of section 3743, R. S., 41 U. S. C. 20, all contracts in any manner connected with the settlement of the public accounts are required to be deposited promptly in the General Accounting Office. Upon receipt in the Office, contracts are examined to determine whether they represent legal obligations of the Government and whether the various statutory requirements have been met in connection with their execution and with the provisions contained therein. If there are deficiencies in these respects, advice as to such deficiencies is furnished to the administrative officers concerned for appropriate action, which may

include stoppage or recovery of payments under the contracts. During the fiscal year 1943, there was received a total of 3,244,442 contracts, renewals and modifications—including subcontracts and incidental agreements—and assignments executed under the Assignment of Claims Act of 1940, 54 Stat. 1029, and 2,708,193 of such documents were examined during the year. The number of contracts and related documents, including assignments, received during 1943 represents an increase of 1,424,356 over the number received during 1942, and the number examined, an increase of 1,546,565 over 1942. There were 792,948 unexamined contracts on hand June 30, 1943.

Further attention is given in Chapter IV to audit activities in connection with the war program.

## SPECIAL AUDITS

During the fiscal year 1943, there were continued special audits of certain Government agencies and activities, the transactions of which are required by law to be audited annually or periodically, or are of a nature precluding the transmission with the accounts of documents necessary for completion of the audit. Such agencies and activities include the following:

1. Tennessee Valley Authority.
2. Panama Canal.
3. General Supply Fund, Procurement Division, Treasury Department.
4. Federal Crop Insurance Corporation.
5. Agricultural Marketing Act Revolving Fund, Farm Credit Administration.
6. Emergency Crop and Feed Loan Offices, Farm Credit Administration.
7. Federal Farm Mortgage Corporation.
8. Customs Service, Treasury Department.
9. United States Senate and House of Representatives Restaurants.

*Tennessee Valley Authority.*—Section 9 (b) of the Tennessee Valley Authority Act, as amended by the Act of August 31, 1935, 49 Stat. 1080, and the Act of November 21, 1941, 55 Stat. 775, provides in part as follows:

> The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year, with personnel of his selection. In such connection he and his representatives shall have free and open access to all papers, books, records, files, accounts, plants, warehouses, offices, and all other things, property, and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for counting all cash and verifying transactions with and balances in depositaries. He shall make report of each such audit in quadruplicate, one copy for the President of the United States, one for the Chairman of the Board, one for public inspection at the principal office of the Corporation, and the other to be retained by him for the uses

of the Congress: *Provided*, That such report shall not be made until the Corporation shall have had reasonable opportunity to examine the exceptions and criticisms of the Comptroller General or the General Accounting Office, to point out errors therein, explain or answer the same, and to file a statement which shall be submitted by the Comptroller General with his report. The expenses for each such audit shall be paid from any appropriation or appropriations for the General Accounting Office, and such part of such expenses as may be allocated to the cost of generating, transmitting, and distributing electric energy shall be reimbursed promptly by the Corporation as billed by the Comptroller General. The Comptroller General shall make special report to the President of the United States and to the Congress of any transaction or condition found by him to be in conflict with the powers or duties entrusted to the Corporation by law.

Nothing in this Act shall be construed to relieve the Treasurer or other accountable officers or employees of the Corporation from compliance with the provisions of existing law requiring the rendition of accounts for adjustment and settlement pursuant to section 236, Revised Statutes, as amended by section 305 of the Budget and Accounting Act, 1921 (42 Stat. 24), and accounts for all receipts and disbursements by or for the Corporation shall be rendered accordingly: *Provided*, That, subject only to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the Corporation is authorized to make such expenditures and to enter into such contracts, agreements, and arrangements, upon such terms and conditions and in such manner as it may deem necessary, including the final settlement of all claims and litigation by or against the Corporation; and, notwithstanding the provisions of any other law governing the expenditure of public funds, the General Accounting Office, in the settlement of the accounts of the Treasurer or other accountable officer or employee of the Corporation, shall not disallow credit for, nor withhold funds because of, any expenditure which the Board shall determine to have been necessary to carry out the provisions of said Act.

The Corporation shall determine its own system of administrative accounts and the forms and contents of its contracts and other business documents except as otherwise provided in the Tennessee Valley Authority Act of 1933, as amended.

As set forth on page 14 of my annual report for 1942, the latest amendment to the Act makes it clear that the Treasurer or other accountable officers of the Authority must render accounts to the General Accounting Office for settlement under the Budget and Accounting Act, and, while the amendment requires the allowance of credit for expenditures determined by the Board of Directors to have been necessary to carry out the provisions of the Authority's Act, it puts squarely on the Board the responsibility for such determination in the face of the reasons for questioning the expenditures. Also, the amendment does not affect the duties of the General Accounting Office to make annual audits of the Corporation's affairs under section 9 (b) and to report to Congress all expenditures considered questionable.

As further explained in my annual report for 1942, the audit of the transactions of the Tennessee Valley Authority has now been divided into two parts; the first, a comprehensive book or commercial audit as contemplated by section 9 (b), made in the field by accountants trained

for that work, covering all transactions and including a verification of assets and liabilities, confirming the physical existence of assets and determining the disposition of items transferred or consumed, and the accumulation of data for comparative operating and financial statements; and the second, a voucher audit pursuant to the Budget and Accounting Act to settle the accounts of the Treasurer or other accountable officers of the Authority.

With respect to the audit of the books of the Tennessee Valley Authority, the audit report for the fiscal year 1940 was transmitted to the Authority on July 27, 1942, for review, and was replied to by the Authority under date of September 14, 1942. On October 27, 1942, the report, together with copy of the reply, was transmitted to the President of the United States. This report covered the receipts and expenditures of the Authority during a period when its income exceeded $15,000,000 and its assets increased over $90,000,000. The audit for the fiscal year 1941 was completed and the report was transmitted to the Authority on March 22, 1943, for review, and was replied to under date of June 10, 1943. On August 19, 1943, the report, together with copy of the Authority's reply, was transmitted to the President. This report covered receipts and expenditures during a period when the Authority's income exceeded $21,000,000, and its assets increased over $79,000,000. The audit for the fiscal year 1942 was completed and the report was transmitted to the Authority April 27, 1943, for review, and was replied to under date of August 14, 1943. On September 23, 1943, the report, together with copy of the Authority's reply, was transmitted to the President. This report covered receipts and expenditures for a period when the Authority's income exceeded $25,000,000, and its assets increased over $198,000,000.

The foregoing audit reports for the fiscal years 1940 to 1942, inclusive, were based upon a strictly professional examination executed by members of the staff of the General Accounting Office selected for their professional experience and skill in public accounting. Perhaps the best evidence as to the results of this policy is the following quotation from the Authority's reply to the 1940 audit report:

> We are pleased to inform you that the new audit program initiated by you appears to incorporate more comprehensive procedures relating to matters of financial position and results of operation and is of genuine helpfulness to the Board and Management of the Authority. You may be sure that we welcome this broader scope of your audits.

During the fiscal year 1943, the accounts covering transactions of the Tennessee Valley Authority were rendered to the General Accounting Office by the accountable officers of the Authority as contemplated by the amendment of November 21, 1941. In the course of the audit

during the year, informal exceptions were taken to payments of 39 different types, resulting in 640 formal exceptions, involving accounts for prior fiscal years from 1934 through 1942. Collections totaling $5,518.45 effected the removal of 74 outstanding exceptions, and the submission of additional evidence, information or satisfactory explanation resulted in the removal of an additional 126 exceptions, 106 of which were removed on the basis of a resolution of the Board of Directors under the authority of the amendatory provision precluding the General Accounting Office, in the settlement of the accounts of the Treasurer or other accountable officer or employee of the Corporation, from disallowing credit for, or withholding funds because of, any expenditure which the Board shall determine to have been necessary to carry out the provisions of the Tennessee Valley Authority Act.

*Panama Canal.*—Under the provisions of section 3 of the Act approved March 13, 1915, 38 Stat. 886, as amended, the details of collection and disposition of receipts of the Collector of the Panama Canal are examined periodically in the Canal Zone by representatives of the General Accounting Office, and on the basis of such examination and the verification of schedules to submitted accounts, a settlement is made by the General Accounting Office of the portion of the accounts of the Collector of the Panama Canal comprising the receipt and disposition of so-called security deposits or special deposits and Panama Canal collections.

In the annual report of the Comptroller General for the fiscal year 1941, page 72, attention was invited to the results of an examination made by a former General Accounting Office committee of the accounts of the Public Administrator of the Canal Zone, which disclosed that the said Public Administrator had been making payments such as filing fees, special notices, etc., on account of estates for which no funds had come into the possession of the Public Administrator. That he was using an estate fund in his possession, to pay charges in connection with the estates for which no funds had been received, was indicated by the fact that checks and pay certificates due the estates of deceased Canal Zone employees were on hand, which were definitely identified with closed estates. No corrective action had been taken by the Canal Zone authorities up to the time the matter was last reported to the Congress.

Believing that the use of estate funds under the jurisdiction of the Public Administrator to cover expenditures of recording and qualifying fees, and of the publication of notices in connection with estates for which no funds have been received, was improper, the General Accounting Office committee again took up the matter during the inspection of the fiscal records covering the calendar year 1942, and

at that time it was suggested that disbursement of estate funds be centralized to avoid unnecessary transfer of funds between the Administrator, the Collector, and the Paymaster. To overcome the objectionable procedure of unauthorized use of estate funds, the committee recommended that payments be made from the appropriation "Civil Government," and that such payments be subsequently reimbursed when estate funds became available. In the matter of centralization of payments, the following procedure was recommended:

1. The maximum amount of any single cash payment by the Public Administrator will be $200 unless otherwise directed by the court.

2. All receipts aggregating $500, not otherwise directed, will be deposited with the Collector, who will carry the same in his official checking account.

3. All payments other than those authorized under (1) above will be made through the Collector, upon vouchers prepared and certified by the Public Administrator and approved by the Comptroller.

4. The Collector will account for the funds received by him by entering them on a separate line of his account current rendered to the General Accounting Office, opposite the title "Trust Funds—Public Administrator."

The payment procedure in the office of the Public Administrator is now operating satisfactorily.

With respect to the revenues and expenses as a result of operations of the Canal Zone clubhouses, the General Accounting Office committee reported a net surplus as of December 31, 1942, in the amount of $809,289.69, after applying against revenues the operating cost, depreciation of buildings, etc. The committee also reported that there had been included and presented in the 1944 estimates, items of $277,000 to be secured through the Federal Works Agency, consisting of $100,000 for a movie theater at La Boca and $177,000 for a theater and clubhouse at Gatun. In view of the large surplus, the committee suggested that no funds for new construction, such as the item of $277,000, be sought through an appropriation of public moneys when there is such a large unobligated surplus in the clubhouse account. The matter was taken under consideration by the Canal Zone authorities.

The 1942 General Accounting Office committee found what appeared to be an unjust arrangement between the Panama Railroad Co. and the Panama Canal in the matter of rental of Canal Zone property. Specifically, the committee found that the Tivoli Hotel, property of the Panama Canal, was rented to the railroad for the nominal sum of $1 per month, and that the net operating revenue for 1941 amounted to $77,286.07, and for 1942, $71,552.24. This hotel, with a capacity for approximately 250 guests and with a large dining room and bar room, had been rented to the railroad for $30,000 per annum beginning July 1, 1929, the agreement providing, among other things, "said

rental rate being subject to change hereafter as circumstances may require." The rental rate had subsequently been reduced to $1 per month. The examination of the most recent report on the hotel accounts, as made by the local inspectors, showed that for the first 10 days of February 1943, the hotel receipts amounted to $15,995.33. The daily remittances to the Collector of the Panama Canal (Panama Railroad funds) for the same period totalled $19,158.19. In considering the proposition that the present leasing arrangements be revised so as to give the Panama Canal a larger share of the profits accruing from the operation of its own property, it is significant to note that during the year 1941, the Panama Railroad's profits amounted to $3,642,019.18, of which sum $77,286.07 represented net profit from the operation of the Hotel Tivoli, for which the Panama Canal only received the sum of $12 for that year. The matter of revising the existing lease for the Hotel Tivoli was likewise taken under consideration by the Canal Zone authorities.

*General supply fund, Procurement Division, Treasury Department.*—Pursuant to the provisions of section 3 of the Act of February 27, 1929, 45 Stat. 1342, that the Comptroller General shall make an annual audit of the general supply fund, as of June 30th, and that any surplus found therein shall be covered into the Treasury as miscellaneous receipts, an audit was made of the general supply fund, administered by the Procurement Division, Treasury Department, for the fiscal year ended June 30, 1942.

As a result of the audit it was determined that the amount of $342,518.35 was for covering into miscellaneous receipts.

*Federal Crop Insurance Corporation.*—Section 513 of the Federal Crop Insurance Act, 52 Stat. 76, provides in part that:

> The financial transactions of the Corporation shall be audited at least once each year by the General Accounting Office for the sole purpose of making a report to Congress, together with such recommendations as the Comptroller General of the United States may deem advisable: *Provided*, That such report shall not be made until the Corporation shall have had reasonable opportunity to examine the exceptions and criticisms of the Comptroller General or the General Accounting Office, to point out errors therein, explain or answer the same, and to file a statement which shall be submitted by the Comptroller General with his report.

In accordance therewith, the audits of the financial transactions of the Federal Crop Insurance Corporation, covering the fiscal years 1939, 1940, and 1941, have been completed. Reports on the transactions of the fiscal year 1939 were submitted to the Congress March 4, 1941. Separate reports for the fiscal years 1940 and 1941 were transmitted to the Secretary of Agriculture March 11 and July 19, 1943, respec-

tively, for the Corporation, as required by the Act. The report for 1940 was forwarded to the Congress under date of September 25, 1943, together with the comments of the Corporation thereon, and the report for 1941 will be similarly forwarded upon receipt of the Corporation's comments.

Examination of the transactions of the Corporation's branch offices at Kansas City, Mo., and Chicago, Ill., for the fiscal year 1942 have been completed and those of the Spokane, Wash., branch office, now merged at Denver, Colo., with the Kansas City, Mo., office, and part of the Minneapolis, Minn., and Chicago, Ill., offices, will be undertaken in the near future. All records of the Corporation pertaining to grain transactions are now concentrated at Chicago, Ill., and Denver, Colo., and it is contemplated that examination of the fiscal year 1943 financial transactions will also be made by representatives of the General Accounting Office immediately upon completion of the 1942 audit. Wheat-crop insurance transactions examined include grain purchases and sales, the verification of premium rates on crop insurance, the collection and deposit thereof, and also a verification of all indemnity payments.

Accounts and vouchers covering administrative as well as non-administrative expenses are received in the General Accounting Office as prescribed by law.

*Agricultural Marketing Act Revolving Fund, Farm Credit Administration.*—Pursuant to the provisions of section 14 of the Agricultural Marketing Act approved June 15, 1929, 46 Stat. 18, an examination was made by representatives of the General Accounting Office of the financial transactions under the Agricultural Marketing Act Revolving Fund administered by the Farm Credit Administration for the period July 1, 1940, to June 30, 1942. The examination was made in the offices of the Farm Credit Administration, now located at Kansas City, Mo. The examination covered in detail all loans from the revolving fund for the period stated and the liquidation of such loans, the present policy of the Farm Credit Administration being to finance all necessary loans of this type through the Banks for Cooperatives, created under authority of the Farm Credit Act of June 16, 1933, 48 Stat. 257.

As a majority of the transactions now reflected by the books of the Farm Credit Administration involve the numerous properties acquired through the liquidation of revolving fund loans, the examination of the records covered in large part such property accounts, involving matters of expenses of repair, rental of building sites upon

which many of the properties (warehouses, elevators, etc.) are located, collection of rentals, cost of sales, and related matters.

*Emergency Crop and Feed Loan Offices, Farm Credit Administration.*—In view of the fact that all notes and other supporting documents representing loans which are in process of collection in the 11 regional offices of the Emergency Crop and Feed Loan Section of the Farm Credit Administration are required to remain in the field offices, it is necessary that audits of such loan transactions be made in the field.

During the fiscal year 1943, audits of the Spokane, Wash., and St. Paul, Minn., regional offices were completed, and audits of the Memphis, Tenn., and Omaha, Nebr., regional offices were in progress at the close of the fiscal year.

*Federal Farm Mortgage Corporation.*—Under the accounting procedure prescribed for the Federal Farm Mortgage Corporation on April 13, 1935, mortgages, notes, and supporting data with respect to loan disbursements and collections in the several field offices of the Corporation are not required to be forwarded to the General Accounting Office in Washington. Accordingly, these financial transactions are audited in the field offices of the Corporation at the 12 Federal Land Banks. During the fiscal year 1943, audits were made of the Houston, Tex.; New Orleans, La.; Omaha, Nebr.; Spokane, Wash.; and St. Paul, Minn., district offices of the Corporation.

Expenses of the Federal Land Banks, which act as agents for the Federal Farm Mortgage Corporation, are prorated between the Banks and the Corporation. While there has been no question raised as to the basis of the distribution of such expenses between the two organizations, audits of the Federal Farm Mortgage Corporation district offices have disclosed that certain expenditures, such as payments of life-insurance and bond premiums on employees, club membership of a general agent, flowers, and cost of picnics, which may not be made directly by the Corporation, are made indirectly, through the proration of the cost of running the Federal Land Banks. These matters have been brought to the attention of the Corporation, through the Secretary of Agriculture, and as of June 30, 1943, had not been adjusted.

*Customs Service.*—Section 7 of the Act of July 31, 1894, 28 Stat. 206, as amended by the Budget and Accounting Act of 1921, 31 U. S. C. 72, requires the General Accounting Office to—

> * * * receive and examine * * * all accounts relating to the customs service * * * and certify the balances arising thereon to the Secretary of the Treasury.

Section 8 of the same Act, as amended by the Budget and Accounting Act of 1921, 31 U. S. C. 74, provides, in part, that:

> Balances certified by the General Accounting Office, upon the settlement of public accounts, shall be final and conclusive upon the Executive Branch of the Government, except that any person whose accounts may have been settled, the head of the Executive Department, or of the board, commission, or establishment not under the jurisdiction of an Executive Department, to which the account pertains, or the Comptroller General of the United States, may, within a year, obtain a revision of the said account by the Comptroller General of the United States, whose decision upon such revision shall be final and conclusive upon the Executive Branch of the Government. * * *

Under this latter authority, the accounting officers of the Government have long maintained their right to withhold credit in the accounts of a disbursing officer for evidence that payments made by him were in accordance with law. Also, in view of the specific requirement that the General Accounting Office shall examine all accounts of customs (including both collections and disbursements) and certify the balances thereon to the Secretary of the Treasury, such certification should be conditioned upon a reasonable assurance derived from such examination that all transactions which enter into such balances have been determined in accordance with law.

The accounts relating to the Customs Service include many transactions, such as refunds, drawbacks, etc., which are not supported by the evidence necessary to enable an adequate audit to be performed. Hence, it is necessary to audit the supporting documents at the respective ports of entry. This procedure is the result of a long-standing agreement between the Treasury Department and the General Accounting Office, waiving the transmission of such documents with the accounts because of their usefulness at the port of entry. During the fiscal year 1943, 22 offices of collectors and other customs officers were visited in 18 customs districts for the purpose of verifying the field records of fiscal transactions with accounts submitted, resulting in 77 reports of inspections.

*U. S. Senate and House of Representatives Restaurants.*—In accordance with request of the Chairman, Committee on Rules, United States Senate, an audit was made of the operations of Senate Restaurants for the period April 29, 1941, to September 30, 1942; and pursuant to the provisions of section 208 (c) of the Act of October 9, 1940, 54 Stat. 1057, an audit was made of the House of Representatives Restaurant for the period October 1, 1941, to September 30, 1942.

Reports on such audits have been submitted to the Chairman, Committee on Rules, United States Senate, and to the Architect of the Capitol, respectively.

## GENERAL CLAIMS WORK

Claims are settled by the General Accounting Office pursuant to section 236, Revised Statutes, as amended, 31 U. S. C. 71, which provides, in part, that:

> All claims and demands whatever by the Government of the United States or against it * * * shall be settled and adjusted in the General Accounting Office.

The number and subject matter of the claims handled reflect the magnitude and variety of Government activities. Many claims against the United States arise from asserted underpayments of military personnel, the subject matter of whose claims may pertain to travel and additional or disputed pay or allowances, or reimbursement for the cost of outside medical or hospital treatment. In the case of civilian personnel, the subject matter of a claim may be compensation, travel allowances, or reimbursement of expenditures made in behalf of the Government. Each of the more than one million formal contracts made by the Government during every normal year is a potential source of a claim against the Government, because of conflicting interpretations of contractual provisions, delay in performance by the contractor, work performed beyond the requirements of the contract, defective or inferior material or workmanship, acts of the Government under the contract and various other circumstances. It is estimated that approximately two million formal contracts were entered into by the Government during the fiscal year 1943. This is in addition to the various services and supplies procured under informal contracts and through open market purchases. Other claims under contracts, such as those for freight adjustment, are presented to the General Accounting Office for settlement because of the complicated processes involved in determining the proper result. In addition, special classes of claims, such as those of United States Commissioners for fees earned incident to preliminary proceedings in court cases and those of beneficiaries of Private Acts of Congress, are settled by the General Accounting Office.

At the present time the jurisdiction of the General Accounting Office over claims is not exclusive, nor is it inclusive of every type of claim, since the Court of Claims and the District Courts of the United States also have jurisdiction over certain classes of claims, and exclusive jurisdiction over certain special classes has been vested in officers other than the accounting officers. As to claims prosecuted against the United States in the courts, however, the judgments in such cases usually are paid after specific appropriation therefor by the Congress and upon settlements of the General Accounting Office.

Claims presented to the General Accounting Office for settlement frequently involve elements which make them of doubtful legality, and the settlement of claims requires application of the law of contracts, bailments, agency, sales, real property, insurance, suretyship, negotiable instruments, wills and administration, and nearly every other branch of the law, as well as careful examination and analysis of supporting documents, such as contracts, leases, and wills. Since the General Accounting Office has no trial facilities, claims presented here for settlement are disposed of on the basis of documentary evidence submitted by the claimant or otherwise placed in the record. Included in the documents is a report of the facts obtained from the administrative office concerned, and under a long-standing rule of the accounting officers, the report of the administrative officers as to disputed questions of fact is accepted in the absence of conclusive evidence to the contrary.

Under another long-established rule of the accounting officers, claims too doubtful to be determined through the facilities available to the General Accounting Office are disallowed. In this connection the Court of Claims, in *Longwill* v. *United States*, 17 C. Cls. 288, 291, said:

> The accounting officers of the Treasury [now the General Accounting Office] are in duty bound to scrutinize claims and accounts with great care, as is their custom; and it is the undoubted right and duty of the Comptrollers * * * to reject, in whole or in part, as their judgment dictates, all those claims which they have reasonable cause to suspect to be tainted with fraud, or to which they believe there may be substantial defenses in law, or as to the validity of which they are in doubt.

However, where the right of a claimant to payment can be established on the basis of the evidence of record under applicable legal principles, settlement by the General Accounting Office obviates the delay and expense incident to judicial proceedings. The following table shows the total amounts allowed and disallowed by the General Accounting Office in the settlement of claims, other than transportation and postal, during the past 3 fiscal years:

| Fiscal year | Amount allowed | Amount disallowed |
|---|---|---|
| 1941 | $94, 156, 099. 07 | $3, 766, 338. 16 |
| 1942 | [1] 98, 180, 704. 12 | 2, 502, 053. 99 |
| 1943 | [2] 85, 206, 518. 24 | 3, 748, 161. 53 |

[1] Exclusive of $500,000,000 allowed in favor of the Treasurer of the United States pursuant to the Act of Feb. 12, 1942, 56 Stat. 89, for financial aid to China.

[2] Exclusive of $50,000,000 allowed in favor of the Federal Land Bank of St. Paul, Minn., and $150,000,000 allowed in favor of Smaller War Plants Corporation.

The fiscal year 1943 commenced with 25,381 claims on hand, other than transportation and postal, and 129,648 were received during

the year. Of the total of 155,029 claims, 112,778 were settled during the year, as against 96,804 settled during the fiscal year 1942. On June 30, 1943, there remained unsettled 42,251 claims, an increase of 16,870 over the number on hand at the close of the fiscal year 1942. Such increase in the number of claims settled, however, does not fully reflect the additional amount of work required, since new legislation pertaining to military and naval and civilian personnel of the Government has greatly complicated claims which heretofore have been relatively simple. Also, there are more and more claims arising under the large number of cost-plus-a-fixed-fee contracts that have been and are being negotiated by the Government, most of which claims are of a highly complex nature. Further comments with respect to war claims will be found on page 81, Chapter IV.

In addition to the settlement of claims against the Government, the General Accounting Office is charged with the duty of settling all claims and demands asserted by the United States. Claims by the United States may arise from differing constructions of the rights and obligations of the parties under a Government contract or from the delay or default of the contractor in the performance of such a contract, with consequent damages or excess costs to the Government. They may grow out of fraud practiced upon the Government by those with whom it does business; the failure of individuals to make timely remittance of such items as rents or interest; failure of accountable officers to account properly for funds advanced, and numerous other circumstances.

When an amount is found due a claimant, a certificate of settlement is prepared, certifying the balance due, and the claimant and administrative office are advised of the settlement. If the settlement is payable under a current appropriation, the certificate is usually scheduled to a disbursing officer for payment and used by him as a voucher in his account to evidence such payment. In some cases involving current appropriations, the certificate is sent to the Treasurer of the United States for payment. In the case of a lapsed appropriation, that is, an appropriation the unexpended balance of which has been transferred to the Surplus Fund, the certificate of settlement is scheduled to the Treasury Department, Division of Bookkeeping and Warrants, for reporting to the Congress as a certified claim. Where the appropriation chargeable with the amount of the claim has been exhausted, the administrative copies of the certificate of settlement are scheduled to the proper administrative office so that it may request a deficiency appropriation.

When no amount is found due a claimant, a disallowance settlement certificate is prepared advising the claimant of the disallowance of his claim and the reasons therefor, and advice of the disallowance is furnished to the administrative office concerned. If a claimant is dissatisfied with the settlement of his claim, he can obtain a review under my supervision by making application, formal or informal, therefor.

Claims work further encompasses a share in the preparation of reports more fully described above under "Decisions and Other Legal Work," to assist the Department of Justice and United States Attorneys in defending suits against the United States in the Court of Claims and the various Federal District Courts, in many of which suits reliance must be had upon records of the General Accounting Office. Also, as indicated in the preceding paragraph, any claimant not satisfied with the settlement of his claim, or whose claim has been disallowed, may obtain a review under my personal supervision, often entailing additional claims work. During the fiscal year 1943, there were handled 2,539 matters of these and related types, including reports of the transcripts and proceedings of the General Accounting Office with respect to debts finally determined by the Office to be due the United States.

*Debt collections.*—In connection with the settlement of claims of the United States, the General Accounting Office maintains a system of debt records, in which are recorded debts reported by the administrative agencies of the Government as overdue or uncollectible, together with amounts found due the United States in the audit and settlement of accounts and claims. When claims against the United States are presented for settlement, the amount of any such indebtedness to the United States is offset against the amount found due the claimant, or withheld pursuant to the provisions of the Act of March 3, 1875, as amended, 31 U. S. C. 227. During the fiscal year 1943 collections of $706,019.16 were made in the course of the general claims work. This amount is in addition to the amount of $5,539,089.64 reported on page 46 as collected in the settlement of transportation claims and accounts. The collections of $706,019.16 include $79,763.78 in cash or equivalent remitted by debtors; $42,003.13 checked in accounts of disbursing officers; $21,736.57 recovered on account of payments on duplicate or forged checks; $347,987.53 set off against amounts claimed from the United States and otherwise due claimants, and $214,528.15 collected through the Department of Justice.

With reference to the last-named amount, it should be explained that when collection cannot be made otherwise, the indebtedness is reported to the Attorney General for collection by such means,

including suit, as may be available to the Department of Justice. During the fiscal year 1943, 674 cases were reported to the Department of Justice for collection of indebtedness to the United States, aggregating $1,823,430.98.

Statistics as to general claims work performed during the fiscal year 1943 will be found on pages 100 to 103, Appendix D.

*Gasoline tax collections.*—There was continued during the fiscal year 1943 the practice of effecting collections of amounts paid as State tax on gasoline purchased for the use of the United States. With the exception of the States of Alabama, Georgia, Kansas, Kentucky, North Dakota, South Carolina, Tennessee, and Wisconsin, refunds are being received. Efforts to secure refunds in the cited States have been abandoned in view of the continued objections of the taxing authorities in said States and the decision of the Supreme Court of the United States in the case of *Alabama* v. *King & Boozer*, 314 U. S. 1, decided November 10, 1941, to the effect that a vendor of supplies to the Federal Government is not exempt from a State tax where, under the State law, the legal incidence of the tax is not on the vendee.

*Indian tribal claims.*—The work of preparing and compiling reports on Indian tribal claims, for use in suits pending in the Court of Claims, was begun in the General Accounting Office in January 1925. These tribal claims result from so-called jurisdictional acts passed by the Congress authorizing particular tribes and bands of Indians to file suits against the Government in the Court of Claims for amounts alleged to be due them for nonfulfillment of treaty obligations, the taking of their lands without full or just compensation, and for an accounting of their trust funds, etc. These acts generally provide that all amounts gratuitously advanced to, or expended for or on behalf of these authorized Indian suitors be set off against amounts otherwise due them.

Following the passage of such an act, the Indians file their petition in the Court of Claims praying for judgment on the grounds alleged therein and usually asking for an accounting of all their trust funds. A copy of the petition is forwarded to the General Accounting Office by the Department of Justice with request for a full report with respect to the subject matter of the suit. The request generally comprehends the accounting asked for in the petition. These accountings are long and tedious operations, frequently involving millions of dollars and requiring the examination of thousands of fiscal officers' accounts and claim settlements covering, in many instances, a period of well over 100 years.

The compilation of these reports involves a detailed study and analysis of the jurisdictional acts and the petitions filed pursuant thereto, all treaties and agreements made with the tribe or band of Indians involved, and all acts of Congress, appropriation and otherwise, relating to such Indians. It also involves a complete analysis of all expenditures made by the United States on the Indians' behalf, the segregation thereof into treaty and nontreaty, or gratuity, items and the preparation and compilation of a comprehensive report reflecting the data requested by the Department of Justice. In order definitely to identify the recipients or beneficiaries of particular moneys, it is necessary to make an extensive research in connection with the history of the tribe or band of Indians involved, their origin, migrations, and unions with other tribes. Much information, valuable and necessary to a proper disposition of the case, is obtained from the Reports of the Bureau of Ethnology, House and Senate reports and documents, and records of the War, Treasury, and Interior Departments.

Since 1925, when the General Accounting Office commenced the compilation and furnishing of these reports, the Court of Claims has used as set-offs against amounts otherwise found due the Indians approximately $14,000,000 reported by the General Accounting Office to have been expended as gratuities for them or on their behalf. The judgments of the Court in these cases have been based consistently on the data and figures so compiled and reported.

For a detailed statement of the reports heretofore prepared and transmitted to the Department of Justice, including a citation to the statute under which suit was brought, the name of the plaintiff Indians, the Court of Claims reference, the date suit was filed in said Court, the amount claimed, the date the report was forwarded to the Department of Justice, and the recommendations made on Indian tribal claims legislation, see the annual reports of the Comptroller General for the fiscal years 1932, pages 1 to 7 and 124 to 128; 1937, pages 83 to 85 and 133 to 137; 1939, pages 46 to 50; 1940, pages 30 to 32; 1941, pages 46 to 48; and 1942, pages 72 to 75 and 158 to 160. During the fiscal year 1943, there were forwarded to the Department of Justice two of such reports on Indian tribal claims, one of which prayed for a judgment of $1,958,128.05 and the other for the value of a large tract of land, the value of which was not stated. See page 103, Appendix D.

Constant changes in laws affecting military and naval personnel and the tremendous increase in the civilian personnel of the Government have required the institution of training programs so that employees with little experience may be used in disposing of the types of

claims filed by these classes of personnel. In connection with the foregoing, there was instituted a brief course of instruction, supplementing the information made available to all new employees of the office, by way of stressing those elements needed for the performance of claims work, as well as the principal steps customarily taken in making Federal appropriations, expenditures and collections, and such course has been given to all employees engaged in that work. As a result, these employees have achieved a better grasp of their duties and responsibilities.

## TRANSPORTATION AUDIT AND CLAIMS

With reference to amounts expended for freight and passenger transportation for the United States Government, the audit of vouchers covering payments thereof, and the disposition of claims involving these items, attention is invited to pages 75 to 78 in my annual report for the fiscal year 1942, wherein the problems confronting the General Accounting Office as affected by the Transportation Act of 1940, 54 Stat. 898, and the Acts of December 29, 1941, and June 1, 1942, 55 Stat. 875 and 56 Stat. 306, respectively, are discussed. As stated in that report, the combined effect of this legislation was to relieve both the disbursing officers and the certifying officers of all departments and establishments of the Government of liability for transportation overpayments, except with reference to mathematical accuracy of bills presented by carriers or illegal payments. As a result, administrative offices and establishments and certifying and disbursing officers, so the General Accounting Office is informed, have abandoned any examination of transportation vouchers with a view to verifying transportation rates, freight classifications and land-grant deductions, thus leaving the whole responsibility for discovery and recovery of transportation overpayments upon the General Accounting Office.

Transportation vouchers, both freight and passenger, in the accounts of disbursing officers constitute a tremendous increase over those formerly presented and the items covered by such vouchers have increased to a point where there are now attached to each voucher more than 10 times the number of transportation requests or bills of lading heretofore presented by carriers for payment on individual vouchers.

It is estimated that for the fiscal year 1943 there was expended by all branches of the Government approximately $1,200,000,000 for freight transportation and approximately $750,000,000 for passenger transportation, or an estimated total of $1,950,000,000 as against an estimated total of $350,000,000 expended for freight and passenger transportation by all Government services during the fiscal year 1942.

The amount to be expended for the fiscal year 1944 is expected to approximate $2,500,000,000. About 70 percent of all expenditures for freight and passenger transportation cover transportation of military supplies and personnel of the armed forces, and the difficulties presented in connection with the audit of these bills are increased due to the presence of factors not heretofore required to be considered in connection with the audit and disposition of transportation matters. For instance, with reference to freight transportation, new production points require establishment of new commodity rates; there have been developed new traffic lanes; shipments now cover previously unclassified commodities; special privileges and new transit agreements by carriers require special divisions; domestic and export traffic to and from Canada (and it is anticipated that this type of difficulty will be experienced with reference to shipments to and from Mexico) has raised many new questions; and the various orders of the Office of Defense Transportation have materially altered rules heretofore in effect relative to maximum load, multiple load, restriction of movements, and rules as to mixtures of commodities for space conservation, etc. Moreover, the use by the Government of freight forwarders, a class of carriers that heretofore enjoyed only a minute percentage of Government traffic, presents many new and difficult questions involving land-grant rates and equalizations. As to passenger transportation, the disposition of the work volume is growing more difficult, due to the fact that there must be considered matters, not heretofore presented, involving new military rates, special troop rates, charges for transporting wounded and discharged members of the armed forces, transportation of military prisoners, prisoners of war and internees, transportation of local and imported (Mexican) labor and determination of amounts properly due carriers in connection with special agreements for special troop train and chartered bus movements, as well as transportation furnished inductees, accepted and rejected, reservists, and the large number of women now a part of or associated with military and naval organizations.

It is estimated that of the sums expended for passenger and freight transportation there will be for collection 2 percent and 10 percent, respectively. The accomplishment of such collection, however, is predicated upon the availability of sufficient trained personnel to perform the audit of vouchers covering payment of freight and passenger transportation charges. Under normal circumstances, with the present examining personnel, the audit of these items could be kept reasonably current, but under the present circumstances the General Accounting Office had been unable to complete as of July 1, 1943, the audit of any freight transportation vouchers paid by the War Department

subsequent to March 30, 1942, and will audit during the fiscal year 1944 only about one-fourth of the transportation vouchers in disbursing officers' accounts on hand for audit, on the basis of the rate of spending as of July 1943.

However, comparison with previous years' performance shows that some progress was made during the fiscal year 1943 in attacking the accumulation of transportation work. The statistics commencing on page 103, Appendix D, show that during the year 1943, 1,355,882 transportation vouchers were audited, an increase of more than 70 percent over the number audited in 1942, which latter number, 786,033, was in turn nearly 70 percent greater than the number audited during 1941. Likewise, the amount involved in transportation vouchers audited has risen from $64,396,511.26 in 1941 to $141,798,367.24 in 1942 and $364,944,296.77 in 1943. An even more rapid relative upward trend is reflected by the amount of $16,652,645.71 suspended in the transportation audit during 1943, this latter amount representing a fivefold increase over suspensions in the amount of $3,268,820.40 in 1942, which themselves were four times the amount suspended in 1941. Finally, the amount of $526,510.68 refunded to the United States in 1941 as a result of the transportation audit may be compared with those of $1,230,755.76 and $5,539,089.64 refunded during 1942 and 1943, respectively.

Transportation claims more than doubled in volume during the fiscal year 1943. The volume of freight claims received rose from 10,667 during 1942 to 21,921 during 1943, and of freight claims settled from 9,982 during 1942 to 19,563 during 1943. As to passenger claims, there were received 3,792 during 1943, as against 801 during 1942, and 2,886 claims were settled during 1943, as against 779 during 1942. Of the total amount of $6,036,376.47 represented by the freight and passenger claims settled in 1943, $2,422,276.39, or 40.13 percent, was disallowed.

With reference to rate examiners required to audit transportation vouchers and examine transportation claims, both freight and passenger, the work is highly technical in its character and is of a type which requires long experience in order properly to dispose of matters involving the more difficult questions. Such personnel is not now available, nor has it been available for some time past and, in view of the volume of work presented in connection with the audit of transportation vouchers and the settlement of transportation claims, there has been undertaken a training program, which, while eminently satisfactory on the basis of results presently obtained, will not produce personnel qualified to handle the more difficult phases of transportation matters for some time to come. Since November 1942, approximately 300 employees, all without any prior experience in passenger or freight transportation work, have completed preliminary instruction courses. The

present experienced rate personnel cannot possibly dispose of the work load for freight and passenger transportation matters but, with the assistance of the employees undergoing training, in addition to the possibility that some experienced rate personnel may be recruited, it is believed that recapture of overpayments to common carriers will be accelerated.

## POSTAL ACCOUNTS AND CLAIMS

All accounts and claims resulting from the varied functions of the Post Office Department and the Postal Service are audited and settled by the General Accounting Office. In addition to the audit and settlement of accounts and claims representing the financial activities of the postal establishment, it is also required by law that the Office maintain appropriate accounting ledgers, registers, and records reflecting the results of the final audit action in terms of revenue, expenditures, appropriation and fund control, and assets and liabilities.

*Audit and settlement.*—The accounts and claims audited and settled arise from the activities of some 43,000 post offices, constituting the largest and most widespread public utility in the nation. These accounts and claims represent the financial aspects of the postal, money order, postal savings, and other services rendered by the Post Office Department to every citizen. Such services include the transportation of mail by land, sea, and air and the postal and related transactions with foreign countries under the terms of postal conventions and agreements. Likewise to be accounted for are the transactions flowing from the sale of internal revenue stamps, migratory bird hunting stamps, war savings stamps and bonds, and motor vehicle use stamps, all of which are made available to the public through the facilities of the postal establishment. The statistics appended to this report, pages 105 to 107, show the volume and status of these transactions.

*Accounting responsibility.*—Included in these accounting activities is the sole responsibility for the detailed examination and audit of all claims and accounts and the determination of the availability of balances in applying sums expended from postal revenues by the 43,000 postmasters to the proper appropriation accounts by means of transfer and counter warrant. In addition, the availability of appropriation balances must be determined in the certification of hundreds of thousands of items during the course of a year, prior to payment, under the statutory provisions contained in 39 U. S. C. 787. Quarterly statements of the financial condition of the postal establishment are furnished the Postmaster General and other offi-

cials of the Post Office Department, as are annual reports thereof, pursuant to section 4 of the Act of July 12, 1876, 19 Stat. 80, and the Budget and Accounting Act of 1921, the latter reports being included in the annual report of the Postmaster General to the Congress.

These audit and settlement activities resulted in total differences of $9,056,115.11 during the fiscal year 1943, of which $6,299,342.60 was removed, leaving net differences of $2,756,772.51. A substantial part of the amount removed represents sums deposited by postmasters in liquidation of disallowed items. The present net differences will be similarly reduced either by deposit or by substantiating proof of the correctness of the items involved.

Final settlements of former postmasters' accounts were increased from 2,149 during the fiscal year 1942 to 4,187 for the fiscal year 1943, as reflected in the statistical tables on page 105, Appendix D. This resulted largely from the changed policy of generally paying final balances due postmasters in their postal accounts prior to the necessarily much later settlement of their money order accounts, thus advancing the payment of amounts due by many months. Because of the payment of these credit balances, the net amount collected on such accounts was reduced $28,635.24 below the amount collected during the previous year.

Amounts totaling $5,551,240.98 due the United States, collected by the General Accounting Office through its postal accounting activities, are reflected in the general statement of collections on page 111, Appendix D. It will be noted that there is a reduction of approximately one and one-half million dollars below similar collections during the fiscal year 1942. This reduction took place principally in connection with accounts with foreign countries. While war conditions have resulted in the further curtailment and disruption of mail service to and from many foreign countries by surface means, there has been a continued increase in foreign air mail service. However, collections of $5,386,626.86 from foreign countries for air mail service during the year showed a considerable decrease as compared with the amount of $6,706,052.74 collected during the fiscal year 1942. Probably the most outstanding reasons for this decrease are the increasing difficulties in getting the accounts to the foreign countries and the delay of some countries in making payments. These factors have increased the number of such accounts now being settled by set-off. Prior to the outbreak of the war, this country conducted direct exchange of money orders with 73 foreign countries. This number has now been reduced to 39.

*Advances to air cariers.*—Under the Act of August 27, 1940, 54 Stat. 862, the Postmaster General is authorized to advance to air carriers

out of the appropriation "Balances Due Foreign Countries" the amounts due such carriers from any foreign country for transportation of mails of such country. Such amounts are subsequently collected by the United States by set-off against any sums due such countries. The balance of advances remaining uncollected as of June 30, 1943, was $116,564.30, as against $1,091,493.92 on June 30, 1942. This appreciable reduction was due principally to a large decrease in the amounts advanced during the fiscal year, occasioned by reduction in the foreign air mails coming into the United States from the war area. The table below shows the total advances and collections since the Act became effective and indicates also the manner of collection.

| | | |
|---|---|---|
| Advances to Carriers: | | |
| Fiscal year 1941 | | $1,290,154.84 |
| Fiscal year 1942 | | 3,303,747.82 |
| Fiscal year 1943 | | 979,025.41 |
| | | 5,572,928.07 |
| Collections: | | |
| Fiscal year 1941: | | |
| By cash | $795,753.69 | |
| By set-off | 219,718.03 | |
| | | 1,015,471.72 |
| Fiscal year 1942: | | |
| By cash | 1,884,499.62 | |
| By set-off | 444,578.90 | |
| By recovery from carrier | 157,858.50 | |
| | | 2,486,937.02 |
| Fiscal year 1943: | | |
| By cash | 1,437,054.12 | |
| By set-off | 109,596.30 | |
| By recovery from carrier | 407,304.61 | |
| | | 1,953,955.03 |
| Total | | 5,456,363.77 |
| Balance as of June 30, 1943, of advances which remain uncollected | | 116,564.30 |

*Savings stamp accounts.*—Under section 5 of the Act of March 28, 1942, 56 Stat. 189, the fiscal accountability for transactions involving the redemption of outstanding issues of United States savings stamps was transferred from the Postal Savings System of the Postal Service to the Public Debt Service of the Treasury Department and, accordingly, the redeemed stamps since the effective date of the transfer, October 1, 1942, have been forwarded directly by postmasters to the Register of the Treasury to be accounted for in the Treasurer's Public Debt accounts. The postmasters' accounting to the General Accounting Office for the redemption of such stamps is now accomplished by means

of certificates from the Register's Office for the value of redeemed stamps submitted, thus obviating the necessity for submitting here the huge volume of stamps being redeemed for cash or bonds.

*Money order accounts.*—There were received during the fiscal year 351,246,522 paid money orders or approximately 11 percent more than were received during the preceding fiscal year. This increased volume, together with the unusually large backlog that accumulated during the fiscal year 1942 due to inability to obtain the services of a sufficient number of qualified employees, delayed considerably the settlement of the money order accounts of postmasters.

*Postal Service quarterly accounts.*—The delay occasioned by the move of the postal accounting work to Asheville, N. C., as more fully explained above in Chapter I, the resultant loss of experienced personnel, and the extreme difficulties encountered by postmasters in applying the overtime pay provisions of the Joint Resolution of December 22, 1942, 56 Stat. 1068, to the already complex pay structure of the Postal Service, resulted in extreme audit difficulties and delay in the quarterly audit and settlement of the postal accounts. These delays are being gradually overcome, however, through the training of new personnel and the enactment of separate increased compensation provisions for the Postal Service, thus eliminating the confusion caused by the Act of December 22, 1942, and under present plans and organization, it is contemplated that the postal accounting work will be in a relatively current condition by June 30, 1944.

## RECONCILIATION, CLEARANCE, AND RECORDS

As a direct result of the tremendous expansion of the war agencies of the Government, there was experienced during the fiscal year 1943 the greatest increase in accounts in the history of the General Accounting Office. Under the specialized breakdown which has been instituted in the operations incident to the audit and settlement of the accounts, in order to handle the rising tide of accounting documents flowing into the Office, the work of reconciliation and clearance has been the first to feel the impact of the wartime expansion.

The reconciliation, clearance, and record work includes, generally, the following operations and functions:

(a) The initial examination, analysis and segregation of all fiscal officers' accounts (except postal accounts) submitted to the General Accounting Office, a partial audit of the disbursing and collection documents, and a partial audit in connection with the complete summarization and reconciliation of the accounts as a whole.

(b) The complete audit and reconciliation of all depositary accounts (including postmasters' accounts and the warrant account of

the Post Office Department), and the analysis of the Public Debt Registered Interest accounts carried in the name of the Secretary of the Treasury.

(c) The audit of Individual Indian Moneys accounts, representing private funds of incompetent Indians, and of special deposit accounts of the Indian Service, including trust funds and securities.

(d) The audit of the general account of the Treasurer of the United States in connection with accountable warrants, settlement warrants, transfer and counter warrants, and amounts claimed as paid on checks issued by disbursing officers; and the examination and audit of vouchers and checks covering certain classes of benefit payments, as contemplated by General Regulations No. 92, dated February 6, 1940.

(e) The research in, and the furnishing of information from the fiscal accounts and documents in the General Accounting Office, covering the entire Federal service.

(f) The coordination, assembly and preparation of fiscal accounts for settlement and permanent filing, and the maintenance of the permanent files of the General Accounting Office.

(g) The computation of all classes of vouchers submitted to the General Accounting Office, including, among others, lend-lease, cost-plus-a-fixed-fee contract vouchers, and those involving conversion of foreign currencies; and the recording (including verification of the rate of pay, and other credits and charges) of payments to all personnel of the regular Army, Reserve Corps, National Guard, Public Health, Coast Guard, Coast and Geodetic Survey, emergency officers of the Army and Navy, and surgeons and nurses serving under contract.

(h) The maintenance of control over the flow of all fiscal accounts and supporting documents through the Office.

The performance of these functions during 1943 was fraught with many obstacles, notably those of insufficient space—by no means a new problem—and a steady decline in the number of fully qualified employees. The underlying reasons for these difficulties are appreciated and they have been faced with the knowledge that still heavier burdens lie ahead. Among the measures taken to alleviate these problems are the establishment of more efficient procedures for the handling and storing of accounting documents and a greater emphasis upon the training of new employees by recognized methods of vocational education, as explained below in Chapter III. While time and effort have been spent on such training, the reconciliation and clearance work has reaped the benefit thereof in greater efficiency,

increased accuracy and a marked improvement in volume of acceptable work.

The true work load in the case of the reconciliation and clearance activities is not measured alone by the number and size of the fiscal and depositary accounts received, but by the manner and completeness of their preparation and rendition. With thousands of new disbursing officers submitting accounts, it was unavoidable that a much larger than normal proportion of the accounts received during the fiscal year 1943 should have been found deficient in these latter respects. Also, the new accounting system adopted by the War Department, effective December 1, 1941, was in full operation during the fiscal year 1943 and, while undoubtedly proving advantageous to that Department as against the previously existing system, has handicapped the work of reconciliation and clearance in the General Accounting Office. The inability of the War Department to submit promptly the civilian pay rolls to complete the rendition of several hundred of its accounts has likewise retarded the handling of those accounts here, some accounts for July and August 1942 having been incomplete in this respect as of June 30, 1943. It is hoped that the establishment of the Army Audit Branches and the proposed Navy Audit Branch, as referred to below in Chapter IV, will relieve to a great extent the backlog of Army and Navy accounts which accumulated during the fiscal year 1943.

On July 1, 1942, there were 4,938 unaudited fiscal accounts on hand in the various stages of examination, verification, computation, and reconciliation. During the fiscal year there were examined, verified, and segregated 27,976 accounts consisting of 23,162,417 vouchers, or 28,847,410 counting individual pages of pay rolls; there were computed 15,407 accounts, containing 21,014,061 vouchers, and there were summarized, reconciled, and balanced 21,321 accounts, containing 4,184,258 schedules. On June 30, 1943, the backlog consisted of 12,203 unaudited fiscal accounts.

During the fiscal year 1943, 40,978 depositary accounts were received and 39,141 depositary accounts containing 74,673,365 checks were audited, reconciled, and balanced, requiring 10,660 adjustment letters to be written. There were 3,242 reports of "Outstanding Liabilities" made to the Treasury Department, covering 75,888 checks in an aggregate amount of $1,315,059.53. During the same period there were received 769 Individual Indian Moneys accounts and 521 accounts were audited and reconciled during the fiscal year.

Insofar as the research in, and furnishing information from, the fiscal accounts and documents of the General Accounting Office is concerned, 25,595 requests for transcripts, verification of deposits and

other information were received and 24,510 were completed. There were also received during the fiscal year 1943, 829,808 miscellaneous requests for vouchers, schedules, verification of collections, miscellaneous transcripts, etc., and 816,812 requests of this nature were filled or otherwise disposed of.

In connection with the coordination, assembly, and preparation of fiscal accounts for settlement and permanent filing there were received during the fiscal year 1943, 18,707 fiscal accounts on which the audit had been completed, and 18,606 fiscal accounts were coordinated, assembled, and prepared for permanent filing.

In the pay recording work there were 5,592 War Department accounts examined, recorded, and transmitted for audit during the fiscal year. There were 2,361,249 officers' and enlisted men's pay and allowance vouchers, 298,280 final and deserters' vouchers, and 252,006 military pay rolls, a total of 2,911,535 pay vouchers, contained in said accounts. In the military computing work 9,247 accounts were received, and 8,305 accounts were computed, checked forward, and dispatched for audit.

Complete statistics, showing the reconciliation, clearance, and record work accomplished during 1943, appear on pages 107 to 109, Appendix D.

## GENERAL CONDITION OF FISCAL OFFICERS' ACCOUNTS

By the provisions of section 72, Title 31, U. S. C., the General Accounting Office is required to examine and settle the accounts of all accountable officers, to certify the balances accordingly, and to send a copy of each certificate of settlement to the head of the department or establishment concerned. During the fiscal year 1943, 33,017 accounts were received for settlement, an increase of 36.8 percent over those received during the fiscal year 1942. On the other hand, the number of accounts settled has declined, only 14,192 having been settled in 1943 compared with 17,151 during the prior fiscal year.

Consequently, there were on hand for settlement on June 30, 1943, 44,643 accounts, as against 25,818 on hand June 30, 1942. Of such unsettled accounts, however, 14,698 had been audited, leaving a total of 29,945 accounts unaudited. It should be noted that a considerable number of these last accounts have been partially audited, but completion of the audit is being held in abeyance pending receipt in the General Accounting Office of various missing papers or parts of accounts, the lack of which is largely attributable to war conditions. The tabulation below shows the general state of fiscal officers' accounts

in the General Accounting Office for the fiscal years 1941 to 1943, inclusive. Further details will be found in Appendix D, page 109.

| Fiscal year | On hand July 1 | Received | Settled | On hand June 30 |
|---|---|---|---|---|
| 1941 | 17,648 | 20,025 | 18,831 | 18,842 |
| 1942 | 18,842 | 24,127 | 17,151 | 25,818 |
| 1943 | 25,818 | 33,017 | 14,192 | 44,643 |

## GENERAL CONDITION OF VOUCHERS

On July 1, 1942, there were on hand in the General Accounting Office for audit 10,286,415 vouchers, of all classes other than postal, as set forth on page 93 of my report for the fiscal year 1942. During the fiscal year 1943, 26,078,102 vouchers were received, or 1,064,580 more than the number, 25,013,522, received during 1942. In the course of the fiscal year 1943, 23,335,441 vouchers were audited, an increase of 3,319,803 over the number of 20,015,638 audited during 1942, and on June 30, 1943, 13,029,076 vouchers were on hand for audit. Thus, while there were audited during the fiscal year 1943, 89.5 percent of the number of vouchers received during the year, an increase of 9.5 over the comparable percentage for 1942, the backlog of work to be performed increased by 2,742,661 vouchers during 1943.

Because of the increasing number of vouchers being received and the lack of available qualified personnel in Washington, D. C., particularly in the lower grades, little hope could be held of any reduction in this backlog, or of preventing the accumulation of a further backlog, by auditing operations at the seat of Government. However, by the segregation and decentralization of the war audit, including such measures as the war contract project audit, the four Army Audit Branches, and the proposed Navy Audit Branch, all discussed more fully below in Chapter IV, the audit of war expenditures will be greatly expedited and, it is believed, the general audit work will be kept to a reasonably current status. There is included in Appendix D, page 110, a more detailed table showing the audit work accomplished during the fiscal year 1943.

## GENERAL STATEMENT OF COLLECTIONS

During the fiscal year 1943, there was collected through efforts of the General Accounting Office, as reflected by records of the Office, indebtedness to the United States in the total amount of $18,932,537.69, or more than double the amount of $9,339,745.86 similarly collected during 1942. Of the aggregate collections of $18,932,537.69, those

made in the general claims and transportation work totaled $6,245,-108.80, consisting of $706,019.16 on general claims and $5,539,089.64 refunded as a result of the post audit of transportation accounts. Collections of $5,551,240.98 were made in the audit and settlement of postal accounts and claims, of which amount $5,431,219.31 represents collections on accounts with foreign countries for air mail transit and other postal services incident to the statutory duty of superintending collection of debts due the United States for the service of the Post Office Department. In the general audit work, $5,167,832.86 was collected as a result of disallowances and suspensions. Of this last amount, $4,381,489.47 was recovered in the war contract project audit, as described in Chapter IV. The balance of $1,968,355.05 was collected or recovered as a consequence of inspections and investigations made by the Office. A consolidated statement of all these collections and recoveries will be found in Appendix D on page 110.

# Administrative Activities

## PLANNING AND BUDGET

Planning and budget activities in the General Accounting Office are centralized in the Planning and Budget Section, set up in the Office of the Comptroller General on August 5, 1941, to aid the Assistant to the Comptroller General (Budget Officer) and the Committee on Organization and Planning, which had been established on March 15, 1941, to consider the organization, procedures and practices of the Office and to present to the Comptroller General any recommendations pertaining thereto which it may determine to be in the interest of economy or the more effective performance of the work of the Office. The order creating the Section imposed upon it the duty of studying internal organization, procedures, flow and control of work, and functional methods and policies. It also gave the Section responsibilities in the development of the basis and form of statistics as to work volume, unit costs, and other measures of operating requirements; in the contacting of the Bureau of the Budget and other agencies to obtain information essential to meeting such requirements; and in the preparation of budget estimates and justifications for the Budget Officer.

During the fiscal year 1943, the planning and budget activities, aside from the preparation of the budget estimates and justifications, have been largely devoted to the realignment of organization and the institution of more efficient procedures, with a view to accomplishing as promptly as possible the audit of expenditures, the settlement of claims and accounts, and the rendition of services in the regulatory field for which the Office is responsible. Among the projects involved were the decentralization of the war audit; the setting up of an Administrative Finance Section for more efficient administrative accounting, auditing and statistical work; procedure and forms for recommending and reporting personnel actions; consolidation of files; revised procedures for reporting outstanding checks to the Secretary of the Treasury for covering into "Outstanding Liabilities," and for the receipt and internal control of undelivered checks coming into the General Accounting Office; and an order prescribing uniform rates and rules for the allowance of per diem to employees of the Office while traveling on official business.

558785—43——5

## ADMINISTRATIVE FINANCES

The fiscal year 1942 closed with $3,825,537.93 in operating funds on hand, of which $3,416,785.27 was available for obligation in 1943. The appropriations of $17,074,335 for 1943, together with collections of $28,730.97 and the balances on hand June 30, 1942, produced total operating funds for 1943 in the amount of $20,928,603.90. Of that total $18,825,583.12 was expended during the year through the Treasurer of the United States or the Chief Disbursing Officer, $392,009.34 was carried to the Surplus Fund of the Treasury, and $18,721.11 was deposited as miscellaneous or trust fund receipts, leaving a balance of $1,692,290.33 on hand June 30, 1943. Only $85,546.63 of this last amount remained available for the fiscal year 1944. See Financial Statement, Appendix D, page 112.

While the total expenditures of the General Accounting Office have increased from $11,357,709.02 in 1941 and $13,333,485.07 in 1942, to $18,825,583.12 in 1943, this increase has not been in proportion to the increase in governmental expenditures over this period. For the 10 preceding fiscal years, 1931 to 1940, inclusive, the average cost of operation of the Office was one dollar for each thousand dollars of total governmental expenditures subject to audit by the General Accounting Office. Had this rate prevailed since the fiscal year 1940 (in which year the rate was $1.10), the expenditures of the General Accounting Office would have been approximately as follows:

| | |
|---|---|
| 1941 | $13,478,000 |
| 1942 | 32,663,000 |
| 1943 | 80,109,000 |

The actual ratios for these years were 80 cents, 38 cents, and 25 cents, respectively, for each thousand dollars of total governmental expenditures subject to audit. Even though allowances are made for the considerable backlog of work which has accumulated, it is apparent that the relative cost of the work of the General Accounting Office has been maintained at a low level, despite the present general trend of rising costs.

## PERSONNEL

Recognizing the interrelationship and interdependence existing between sound and effective administration and a progressive and enlightened personnel program, I formulated and prescribed in Administrative Order No. 1, dated April 24, 1942—quoted on pages 140–142 of my annual report for the fiscal year 1942—a plan designed to improve personnel administration in the General Accounting Office, the principal features of such plan being as follows:

Responsibility for initiating and administering personnel policies and procedures in the Office is centralized under the supervision of the Director of Personnel, who is subject to the administrative direction of the Comptroller General and shall assist, coordinate and further the proper interests of the operating divisions in such personnel matters as may be inaugurated and continued therein under the direct leadership of officials and supervisors in immediate charge. The Director is further required to supervise the classifying and allocating of positions in the General Accounting Office in accordance with the provisions of the Classification Act of 1923, as amended; the recruitment, placing, training, and promotion of qualified employees; an employee relations program having as its components safety, health, welfare, employee counseling, and general development and maintenance of wholesome employee morale; and the effecting of appointments, preparation of pay rolls, and maintenance of time, leave, and retirement records. Also, the Director serves as liaison officer with the Civil Service Commission and, on personnel matters, with other Government agencies and as the representative of the General Accounting Office on the Council of Personnel Administration.

The recruitment, placement, and training work includes the responsibility for obtaining and selecting new employees and effecting placements involving promotions and reassignments. This responsibility entails seeing that the academic training, experience, and personal qualifications of employees, applicants, and eligibles are properly related to the positions for which they are being considered for appointment, for promotion, or for reassignment. The importance of this work is obvious; failure to obtain an adequate number of qualified personnel is reflected in the quantity and quality of work performed in the General Accounting Office. Personnel actions, covering such matters as appointments, transfers, reinstatements, and promotions completed during the fiscal year 1943, include 4,964 transactions involving changes of grade and transfers between positions, an increase of 1,030 or approximately 26 percent more than during the previous year; and 4,429 persons were selected for appointment in the General Accounting Office. Separations during the fiscal year 1943 totaled 2,818, including 1,110 employees who entered the armed services and 59 retirements. As a consequence, there were 9,012 employees on the rolls of the Office as of June 30, 1943, as compared with 7,401 in 1942, an addition of 1,611 employees. More detailed statistics as to personnel actions are included in the table on page 112, Appendix D.

During the fiscal year 1943, as indicated above, 4,429 persons were selected for appointment to positions in the General Accounting Office. Prior to and at the close of that year, however, there existed approximately 1,700 vacancies which had not been filled because qualified eligibles apparently were not available. This condition is primarily attributable to the contracting supply of labor resulting from the demands for personnel by the armed forces and by industries engaged in supplying the military services with necessary equipment and supplies, and the difficult employment situation in the District of Columbia.

The object of the employee relations program is to create, insofar as possible, such incentives or working conditions as are conducive to improving employee morale and to the maintaining of a high degree of efficiency and production throughout the Office. As part of the employee relations work of the General Accounting Office, there were maintained nine emergency rooms operated under the supervision of trained nurses who during the fiscal year 1943 treated more than 24,000 cases of illness and injury. In over 14,000 cases of illness, the employees treated returned to work without a break in service. Approximately 6,700 cases of injury were treated during the year. Of these cases, about 3,600 represented injuries not sustained in line of duty, treatment of which enabled many employees to remain at their posts of duty, thus reducing the amount of absenteeism. The remaining 3,100 cases represented injuries received in line of duty, most of which were minor injuries, as evidenced by the fact that only 202 persons were sent to the Public Health Service and 1 to a hospital. Slightly in excess of 2,100 hours were spent by employees in these emergency rooms to obtain treatment, the average time for all being 6 minutes.

Another function performed is the counseling of employees and supervisors with regard to their official or personal problems which affect their official relations, and the providing of guidance for voluntary employee activities. Action was taken during the year on 6,700 problems submitted by employees and supervisors on such matters as pay and promotion, work assignments or conditions, leave infractions, and conduct of employees; welfare, including special health cases, housing difficulties, and personal and economic problems; and investigations which were made to determine the suitability, from the standpoint of character, of applicants for appointment in the General Accounting Office.

The responsibility for promoting a comprehensive training program for the Office has been assigned to the Director of Personnel. The program being developed recognizes that the principle of "pro-

motion from within" and the achieving of wholesome morale and a high degree of efficiency and production depend, in a large measure, upon the employees' knowing the "how" and the "why" of their jobs. Especial significance attaches to employee training at present because it is necessary to appoint to positions persons whose qualifications, in many instances, are below the minimum required of them to perform adequately their assigned duties. This anomalous situation has developed because of the urgent need for personnel and the present dearth of manpower. For these reasons, the Office is required to give these employees, who possess substandard qualifications, more training than is required in instances where qualified employees are available for appointment.

In administering the training program, the Director of Personnel gives active assistance and guidance to the chiefs of the several divisions and offices in developing "on the job training" programs designed to insure that employees are given the training necessary to perform their duties in accordance with the performance standards of the Office. It is likewise his responsibility to initiate and administer training programs which apply to all employees and to counsel employees on the subject of training and educational facilities outside of the General Accounting Office.

To further the proper training of employees in the discharge of their official duties, I have established a Training Council. The membership of this council comprises the Director of Personnel, who has been designated as Chairman; the head of each division and office or their designated representatives; and such other persons as I may designate. The prime purpose and function of the Training Council is to develop and to present to me for my consideration broad policies and over-all plans for training programs suitable for adoption in the General Accounting Office.

During the fiscal year 1943, there was presented by the Civil Service Commission for the consideration of the General Accounting Office a program of instruction of supervisors which had been arranged in cooperation with Training Within Industry, War Manpower Commission, and was for the first time being made available to Government departments and agencies. The program consisted of three integral units designated as "Job Instructor Training," "Job Methods Training," and "Job Relations Training." Specific plans were offered, first, for job instructor training and, second, for job methods training, and since it appeared that such a program would assist supervisory personnel in bringing about better performance in jobs supervised by them, and would furnish a uniform and time-saving method of instructing employees in work to be required of them, the proposed program

was adopted. During the fiscal year approximately 1,200 supervisors received job instruction training. Job methods training was commenced shortly after the close of the fiscal year, and plans are now being laid for job relations training.

It has been stated that the General Accounting Office was one of the Government offices which, after approving the proposed plans, enthusiastically launched and carried on programs to provide the instruction to supervisory personnel. Results of the training so far conducted have been evident in the increased production and improved quality of the work performed.

By an order dated December 14, 1942, the Director of Personnel was directed to establish in Asheville, N. C., as a consequence of the moving of the Postal Accounts Division to that city, a branch of the Division of Personnel for the purpose of performing locally for the Postal Accounts Division, insofar as practicable, those functions and services performed by the Division of Personnel for the divisions and offices of the General Accounting Office in Washington, D. C. A Personnel Office has been established in Asheville, a staff has been recruited, and personnel procedures have been developed for the guidance of the staff in performing the personnel functions for the Postal Accounts Division. The order of July 24, 1943, establishing the four Army Audit Branches referred to below in Chapter IV, likewise included provision for a personnel officer for each of such branches.

Although the revised personnel program for the Office has been in effect for a relatively short period, it has been fruitful. While it may be a year or two before the plan is completed, major policies and procedures have been developed and are now in operation; employee morale continues to improve; and the processing of personnel transactions is being steadily accelerated. The staffing of the General Accounting Office with qualified personnel has become increasingly difficult. The Office has endeavored in many ways to find the solution to this problem, but its efforts have been successful only to a limited extent. All possible means, however, will continue to be explored and utilized in order to solve this recruiting problem.

As was indicated in the annual report for the fiscal year ended June 30, 1942, the developing and administering of a sound personnel program requires, among other things, a well-balanced staff of specialists in the field of personnel. Recruiting and training of such a staff has been one of the major objectives of this report period. The demands of the military services have precluded the completion of this objective, but every effort is being made to recruit and retain the necessary staff members.

## EMPLOYEES' SUGGESTIONS

Ever since I became responsible for administration of the General Accounting Office, I have been imbued with the thought that the greatest reservoir of ideas for improving the procedures of the Office and eliminating waste motion in the audit and settlement activities lies in the minds of the thousands of men and women who know the work most intimately through daily contact therewith and performance thereof. Acting on this belief, I included in my order of March 15, 1941, establishing the Committee on Organization and Planning, an invitation to employees to submit in writing, directly to me, their suggestions for the betterment of the organization, procedures, or practices of the Office.

In order to derive even greater benefits from such suggestions, on October 30, 1942, I issued Administrative Order No. 8, which provided a definite procedure for the submission, consideration, and disposition of employees' suggestions. This order set forth my realization that all efficient and loyal employees have at least two primary interests in their official work; the first, to direct their own efforts most effectively toward the handling of their work assignments; and the second, their own advancement in the service. To provide a means for facilitating the achievement of both of these objectives, the order announced a program of awards in the form of an additional one-step promotion for especially meritorious service, within the 18- or 30-month period fixed by law, or of first consideration for promotion to a position in a higher grade, other required elements being equal. Under the program, these awards are given to employees presenting acceptable plans for the revision of organization, work methods, or procedures, resulting in substantial saving of time, labor, or material, or substantial improvements in the disposition of the work of the Office. To implement the program, there was established a Committee on Employees' Suggestions, headed by the Second Assistant to the Comptroller General, and composed of key representatives of the several divisions and offices.

Like my original order, this administrative order provided for the submission of written suggestions directly to me, thus relieving employees of the fear of retaliation by unappreciative supervisors. It also gave assurances to supervisors that they would not lose grade or income through their efforts to discharge their responsibilities efficiently and economically. In line with these policies, the Committee determined at the outset that suggestions should be considered without reference to the originator thereof and, to this end, the names of those making the suggestions were removed and filed before presenta-

tion of the suggestions to the Committee. The suggestions received are referred to committee members most familiar with the subject matter involved and written reports are submitted as to the value of each suggestion. The whole Committee finally decides upon the merit of the suggestion, considering the reports of divisional officials and the recommendation of the particular member to whom assigned. The decision of the Committee as to acceptability of a plan or suggestion is final, except in case of manifest error. Every suggestion is acknowledged and, whether or not it proves acceptable, the employee is advised as to the disposition thereof and the reasons for such disposition.

After a survey of the Office as a whole and the allowance of sufficient time for employees to become familiar with the process of consideration and disposition of suggestions, and with a view to permitting supervisors a larger participation in the program, Administrative Order No. 8 was revised on May 14, 1943, to provide alternative methods of submitting suggestions—at the election of the employee—directly to me, in which case the procedure set forth above is followed, or through supervisory channels, accompanied by the recommendations of supervisors and executives. In the latter event, the revised order provides for the transmittal by the employee of a copy of the suggestion directly to me. The revised order is included as Appendix C to this report, at page 93.

The results of the program have been extremely gratifying, although it was not in effect during the entire fiscal year 1943. Altogether, letters were submitted by 179 employees during the year, many of which letters contained a number of suggestions; and nine within-grade promotions were granted to employees submitting acceptable suggestions. The type and value of suggestions received are demonstrated by the following examples.

In one case, an employee suggested that the segregation of certain classes of vouchers be discontinued as unnecessary under present procedures in the Office. The suggestion was investigated and found acceptable, and the employee was duly rewarded. Adoption of the suggestion not only saved $27 a month—more than the amount of the promotion given—in cardboards, but, far more important, it eliminated the need for the services of eight grade CAF–3 employees in one unit alone.

Another employee suggested that the practice of typing certain forms, of which as many as 1,000 per month are required, be replaced by duplicating methods. It is estimated that the adoption of this suggestion produced the same results by the use of two employees for

1 hour each, as had previously been attained by five typists in a total of 40 hours.

Other suggestions, some of which were adopted even before the Committee completed its consideration, had to do with changing the style of plates used in office machinery, saving much time and critical material; changes in the size and make-up of office forms, and revision of internal procedures. By means of one such suggested revision, work which had been performed by grade CAF–9 and CAF–11 employees, incidental to other duties, was transferred to employees of grades CAF–4 and CAF–5, resulting in a material saving. While the individual suggestions have proved valuable, the greatest value of the program has been in bringing the management and the employees of the Office together in working out ways and means for improving the performance and quality of the work.

# War Activities

The Report on the Progress of the War, transmittted to the Congress by the President on September 17, 1943, shows the great advances made by the military and naval forces of the United States and its allies on many fronts in a global war. That report shows, also, the tremendous stepping up which has occurred in the production of arms, armaments, munitions, ships, planes, petroleum and other supplies, materials, and equipment necessary to support armed forces approaching 10 million men. What all of this means in terms of expenditures is demonstrated by the President's statement that a total of 128 billion dollars was spent on the war from May 1940 to the date of his report, and that at such date the bill was running at the rate of a quarter of a billion dollars a day.

Since most of these expenditures are subject to audit by the General Accounting Office, their astronomical magnitude alone would have increased the burden of the Office many times over that which was being borne in the pre-war years. However, when there are considered the inexperience in Government procedures of thousands of new administrative, contracting, and disbursing officers, the numerous special provisions which the Congress has enacted granting or restricting particular authority of administrative officials over certain classes of expenditures, and the prevalence of wartime conditions in respect of personnel and space, it can readily be seen that the problems of the Office have been multiplied beyond even what would be expected from the increase in the volume of work to be done.

The full impact of the war began to be felt in the work of the General Accounting Office during the fiscal year 1943. While the peak had not yet been reached, the utmost efforts of the Office were required during the year in rendering decisions with respect to war transactions; prescribing or approving forms and procedures for war agencies; settling claims from war contractors or from members of the armed forces or their families; and auditing the accounts reflecting the tremendous war expenditures.

## DECISIONS AND ADVICE TO WAR AGENCIES

The Comptroller General is required by law to render advance decisions upon questions presented by heads of departments and

agencies, disbursing officers, and authorized certifying officers, involving payments to be made by or under them, or pursuant to their certification. The partial analysis of decisions published in Volume 22 of the Decisions of the Comptroller General of the United States, appearing on page 15 of this report, discloses that 88 of the 352 published decisions rendered during the fiscal year 1943 had to do directly with members of the armed forces, relating to their rights to pay, transportation of household effects and dependents, uniform allowances, rental and subsistence allowances, mileage and travel allowances, personal property damage, and associated matters; and that 22 of such published decisions concerned questions arising under cost-plus-a-fixed-fee contracts, as discussed below. Examples were cited in my annual report for 1942 of the speedy consideration which has been granted at the request of the heads of the war agencies, to questions involving war expenditures or activities. The policy of the General Accounting Office in this respect continued during the fiscal year 1943, and in addition, there was continued the program of rendering all possible aid to the war agencies on legal problems arising in the expenditure of or accounting for public funds, by means of informal conferences with members of the legal staff of the Office.

## COST-PLUS-A-FIXED-FEE CONTRACTS

In my annual report for 1942 I had occasion to say (page 106) that:

> No discussion of the war activities of the General Accounting Office can leave out of account the cost-plus-a-fixed-fee contract. As a result of previous experience in wartime contracting and procurement, summarized by the Supreme Court of the United States in the recent case of *United States* v. *Bethlehem Steel Corp.*, 315 U. S. 289, this type of contract has been sanctioned by the Congress in an effort to avoid (1) the high cost of lump-sum contracts entered into under uncertainty as to actual cost of performance, and (2) the dangers inherent in the cost-plus-a-percentage-of-cost system of contracting. However, experience has demonstrated that the cost-plus-a-fixed-fee type of contract, while it may not invite or occasion as much extravagance and abuse as would other types during the war period, is not a perfect or wholly provident contractual arrangement for the Government and that careful supervision of such contracts is essential to protect the Government.

That the statement just quoted was, if anything, too optimistic, has been proved by events which have transpired since it was written. The views of one authority on the question are reflected in the following quotation from the so-called Baruch Report on West Coast Aircraft Manpower, released September 15, 1943, by the Director of War Mobilization:

> Not alone on the west coast but all through the country much labor is being hoarded or poorly utilized. Many workers have written us of the waste of labor in the plants in which they themselves are working. Such wasteful practices

are encouraged, among other things, by prevailing cost-plus-fixed-fee contracts. Under these contracts the Government pays all costs—whatever they are. Since the Government is footing the bill, there is no incentive for manufacturers to economize in the use of materials, facilities, or labor. More workers are hired than are needed. Workers may stand idle—it costs the manufacturers nothing. Much labor is wasted.

In the early stages of war production when manufacturers were asked to produce things they never made before, there might have been some justification for cost-plus arrangements. By now, Government and industry surely have had sufficient experience in the manufacture of many munitions for fixed prices to be agreed upon.

The various procurement agencies have been considering and experimenting with new types of contracts that would give manufacturers an incentive to reduce costs. These new types of contracts should be substituted for prevailing cost-plus contracts, wherever feasible and as quickly as possible, along the west coast as a starter. Effectively carried through, this change in contracts should save billions of dollars in the prices we are paying for weapons. Through more efficient use of labor, it ought to give us the equivalent of an additional labor force running into the tens of thousands, perhaps, the hundreds of thousands.

Until now the energies of Government have been directed principally at reducing the 5, 10, or 15 cents of a production dollar that goes into profits. While not relaxing our efforts to prevent profiteering, it is time we turned our attention to reducing the 85, 90, or 95 cents of the production dollar represented by costs.

I have endeavored to make it crystal clear that the authority of the General Accounting Office to disallow credit in the accounts of disbursing officers does not extend to payments under cost-plus-a-fixed-fee contracts solely on the ground of waste or extravagance, if within the provisions of legally executed contracts and approved by the contracting officers. Those officers have been given almost plenary powers under the terms of the contracts. However, the broad powers so granted by the contracts in the matter of approving reimbursable items thereunder are not absolutely unlimited in their application, nor may they be regarded as in derogation of the statutory duty of the General Accounting Office to require necessary evidence in support of payments made from appropriated moneys. Moreover, in the audit of cost-plus-a-fixed-fee contracts numerous instances have been discovered wherein contracting officers have approved for reimbursement a multitude of items which were in no way incident to or necessary for the performance of the contract. Where expenditures are beyond the scope of the contracts, or in violation—or the result of violation—of the law, they are questioned in the audit of the contracts. Also, the General Accounting Office has the duty of requiring a showing that every expenditure for which reimbursement is claimed is of a class for which reimbursement is contemplated by the contract, and not of a class covered by the fixed fee. Specific questions which have arisen in the audit of contracts of this type are set forth in the following section of this report.

## AUDIT OF WAR EXPENDITURES

Total war expenditures during the fiscal year 1943 amounted to approximately 75 billion dollars, or nearly 3 times the amount of war expenditures for 1942 and 12 times such expenditures for 1941. It has been and is the purpose of the General Accounting Office to make a prompt and careful audit of these expenditures, in fulfillment of the duties which it owes to the Congress and the taxpayers, and in furtherance of the war effort, that there may be no interference with the production of the sinews of war because of doubt as to the approval of payments to contractors engaged in vital war activities, and that there may be timely recovery of erroneous or illegal expenditures. The measures taken during the fiscal year 1942 to segregate the audit of war expenditures from the regular audit, to expedite the war audit, were touched upon in my annual report for that year.

*War contract project audit.*—The field audit of cost-plus-a-fixed-fee and similar contracts was commenced on an experimental basis during the fiscal year 1942, when experienced auditors were sent to the Detroit, Mich., area to conduct a post audit at the plants of certain large manufacturing concerns, in order to give the contractors and the administrative office prompt notice of the audit action and to permit the retention of certain records in the field until the completion of the contracts. The departments concerned requested extension of the arrangement to other industrial centers and, in accordance therewith, there was set up a war contract project audit organization, for the duration of the war and 1 year thereafter. On June 30, 1943, there were 605 employees engaged upon the war contract project audit at San Juan, P. R.; Edmonton, Alberta, Canada; and 141 localities throughout the continental United States, as follows:

Alabama:
Birmingham, Childersburg, Gadsden, Talladega.

Arkansas:
El Dorado, Jacksonville, Marche, Texarkana.

California:
Beverly Hills, Burbank, Daggett, Hawthorne, Long Beach, Los Angeles, Pasadena, Richmond, San Diego, San Francisco, Santa Monica, Sausalito, South Gate, South San Francisco.

Colorado:
Denver.

Connecticut:
Bridgeport, Stratford, Wallingford, West Hartford.

Delaware:
New Castle.

Georgia:
Atlanta, Macon, Marietta.

Illinois:
Carbondale, Chicago, Decatur, Elwood, Harvey, Illiopolis, O'Fallon, St. Charles.
Indiana:
Elkhart, Evansville, Gary, Hammond, South Bend.
Iowa:
Burlington, Des Moines.
Kansas:
Baxter Springs, Eudora, Wichita.
Louisiana:
Minden, New Orleans, Shreveport.
Maryland:
Baltimore, Salisbury.
Massachusetts:
Boston, Chicopee Falls, Easthampton, Fitchburg, Greenfield, Holyoke, Lowell, South Boston, Springfield, West Hanover.
Michigan:
Battle Creek, Dearborn, Detroit, Ecorse, Flint, Grand Blanc, Grand Rapids, Greenville, Highland, Lansing, Milford, Muskegon, Pontiac, Saginaw, St. Joseph, Sturgis.
Minnesota:
Minneapolis, St. Paul.
Missouri:
Kansas City, Louisiana, Robertson, St. Louis, Weldon Spring.
Nebraska:
Fremont, Grand Island, Omaha.
New Jersey:
Camden, Linden, Trenton.
New York:
Buffalo, Cheektowaga, New York City, Niagara Falls; Astoria, Long Island; Republic, Long Island.
Ohio:
Akron, Cincinnati, Cleveland, Middletown, Toledo.
Oklahoma:
Oklahoma City, Tulsa.
Pennsylvania:
Baldwin, Bristol, Chester, Danville, Easton, Eddystone, Hatboro, Jenkintown, Johnsville, Philadelphia, Pottstown, Reading, Williamsport, Willow Grove, York.
Rhode Island:
Bristol, Providence.
Tennessee:
Chattanooga, Memphis, Milan, Millington.
Texas:
Baytown, Dallas, Fort Worth, Hitchcock, Houston, Karnack, McGregor.
Utah:
Salt Lake City.
Washington:
Renton, Seattle.
Wisconsin:
Eau Claire, Kenosha, Milwaukee, Racine.

As this report is written, the project audit has been further extended and is being carried on in over 200 localities by more than 850 employees. Because of the demonstrated advantages of the audit at the sites already included, still further extension is contemplated, so that by the close of the present fiscal year the audit will be in operation in at least 250 localities.

Among the advantages of conducting this activity at the project site are the accomplishment of a prompt audit, the prevention of erroneous payments and the correction of erroneous practices, the saving of manpower, and an increase in the scope of the audit. With respect to the time of performing the audit, by means of auditing payments at the project site, overpayments have frequently been detected and collections made from a contractor within a few weeks after the payment was made by the Government, whereas under the regular audit in Washington the voucher would not even have been available for audit for a period of 3 or 4 months after payment, due to the time allowed by law to the disbursing officer and the administrative office for stating and rendering accounts to the General Accounting Office. Collections made in the war contract project audit amounted to $4,381,489.47 during the course of the fiscal year 1943. Timely objections in the project audit not only enable the recovery of illegal, unauthorized, or erroneous expenditures on the spot but, by advising the administrative offices immediately when audit requirements are not met, they enable the correction of erroneous practices and the prevention of further erroneous payments similar to those to which objection has been taken.

In addition, the project audit eliminates the necessity for voluminous correspondence requesting documents and supporting details, which are readily available at the project site, and materially reduces the number of copies of documents which would otherwise be required by the Government contracting agencies. Moreover, the use of informal exceptions by the project site auditors, requiring only an informal reply, has obviated the necessity for issuance of many formal exceptions, and has consequently resulted in a great saving of time for disbursing officers, administrative offices and the General Accounting Office, as well as reducing still further the correspondence concerning payments and contractual provisions. Finally, the availability at the project site of additional documents and other data relating to vouchers under audit, and the opportunity afforded the project auditors to familiarize themselves with the facts and circumstances surrounding the payments represented by such vouchers, enables the auditors to make a much more comprehensive audit than would otherwise be possible.

In addition to the field project audit, further field examinations were made by traveling auditors of the General Accounting Office to ascertain the propriety of overhead charges made under certain contracts of the cost-plus-a-fixed-fee type.

During the fiscal year 1943, there were examined a total of 1,098,211 cost reimbursement war contracts, of which 9,139 were contracts with prime contractors and the remainder were subagreements of various forms under such prime contracts. Many conferences were held with representatives of the various Government agencies and of the contractors, thereby solving problems arising in the audit and clarifying the requirements of the General Accounting Office in connection with the audit of cost reimbursement contracts.

Audit of payments under cost-plus-a-fixed-fee contracts has raised numerous questions as to whether claims for reimbursement covered allowable items of cost under the contract. The following are typical cases to which objection was taken:

Brokerage fees to contract middlemen; fees to attorneys for solicitation of contract, garnishment proceedings, services prior to award of contract, retainer including travel and living expenses; fees and dues for memberships in Chamber of Commerce, association of commerce, and social organizations; entertainment expenses at picnics and barbecues for contractors' employees; cocktail parties, luncheons for newspapermen and public officials; decorations for similar festive occasions; contributions to a bowling league, the Red Cross, Community Chest, Navy Relief, United Service Organizations, Russian War Relief, hospital construction fund, training schools; contributions for the purchase of personal greeting cards for employees; flowers for deceased relatives of employees; failure to reduce the fixed fee for work included in the contract but performed by the Government, or for work eliminated; subcontracting for surveying, testing services, custodial and guard services; subscriptions to scientific, trade, and traffic periodicals, labor and war law services, newspapers, and news services; Federal capital stock and excise taxes, where not covered by the provisions of the contract, and State franchise and vehicle taxes; personal services and furnishings, including laundry and false teeth; personal accident insurance incident to air travel; local fares between lodging and place of duty; travel for personal convenience; travel expenses claimed prior to departure and after arrival; charges in excess of transportation tariffs; transportation of the household effects of new employees and failure to take advantage of applicable land-grant rates in cases where title vested in the Government at shipping points.

Exceptions were also taken in cases involving excess profits on various transactions such as parent-subsidiary and inter-plant transactions; purchases at an excessive profit from the contractor or from members of the prime contractor's organization; excessive recapture valuation of rented equipment; excessive cost resulting from failure to recapture rented equipment; appropriation of profits from operation of a commissary which was required to be operated on a nonprofit basis; disproportionate computation of vacation, overtime, and pension allowances; wages in excess of authorized rates and salaries of members of contracting firms; premiums on noncontributory group life insurance; portion of the salaries of doctors, nurses, and other medical personnel which was the obligation of the insurer; insurance premiums unearned and computed on erroneous classification of employees by rate groups; illegal contracts involving cost-plus-a-percentage-of-cost; various types of employee bonuses and incentive bonus to contractor in addition to fixed fee; institutional and labor recruitment advertising, and advertising by means of exhibits; personal losses of employees; waste and extravagance involving purchases and expenses beyond the scope of the contract, such as dictionaries for employees, deluxe equipment for automobiles and payment of per diem to employees in training at place of residence; transporting contractor's records to home office after completion of contract; contractor's default; failure of contractor to take discounts offered, and duplicate payments; contract modification to permit increased prices on purchases from suppliers and additional payment on existing obligation without additional consideration to the Government.

*Army Audit Branches.*—During the fiscal year 1943 request was made by the Secretary of War for the establishment of field auditing branches of the General Accounting Office for the purpose of auditing expenditures made by Army Finance Officers. In response to such request there was authorized a branch at Chicago, Ill., on an experimental basis, for the purpose of expediting the post audit of vouchers—other than those covering payments under cost reimbursement contracts or for transportation furnished by common carriers—in the accounts of the Finance Officers in the 5th, 6th, 7th and Northwest Service Commands, as handled by the Army Regional Accounting Office at Chicago. This project proved so satisfactory that by an order dated July 24, 1943, there were established, for the duration of the present war emergency and for not more than 1 year thereafter, Army Audit Branches of the General Accounting Office at Atlanta, Ga.; Chicago, Ill.; Los Angeles, Calif.; and New York, N. Y., for the purpose of auditing accounts of Army Finance Officers, with the exception of cost-plus-a-fixed-fee, transportation, and civil pay vouchers.

The four Army Audit Branches were in operation on October 1, 1943. The promptness of the audit will enable the raising of questions seasonably respecting irregular or illegal expenditures, thereby preventing further erroneous payments and correcting improper practices; and the ready availability of the administrative officers and records will enable the elimination of much correspondence and delay in obtaining information essential to the audit of the accounts. The audit in these branches will be approximately 1 year in advance of that which could be expected without decentralization.

*Proposed Navy Audit Branch.*—The Navy Department has requested that the audit of all Navy collections and disbursements be transferred to Cleveland, Ohio, where certain Navy accounting activities are now located. In view of the demonstrated advantages of a prompt post audit, it is contemplated that a Navy Audit Branch will be opened by or shortly after January 1, 1944.

The four Army Audit Branches and the proposed Navy Audit Branch will, if present prospects materialize, employ approximately 2,600 persons by the close of the current fiscal year, and the work performed in such branches will enable the Washington office to dispose of the accumulated backlog of military and naval audit work, as well as reduce the backlog of other audit work.

The decentralization of the war audit has made possible the employment of qualified personnel who would not be available for employment in Washington. However, it has not been accomplished without sacrifices. One of the most important of such sacrifices has been the necessity of transferring experienced personnel from Washington to train 802 new employees in the field. In the present fiscal year it is anticipated training of 1,600 additional field employees will be necessary.

## INSPECTION OF WAR ACCOUNTS AND CONTRACTS

Much of the inspectional and investigational work of the General Accounting Office during the fiscal year 1943 necessarily had to do with war expenditures and transactions. In carrying on such work the Office has endeavored at all times to cooperate with the administrative offices concerned in such manner as to contribute to the prosecution of the war program. Also, the work has been coordinated as far as possible with that of other agencies of the Government having investigatory duties to perform, so as to avoid duplication or overlapping of effort.

A number of irregularities have been disclosed through inspection of the accounts and records of accountable officers under the jurisdiction

of the War Department, the largest of the war agencies. Illustrative of the irregularities observed are those listed in the following paragraphs, noted in a comprehensive study of the accounts and records and a survey of procedures at a large Army post.

1. Purchase orders were issued in the names of general supply contractors covering purchases from local dealers, and payments were made by checks drawn in the names of the general supply contractors, which were forwarded to the local dealers, resulting in many cases in the unauthorized indorsement and improper negotiation of United States Treasury checks. In some cases, checks drawn in the name of a general contractor covering payments for materials delivered by the contractor were forwarded to the local dealer representing the general contractor, and indorsed and negotiated by the local dealer, with subsequent adjustment of accounts between the local dealer and its principal. In the investigation of transactions of this nature all organizations and individuals concerned, including the general contractor, the local sales agents, and the purchasing and paying Finance Officers, were advised of the irregular practices culminating in the unauthorized indorsement and negotiation of United States Treasury checks.

2. Office machines were procured under rental-purchase agreements, all or a large number of payments under which were made from Government funds, but, in some instances, completing payments were made from "company funds," title, and apparently the use and possession of the machines, being taken by the organizations and not by the United States. This practice involved the misuse of appropriated funds.

3. Split vouchers—two or more vouchers covering the same transactions—were executed to avoid limitations on open market purchases or the necessity of complying with the provisions of Army Regulations 5–240, requiring a report to the Assistant Secretary of War of open market purchases in excess of $100.

4. Official postage stamps were used to settle small claims and errors. In a number of cases dealers had made claims for amounts ranging from a few cents to as much as 8 or 9 dollars covering transportation on articles purchased, discounts erroneously deducted, and like items. In order to obviate the necessity of vouchering these items or processing them as claims, postage stamps were forwarded to the dealers in the amounts claimed.

5. Reimbursement of Army personnel, who, while on field duty, were required to make payment for emergency purchases for official purposes from personal funds, was effected in an irregular manner. Instead of reimbursing the purchasers directly, certified invoices were obtained from the vendors, purchase orders issued, vouchers prepared, and checks issued. When soliciting invoices, the vendor was advised

that the purpose was to obtain reimbursement and that upon receipt of the Government check the proceeds thereof should be remitted to the particular Army officer or soldier who had advanced his personal funds. Apparently this practice was resorted to in order that expeditious reimbursement might be had, as the Army regulations in effect required the submission of claims to the Chief of Finance. As the pertinent Army regulations were subsequently modified, providing for direct reimbursement by Army Finance Officers, and the officers involved at this particular post, both quartermaster and finance, were advised as to the changed regulation, no further action was taken.

6. Certified invoices were solicited from undertakers covering burial expenses of military personnel in cases where it was known that such expenses had already been paid by private parties, payment being made to the undertakers of the portion of such expenses chargeable to the Government, with the understanding that refunds would be made to the parties who had settled the accounts in full. As the law, and the regulations issued pursuant thereto, permitted direct reimbursement to members of the family of the deceased who paid the expenses, the matter was taken up with the officers at this particular post. However, it appeared from information available that the practice prevailed at other Army posts.

7. Supplies, purchased with official funds, were furnished an organization in exchange for printing service. An infantry regiment, through its regimental fund, owned and operated a printing plant on the post, and in exchange for the printing of forms of an official nature, payment was made by purchasing, with official funds, paper and other supplies needed by the printing plant.

8. Officers were paid rental allowances while they were occupying a Government-owned house. This was done under a plan initiated by the post Commandant, whereby repairs and improvements were made to the Government-owned house through personal funds of one of the officers, the rental allowance being paid until the cost of the repairs was amortized. Payments of rental allowance were based on certificates of the involved officers and the commanding officer to the effect that the officer claiming the allowance "was not assigned adequate quarters" at his permanent station.

9. Funds derived from the sale of hunting licenses permitting hunting on the military reservation were retained and expended as unofficial funds.

10. Accounts current rendered by the post Finance Officer did not reflect all transactions during the periods the accounts current were stated to cover. Because of the large number of cash transactions on the last day of the accounting period, the cash account was closed

out as of the previous day, and the resulting balance was verified and included in the accounts current. Thus, the accounts current did not accurately reflect the status of the accounts.

11. A number of transactions were noted wherein the records (purchase orders) indicated that funds had been obligated on a certain date before the end of the fiscal year, when apparently the obligations were incurred in the following fiscal year.

All of the irregularities described above, with the exception of those numbered "1" and "5", have been called to the attention of the Secretary of War.

In the inspection of accounts and records at certain Army depots, representatives of the General Accounting Office ascertained that revenues derived from the operation on Government premises of vending machines dispensing soft drinks, candy, milk, etc., were turned over to semiofficial organizations and used for the purchase of services and materials not procurable with appropriated funds, covering purposes such as recreation, prizes, and entertainment. These depots are of the type where manufacturing and other like operations are carried on, employing great numbers of civilians, and where the limited number of military personnel on duty does not justify the establishment and operation of post exchanges under applicable Army regulations. It was reported by the representatives of the Office that revenues accruing from these concessions represented considerable amounts of money, an amount in excess of $30,000 having been realized at one depot over a period of 11 months. The matter has been called to the attention of the Secretary of War, the position being taken that in the absence of statutory authority permitting the retention and use of these revenues in the manner and under the conditions set forth, such revenues are required to be covered into the general fund of the Treasury as miscellaneous receipts under the provisions of section 3617, R. S., 31 U. S. C. 484.

*United States Maritime Commission and War Shipping Administration.*—During the fiscal year 1943 examinations were made of the accounts and records of approximately 60 ship construction and repair yards in connection with the expenditure of appropriated funds for the construction and repair of vessels for the United States Maritime Commission and the War Shipping Administration. Examination of such accounts and records disclosed the existence of many irregular practices, some of which were due, in no small part, to the failure of the Commission to issue proper instructions and to exercise the degree of administrative control ordinarily required in the handling of Government business and the expenditure of public funds. Some of the irregular practices disclosed are as follows:

1. Failure to account properly for receipts from revenue producing activities, such as housing, cafeterias, transportation facilities, etc.

2. Abnormal increases in salaries of officials and employees of contractors operating under Government contracts.

3. Reimbursement of improper expenditures such as for lectures on "Human Engineering," excessive rentals, bonuses to officials and employees, and cost of yard publications.

4. Assignment of contractor's employees for duty in Commission offices, thereby circumventing administrative salary limitations as well as placing such employees in the position of checking their employer.

5. Payments for land in excess of the appraised value thereof.

6. Excessive purchases of steel.

7. Excessive rentals on equipment under rental-purchase agreements and the release thereof when only small amounts remained to be paid in order to acquire title.

8. Purchases of automobiles without regard to statutory limitations as to amounts paid.

9. Excessive cost of telephone service and the personal use thereof.

10. Inadequate safeguard of Government property.

11. Failure to transmit all contracts to the General Accounting Office as required by law.

12. Failure to maintain adequate inventories of steel, equipment, and other supplies received at the various shipyards or to maintain proper record of transfers of such material between shipyards.

13. The use of a cost-plus-a-percentage-of-cost form of contract in violation of law.

14. Excessive over-all or composite hourly billing rates for ship repairs, due, in part, to the inclusion of direct charges also in overhead, thereby duplicating amounts upon which the composite billing rate was based to the extent of such inclusion.

During the past year three special reports were submitted to the Congress involving excessive prices paid for vessels, as follows:

1. Five vessels were acquired from the Waterman Steamship Corporation at a cost of $1,995,602.68 in excess of the amount required to be paid for five similar vessels which the Commission had a contract right to acquire. (See House Document No. 840, 77th Congress, 2d Session.) The Commission has since acquired the five vessels in accordance with the contract, but there remains for consideration the reasonableness of the prices paid for the five vessels acquired in December 1941, referred to in House Document No. 840.

2. The S. S. *President Roosevelt* was acquired from the United States Lines Company for the War Department at a cost of $421,-

468.99 in excess of its value under General Order No. 24 of the Maritime Commission. (See House Document No. 78, 78th Congress, 1st Session.)

3. Five vessels were acquired from the Baltimore Mail Steamship Company for the Navy Department at a cost of $2,188,257.87 in excess of the depreciated value thereof. (See Report to the Congress dated June 19, 1943, Committee print only.)

Section 902 (a) of the Merchant Marine Act, 1936, as amended by section 3 of the Act of August 7, 1939, 53 Stat. 1255, provides, in part, that:

> Whenever the President shall proclaim that the security of the national defense makes it advisable or during any national emergency declared by proclamation of the President, it shall be lawful for the Commission to requisition or purchase any vessel or other watercraft owned by citizens of the United States, or under construction within the United States, or for any period during such emergency, to requisition or charter the use of any such property. The termination of any emergency so declared shall be announced by a further proclamation by the President. When any such property or the use thereof is so requisitioned, the owner thereof shall be paid just compensation for the property taken or for the use of such property, but in no case shall the value of the property taken or used be deemed enhanced by the causes necessitating the taking or use. * * *

Although the existence of a limited national emergency was declared by the President September 8, 1939, thereby, in the view of the General Accounting Office, bringing the above quoted provisions of section 902 (a) into operation, the Commission did not originally invoke those provisions from that date, it appearing from correspondence with the Commission that it held the view that the section did not become operative until the declaration of an unlimited emergency by the President on May 27, 1941, by which date there had occurred a very substantial increase in the market prices of vessels.

Little or no consideration was given to depreciation in the case of purchase of vessels by the Commission, but depreciation was considered an important factor in the establishment of charter rates to be paid by the Government. However, with respect to the latter, 106 voyages were performed to the Red Sea (Suez) during the summer and fall of 1941, with cargoes consisting principally of lend-lease material. Of these voyages, 90 were performed by vessels chartered from private owners, 64 of which vessels were formerly owned by the United States. Available records indicate that profits for the 71 voyages performed by these 64 vessels aggregated over $20,000,000 due to the exorbitant space charter rates established. The Commission is now attempting to recover some of these profits, and latest advices from the Commission are to the effect that $310,803.90 has been refunded by two operators, and that upon failure of the remaining operators

to make voluntary adjustments, the Commission referred their contracts to its Price Adjustment Board for renegotiation, pursuant to the provisions of section 403 of the Act of April 28, 1942, 56 Stat. 245, as amended.

Considerable study has been given to the establishment of fair and reasonable charter rates for vessels under charter to the War Shipping Administration. The records indicate that existing charter rates, both time and bareboat, are high, but the War Shipping Administration is now considering revison of such rates.

Sections 221 and 222 of the Merchant Marine Act, 1936, as amended, provide for insurance against loss or damage by the risks of war. However, the values of vessels established for insurance purposes in some instances appear to be excessive. In such instances where settlements are effected based on the amount of insurance assumed, it is obvious that the owners will receive more for a vessel in the event of total loss than would have been paid them had the vessel been requisitioned for title pursuant to the provisions of section 902 of the Merchant Marine Act, 1936, as amended. Such a result, although not illegal, is nevertheless wasteful of the public money. In this connection, particular attention is invited to section 226 (a) and section 228 of the Merchant Marine Act, 1936, as amended by the Act of April 11, 1942, 56 Stat. 214, relating to war-risk insurance, providing as follows:

Sec. 226. (a) The Commission in the administration of this subtitle is authorized to adjust and pay losses, compromise and settle claims whether in favor of or against the Government, and to pay the amount of any judgment rendered in respect of any suit or settlement agreed upon in respect of any claim. The determinations of the Commission with respect to adjustments, compromises, settlements, and payments hereunder shall not be subject to review by any other executive or accounting officer of the Government.

* * * * * * *

Sec. 228. In conformity with the President's Executive order of February 7, 1942 (Numbered 9054; 7 F. R. 837), the authority conferred upon the Commission by this subtitle shall be vested in and exercised by the Administrator of the War Shipping Administration.

## SETTLEMENT OF WAR CLAIMS

With the great expansion in the armed forces there has resulted a steady increase in claims presented by members of the component services or their families. Experience indicates that approximately 1 in every 83 members of the armed forces presents a claim or claims to the General Accounting Office, involving travel and additional or disputed pay or allowances, reimbursement for cost of outside medical or hospital treatment, and other matters such as normally would arise in connection with the handling of the pay accounts of personnel being

constantly transferred, or with reference to which numerous pay changes are being effected. Based upon an estimated constant military strength of 10,000,000 men and women, it is believed that not less than 14,000,000 will have been members of the armed forces should the war long continue and, with the invasion of the continent of Europe, the volume of claims work will constantly increase.

## OTHER WAR MEASURES

In view of the provisions of the Joint Resolution approved December 22, 1942, 56 Stat. 1068, and the War Overtime Pay Act of 1943, Public Law 49, approved May 7, 1943, and of the necessity of utilizing the maximum efforts of the employees of the Office to process the increased workload caused by the war program, a 6-day, 48-hour workweek has been in effect in the General Accounting Office since January 1, 1943. The Office had previously been on a 44-hour week commencing February 16, 1942.

One of the greatest wartime problems faced by the General Accounting Office, along with other Government agencies, is the rapid turnover of personnel, and the inability to recruit sufficiently qualified replacements, as discussed more fully in Chapter III of this report. During the fiscal year 1942, there were 3,153 appointments to positions in the Office, and 1,277 separations, of which 370 were attributable to entry of employees into the military service. During the fiscal year 1943, there occurred 4,429 appointments, 40 percent more than during 1942, but 2,818 separations, or 121 percent more than during 1942. Also, the number of employees entering the military service increased from 370 in 1942 to 1,110 in 1943. These last figures represent a most direct personal contribution to the war program by employees of the Office.

Other wartime activities of the General Accounting Office, referred to in my annual report for 1942, including cooperation with the Interdepartmental War Savings Bond Committee, established pursuant to Executive Order No. 9135, dated April 16, 1942, in the purchase of war savings bonds through the voluntary pay-roll deduction plan, and with the Public Buildings Administration in its air-raid-protection plans, were continued throughout the fiscal year 1943.

# *Appendix A*

## EXAMPLES OF STATUTES ENACTED DURING THE FISCAL YEAR 1943, CONFERRING UNUSUAL ADMINISTRATIVE AUTHORITY OVER EXPENDITURES

***(Emphasis Supplied Below)***

**Act of July 2, 1942 (56 Stat. 468).**

Contingent expenses: * * * translating services by contract *without regard to section 3709 of the Revised Statutes (41 U. S. C. 5)*; purchase and presentation of various objects of a cultural nature suitable for presentation (through diplomatic and consular offices) to foreign governments, schools, or other cultural or patriotic organizations, the purchase, rental, distribution, and operation of motion-picture projection equipment and supplies, including rental of halls, hire of motion-picture projector operators, and all other necessary services by contract or otherwise *without regard to section 3709 of the Revised Statutes;* * * *. (Department of State, Contingent Expenses, Departmental.)

Salaries and expenses: * * * advertising in newspapers and technical publications *without regard to section 3828 of the Revised Statutes*; drilling and testing of foundations and dam sites, by contract if deemed necessary, purchase in the field of planographs and lithographs, and leasing of private property to remove therefrom sand, gravel, stone, and other materials *without regard to section 3709 of the Revised Statutes (41 U. S. C. 5)*; * * *. (Department of State, International Boundary Commission, United States and Mexico, 56 Stat. 475.)

* * * *Provided further*, That this appropriation shall be available for alterations, improvements, and repairs to premises occupied for detention purposes *without regard to section 322 of the Act of June 30, 1932 (40 U. S. C. 278a)*, when authorized or approved by the Attorney General, and for all necessary expenses incident to the maintenance, care, detention, surveillance, parole, and transportation of alien enemies, including transportation and other expenses in the return of such aliens to place of bona fide residence or to such other place as may be authorized by the Attorney General: *Provided further*, That not to exceed $200,000 of this appropriation may be expended for the employment of personnel, exclusive of attorneys, *without regard to the Civil Service Act and regulations or the Classification Act of 1923, as amended*, and not to exceed $25,000 to meet unforeseen emergencies of a confidential character, *to be expended under the direction of the Attorney General, who shall make a certificate of the amount of any such expenditure the purpose of which he may think it advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the sum therein expressed to have been expended*: * * * *Provided further*, That this appropriation shall be available for the acquisition or construction of temporary buildings necessary for or incident to the detention of aliens, and when authorized or approved by the Attorney General obligations may be incurred for such purposes *without reference to section 3709 of the Revised Statutes:* * * *. (Department of Justice, Immigration and Naturalization Service, 56 Stat. 483.)

**Act of July 2, 1942 (56 Stat. 506).**

Construction and equipment of helium plants: For all necessary expenses, *without regard to section 3709, Revised Statutes*, to enable the Secretary of the Interior to increase and improve the capacity for the production of helium, * * *. (56 Stat. 544.)

Manganese beneficiation pilot plants and research (national defense): * * * *Provided further, That section 3709 of the Revised Statutes shall not be construed to apply to this appropriation;* * * *. (56 Stat. 544.)

Production of alumina from low-grade bauxite, aluminum clays and alunite (national defense): * * * *Provided, That section 3709 of the Revised Statutes shall not be construed to apply to this appropriation;* * * *. (56 Stat. 545.)

Investigation of bauxite and alunite ores and aluminum clay deposits (national defense): * * * *Provided further, That section 3709 of the Revised Statutes shall not be construed to apply to this appropriation;* * * *. (56 Stat. 545.)

Magnesium pilot plants and research (national defense): For all necessary expenses, *without regard to section 3709 of the Revised Statutes*, for the conduct of investigations and development of methods for the recovery of magnesium from domestic raw materials, including naturally occurring brines, salt deposits, dolomite, magnesite, and brucite, by hydrometallurgy, direct reduction, and electrolytic methods, including laboratory research; * * *. (56 Stat. 546.)

Investigation of deposits of critical and essential minerals in the United States and its possessions (national defense): For all necessary expenses, *without regard to section 3709 of the Revised Statutes*, for investigating deposits of critical and essential minerals in the United States and its possessions, including laboratory research; * * *. (56 Stat. 547.)

Helium production and investigations: * * * *Provided, That section 3709, Revised Statutes, shall not be construed to apply to this appropriation, or to the appropriation for development and operation of helium properties* (special fund) in section 3 (c) of the Act of September 1, 1937 (50 U. S. C. 164); * * *. (Department of the Interior, Bureau of Mines, 56 Stat. 547.)

**Act of July 2, 1942 (56 Stat. 611).**

For all emergencies and extraordinary expenses arising in the War Department or any of its subordinate bureaus or offices in the District of Columbia, or in the Army at large, but impossible to be anticipated or classified, including personal services, the purchase of lawbooks, books of reference, subscriptions to newspapers and periodicals; the actual and necessary expenses or per diem in lieu thereof, as may be determined and approved by the Secretary of War, of military and civilian personnel in and under the Military Establishment on special duty in foreign countries; and for examination of estimates of appropriations and of military activities in the field, *to be expended on the approval or authority of the Secretary of War, and for such purposes as he may deem proper, and his determination thereon shall be final and conclusive upon the accounting officers of the Government, and payments from this appropriation may, in the discretion of the Secretary of War, be made on his certificate that the expenditures were necessary for confidential military purposes*, $11,346,600. (Military Activities, Office of the Secretary of War, Contingencies of the Army.)

For all expenses necessary for the mobilization, operation, and maintenance of the Army of the Philippines, including expenses connected with calling into

the service of the armed forces of the United States the organized military forces of the Government of the Commonwealth of the Philippines, *and expenditures* incident to pay, allowances, operation, maintenance, and other activities of units and personnel of said organized military forces, and for the emergent mobilization and training of such forces, *may be made without regard to the provisions of law regulating the expenditure of or accounting for funds of the United States but shall be expended and accounted for in a manner prescribed by the President of the United States,* * * *. (Military Activities, Army of the Philippines, 56 Stat. 628.)

Office of Secretary of War: * * * for the temporary employment of persons (at not to exceed $50 per day) or organizations, by contract or otherwise, *without regard to section 3709 of the Revised Statutes or the civil service or classification laws:* * * *. (Military Activities, Salaries, War Department, 56 Stat. 629.)

Sec. 8. Whenever, during the fiscal year ending June 30, 1943, the Secretary of War should deem it to be advantageous to the national defense, and if in his opinion the existing facilities of the War Department are inadequate, he is hereby authorized to employ, by contract or otherwise, *without reference to section 3709, Revised Statutes, civil service or classification laws, or section 5 of the Act of April 6, 1914 (38 Stat. 335)*, and at such rates of compensation (not to exceed $50 per day for individuals) as he may determine, the services of architects, engineers, or firms or corporations thereof, and other technical and professional personnel as may be necessary. (Military Appropriation Act, 1943, 56 Stat. 631.)

**Act of July 22, 1942 (56 Stat. 664).**

National Arboretum: * * * $54,892, of which such amounts as may be necessary may be expended by contract or otherwise for the services of consulting landscape architects *without reference to the Classification Act of 1923, as amended, or civil-service rules.* (Department of Agriculture, Bureau of Plant Industry, 56 Stat. 678.)

**Act of July 25, 1942 (56 Stat. 704).**

Emergency fund for the President: To enable the President, through appropriate agencies of the Government, to provide for emergencies affecting the national security and defense and for each and every purpose connected therewith, and to make all necessary expenditures incident thereto for any purpose for which the Congress has previously made appropriation or authorization and *without regard to the provisions of law regulating the expenditure of Government funds or the employment of persons in the Government service*, such as section 3709 of the Revised Statutes and the civil service and classification laws; and any waiver hereunder of the provisions of any law regulating such expenditure or such employment shall not be exercised by any agency unless the allocation to such agency or subsequent action of the President in connection therewith permits any such waiver to be availed of; $100,000,000: *Provided*, That in a total amount of not exceeding $25,000,000 and within the purposes provided for in this paragraph, *the President may authorize the expenditure of sums from this appropriation for objects of a confidential nature and in any such case the certificate of the expending agency as to the amount of the expenditure and that it is deemed inadvisable to specify the nature thereof shall be deemed a sufficient voucher for the sum therein expressed to have been expended:* * * *. (Executive Office of the President, Emergency Fund for the President.)

Salaries and expenses: * * * the temporary employment of persons or organizations by contract or otherwise *without regard to the civil-service and classification laws or section 3709 of the Revised Statutes;* procurement of necessary services, supplies, and equipment *without regard to section 3709, Revised Statutes,* for use (1) outside the continental limits of the United States, including the rental of office space, and (2) within the United States when the aggregate amount involved in any one case does not exceed $300; traveling expenses, including (1) expenses of attendance at meetings of organizations concerned with the work of the Board, (2) actual transportation and other necessary expenses, and not to exceed $10 per diem in lieu of subsistence of persons serving while away from their homes without other compensation from the United States, in an advisory capacity to the Board, (3) payment to the Chairman and the Executive Director of the Board of actual and necessary transportation, subsistence, and other expenses incidental to the performance of their duties, and (4) expenses outside the United States *without regard to the Standardized Government Travel Regulations and the Subsistence Expense Act of 1926, as amended, or any limitation of law or regulation governing the payment of transportation and subsistence to military or naval personnel, and section 901 of the Act of June 29, 1936 (49 Stat. 2015)*; * * * *Provided further,* That not to exceed $500,000 of this appropriation shall be available to meet emergencies of a confidential character *to be expended under the direction of the Executive Director, who shall make a certificate of the amount of such expenditure which he may think it advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the amount therein certified.* (Executive Office of the President, Board of Economic Warfare, 56 Stat. 705.)

PAR. 5. Office of the Coordinator of Inter-American Affairs: * * * *Provided, That corporations heretofore or hereafter created or caused to be created by the Coordinator primarily for operation outside the continental United States shall determine and prescribe the manner in which their obligations shall be incurred and their expenses allowed and paid without regard to the provisions of law regulating the expenditure, accounting for and audit of Government funds, and may, in their discretion, employ and fix the compensation of officers and employees outside the continental limits of the United States without regard to the provisions of law applicable to the employment and compensation of officers and employees of the United States: Provided further,* That the Coordinator shall transmit to the President immediately upon the close of the fiscal year a complete financial report of the operations of such corporations: *Provided further, That not to exceed $500,000 of this appropriation shall be available to meet emergencies of a confidential character to be expended under the direction of the Coordinator, who shall make a certificate of the amount of such expenditure which he may think it advisable not to specify and every such certificate shall be deemed a sufficient voucher for the amount therein certified..* (56 Stat. 708.)

PAR. 11. War Production Board: For the War Production Board, $68,546,300, including not to exceed $50,000 for the employment of aliens; not to exceed $50,000 for the temporary employment of expert witnesses, by contract or otherwise, *without regard to the civil-service or classification laws;* and not to exceed $500,000 for scientific research on materials, material substitutes, and other subjects related to the functions of the Board, *without regard to section 3648, Revised Statutes:* * * *. (56 Stat. 709.)

PAR. 12. War Relocation Authority: * * * the employment of school teachers and not to exceed $195,000 for the employment of other persons or organ-

izations, by contract or otherwise, *without regard to the civil-service and classification laws;* * * *. (56 Stat. 709.)

PAR. 14. War Shipping Administration: * * * and the employment, on a contract or fee basis, of persons, firms, or corporations for the performance of special services, including accounting, legal, actuarial, and statistical services, *without regard to section 3709 of the Revised Statutes:* * * *. (Executive Office of the President, Office for Emergency Management, 56 Stat. 710.)

* * * not to exceed $50,000 to meet unforeseen emergencies of a confidential character, *to be expended under the direction of the Attorney General, who shall make a certificate of the amount of such expenditure as he may think it advisable not to specify, and every such certificate shall be deemed a sufficient voucher for the sum therein expressed to have been expended;* * * *. (Department of Justice, Federal Bureau of Investigation, 56 Stat. 717.)

**Act of August 6, 1942 (56 Stat. 742).**

* * * *Provided further,* That the Secretary of the Navy is hereby authorized to enter into contracts for such of the public works hereby authorized as he may deem necessary and *without regard to the provisions of section 3709, Revised Statutes.* (Navy, Public Works.)

**Act of October 26, 1942 (56 Stat. 987).**

* * * That during the existence of the present war in which the United States is engaged, and during the six months immediately following the termination of such war, certificates of officers of the Army, Navy, Marine Corps, and Coast Guard of the United States, executed on and after December 8, 1941, attesting to the existence of the stated facts, and which are filed with and relate to vouchers and papers involving pay and allowances of civilian and military personnel under the jurisdiction of the War or Navy Departments, *shall be accepted as supporting such payments so far as said facts are concerned without the necessity of any other supporting evidence or certificates: Provided,* That the Secretary of War or the Secretary of the Navy may prescribe the places where and the classes of pay and allowance accounts to which the above authority of law may be made applicable. (Certificates for pay and allowance accounts.)

**Act of December 4, 1942 (56 Stat. 1039).**

* * * The certificates of officers or warrant officers, including flight officers, of the Army of the United States relating to facts regarding payments received under the Acts herein cited *shall be accepted as supporting such facts as stated without the necessity of other supporting evidence.* (Uniform allowance for commissioned officers and warrant officers of the Army of the United States.)

**Act of March 18, 1943 (57 Stat. 21).**

Office of the Coordinator of Inter-American Affairs: The appropriation for the Office for Emergency Management, Office of the Coordinator of Inter-American Affairs, contained in the First Supplemental National Defense Appropriation Act, 1943, as supplemented by the Second Supplemental National Defense Appropriation Act, 1943, is hereby made available for the temporary employment (not exceeding $10,000) of persons or organizations by contract or otherwise *without regard to the civil-service and classification laws:* * * *. (Executive Office of the President, Office for Emergency Management.)

* * * *Provided,* That the amount that may be expended for personal services *without regard to the civil service and classification laws* is hereby increased

from $500,000 to $700,000 * * *. (Executive Office of the President, Petroleum Administration for War, 57 Stat. 23.)

**Act of April 29, 1943 (57 Stat. 70).**

Sec. 5. (a) Funds appropriated by this joint resolution may be expended *without regard to section 3709 of the Revised Statutes.* * * * (Administrator of Food Production and Distribution, Miscellaneous Provisions, 57 Stat. 72.)

**Act of June 2, 1943 (57 Stat. 93).**

To be immediately available and to be expended under the direction of the Secretary of War and the supervision of the Chief of Engineers, and to remain available until expended: *Provided*, That any appropriation for civil functions under the Corps of Engineers for the fiscal year 1944 shall be available for contracting in such manner as the Secretary of War may determine to be in the public interest *without regard to the provisions of section 3709 of the Revised Statutes or section 3 of the River and Harbor Act of August 11, 1888* (War Department, Corps of Engineers, Rivers and Harbors and Flood Control, 57 Stat. 94).

Sec. 4. The Governor of the Panama Canal is hereby authorized to employ by contract or otherwise *without regard to section 3709, Revised Statutes*, and at such rates (not to exceed $50 per day for individuals exclusive of necessary travel expenses) as he may determine, the services of architects, engineers, and other technical and professional personnel, or firms or corporations thereof, as may be necessary. (The Panama Canal, 57 Stat. 99.)

**Act of June 26, 1943 (57 Stat. 169).**

National defense activities: For all necessary expenses of the Bureau of the Budget in the performance of activities relating to the national defense, including all the objects for which the appropriation "Salaries and expenses, Bureau of the Budget" is available, and including the temporary employment (not exceeding $80,000) of persons or organizations by contract or otherwise, *without regard to section 3709 of the Revised Statutes and the Classification Act of 1923, as amended;* * * *. (Executive Office of the President, Bureau of the Budget, 57 Stat. 170.)

* * * *Provided, That notwithstanding the requirements of existing laws or regulations*, and under such terms and conditions as the Commission may in its discretion deem necessary and proper, the Commission may contract for work, supplies, materials, and equipment in Europe and engage, by contract or otherwise, the services of architects, firms of architects, and other technical and professional personnel: * * *. (American Battle Monuments Commission, 57 Stat. 171.)

* * * employment of persons or organizations, by contract or otherwise, for legal or other special services, *without regard to section 3709 of the Revised Statutes and the Classification Act of 1923, as amended;* * * *. (National Housing Agency, Federal Public Housing Authority, 57 Stat. 188.)

**Act of June 26, 1943 (57 Stat. 197).**

For all emergencies and extraordinary expenses, exclusive of personal services, in the Navy Department or any of its subordinate bureaus or offices at the seat of government, arising at home or abroad, but impossible to be anticipated or classified, *to be expended on the approval and authority of the Secretary, and for such purposes as he may deem proper, and his determination thereon shall be final and conclusive upon the accounting officers of the Government,* * * *. (Naval Establishment, Contingent, Navy, 57 Stat. 198.)

# *Appendix B*

## GENERAL REGULATIONS AND CIRCULAR LETTERS

During the fiscal year ended June 30, 1943, the following General Regulations and Circular Letter were issued by the General Accounting Office:

**General Regulations.**

*General Regulations No. 34, Supplement No. 9, dated January 5, 1943, Revision of Standard Pay-Roll Forms to Provide Columnar Spaces for Victory Tax and Bond Deductions.*—This supplement provides for the discontinuance of standard pay-roll forms of the series numbered 1013, 1072, and 1073, previously prescribed to meet statutory requirements in the matter of payment of salaries and compensation of civilian employees of the United States, and the issuance in lieu thereof of standard forms of the series numbered 1013-Revised, and 1072-Revised, together with a reissuance of standard forms of the series numbered 1074. The new forms provide for a more suitable and convenient method of showing, in additional columns, all deductions to be made from salaries of employees, including those for Federal tax and war bond purchases.

*General Regulations No. 54, Supplement No. 12, dated August 17, 1942, Supplemental Government Salary Tables.*—Pursuant to the requirements set forth in the Act of August 1, 1942, 56 Stat. 733, amending section 13 of the Classification Act of 1923, as amended, and in accordance with the Civil Service Retirement Act, approved July 3, 1926, as amended, Supplement No. 12 prescribes additions to Government Salary Tables, 1942, for the information and guidance of administrative officers and others concerned, showing basic salaries, 5 percent retirement deductions, basic salaries less 5 percent retirement deductions, and gross hourly rates for a fraction of a 7-hour and an 8-hour day.

*General Regulations No. 54, Supplement No. 13, dated November 23, 1942, Supplemental Government Salary Tables, Victory Tax Deduction.*—This supplement prescribes additions to Government Salary Tables, 1942, which provide salary tables showing (a) the hourly rate for both 7-hour and 8-hour days, based on 360 days in the year in accordance with existing legislation; (b) the annual salary rate; (c) the basic salary, semimonthly and monthly; (d) 5 percent retirement deduction; (e) Victory tax deduction based on the tables in the Revenue Act of 1942; (f) net amount to pay after deducting both the 5 percent for retirement and Victory tax; and (g) the net amount to pay after deducting only the Victory tax, for use when employees are not subject to retirement deductions.

*General Regulations No. 54, Supplement No. 14, dated December 29, 1942, Supplemental Government Salary Tables, Overtime Increase of Compensation.*—Additions to Government Salary Tables issued February 2, 1942, were prescribed by this supplement in order that there might be made available for disbursing officers and others concerned, current salary tables reflecting the extension of payment of overtime increase of compensation until April 30, 1943, pursuant to Acts of June 28, 1940, 54 Stat. 676, October 21, 1940, 54 Stat. 1205, June 3, 1941, 55 Stat. 241, and Senate Joint Resolution 170, approved December 22, 1942, 56 Stat. 1068.

*General Regulations No. 54, Supplement No. 15, dated May 8, 1943, Supplemental Government Salary Tables, Overtime Increase of Compensation Under Public, 49, approved May 7, 1943.*—Pursuant to Public Law 49, approved May 7, 1943, extending payment of overtime increase of compensation authorized under Public Law 821, 77th Congress, and authorizing increase of compensation for overtime in salary grades theretofore excepted, additions to Government Salary Tables issued February 2, 1942, providing for rates based on the salary grades affected, were prescribed for the information and guidance of authorized certifying officers, disbursing officers, and others concerned.

*General Regulations No. 54, Supplement No. 16, dated June 12, 1943, Supplemental Government Salary Tables, Overtime Increase of Compensation for the Executive Branch of the Government and Tax Withholding Deductions.*—In accordance with the War Overtime Pay Act of 1943 and the Current Tax Payment Act of 1943, salary tables were prescribed as additions to the Government Salary Tables issued February 2, 1942. This addition to the salary tables represents a condensed and comprehensive showing of all factors affecting the salaries of employees in the executive branch, pursuant to legislation, and supersedes the additions to salary tables previously prescribed in supplements Nos. 12, 13, 14, and 15.

*General Regulations No. 87 (Amendment), dated December 29, 1942, Accounting for Moneys Received by Officers and Employees of the United States.*—A new method was prescribed for reporting all collections and deposits, by totals, in the accounts current. Also, in order to meet the unprecedented demands on available personnel in the Treasury Department, to keep the increased work arising from war activities on a current basis, General Regulations No. 87 was amended so as to eliminate the requirement of sending to the Division of Bookkeeping and Warrants of the Treasury Department, copies of schedules of collections, retirement fund credits, voucher deductions, and transfers from special deposit accounts.

*General Regulations No. 88, Supplement No. 3, dated August 13, 1942, Statement of Travel by Motor Vehicle on Mileage Basis.*—Pursuant to the amendment of paragraph 12 of the Standardized Government Travel Regulations, approved by the President and promulgated by Bureau of the Budget Circular No. 395, dated July 17, 1942, which provides an additional subparagraph relating, in part, to the payment of mileage in lieu of actual expenses to only one of two or more employees traveling together on the same trip in the same vehicle, Supplement No. 2 to General Regulations No. 88, being affected thereby, was rescinded, and the Public Printer was requested to print a revised form of Statement of Travel by Motor Vehicle, Standard Form No. 1012e–Revised, which conforms to present requirements.

*General Regulations No. 88, Supplement No. 4, dated October 30, 1942, Elimination of Oath From Standard Form No. 1012–Revised, Travel Expense Voucher.*—Supplement No. 4 prescribes the further revision of Standard Form No. 1012–Revised, Voucher for Per Diem and/or Reimbursement of Expenses Incident to Official Travel, for the purpose of facilitating, throughout the Government service, the preparation and handling of travel expense vouchers, and the amendment of paragraph 7, Section II, of General Regulations No. 88, dated July 19, 1937, in order to conform to the requirements of the new form. The improved form provides mainly a change in the claimant's certificate, the elimination of oath or affirmation heretofore required, the substitution therefor of the citation of the statutes and penalties for presenting fraudulent claims, and a reworded administrative certifying officer's certificate arranged so as to protect more fully the interests of the United States.

*General Regulations No. 96, dated December 15, 1942, Accounting for Liabilities of the United States for Internal Revenue Taxes Withheld and Other Deductions From Pay of Federal Employees, Including Those in the Government of the District of Columbia.*—In order to establish uniformity throughout the several departments, establishments, and agencies of the Federal Government, and of the Government of the District of Columbia, procedures were prescribed in this regulation for deducting, accumulating, and accounting for the Victory tax withheld from the wages and other remuneration of employees to whom the provisions of the Revenue Act of 1942 apply. With a view to supplying a record for accumulating the current Victory tax deductions from the pay of civilian employees to the end of each calendar year, and in order to effect administrative economies in the maintenance of a record of other current deductions from the pay of civilian employees, for retirement fund, bond purchases, etc., there was also prescribed Standard Form No. 1102, entitled "Individual Earnings Record."

*General Regulations No. 96, Supplement No. 1, dated April 3, 1943, Accounting for Liabilities of the United States for Internal Revenue Taxes Withheld and Other Deductions From Pay of Federal Employees, Including Those in the Government of the District of Columbia.*—In order to effect compliance with the requirement of the Commissioner of Internal Revenue that Victory tax returns be rendered directly to collectors of internal revenue by designated withholding agents, Supplement No. 1 to General Regulations No. 96 directs that the disbursing officers, in whose special deposit accounts the said Victory tax withholdings are accumulated, will issue their checks drawn payable to the order of the Treasurer of the United States—Collector of Internal Revenue, in the amount of the voucher (Standard Form No. 1047) submitted by the withholding agents and transmit such checks to the withholding agents responsible for the rendering of the quarterly returns.

*General Regulations No. 96, Supplement No. 2, dated June 29, 1943, Accounting for Internal Revenue Taxes Withheld From Pay of Federal Employees, and Employees of the District of Columbia, Paid From Funds With the Treasurer of the United States, Other Than Employees of the Postal Service.*—In order to comply with the provisions of Public Law 68, approved June 9, 1943, with respect to the current payment of individual income tax (with certain stated exceptions) through collection of such tax at source on wages, by deducting and withholding therefrom appropriate amounts, Supplement No. 2 to General Regulations No. 96 was issued prescribing appropriate procedures and the use of standard forms for the purpose. Also, with a view to effecting certain economies in those offices preparing pay rolls on bookkeeping machines, there was prescribed an "Individual Earnings Record," Standard Form No. 1102A, to which postings of earnings, deductions, etc., can be made simultaneously with the pay rolls.

*General Regulations No. 97, dated April 13, 1943, Standard Forms and Procedure for Transportation (Freight or Express).*—This regulation rescinds General Regulations No. 69, issued August 24, 1928, and Supplement No. 1 thereto, issued January 18, 1934; modifies General Regulations No. 75, issued June 26, 1931, to eliminate that part, only, pertaining to the billing of freight and express charges; and requires discontinuance of standard forms of the series numbered 1058 to 1062a, inclusive, U. S. Government Bill of Lading, etc., and Standard Forms Nos. 1068 and 1068a, Public Voucher for Transportation Charges, original and memorandum copy thereof. In lieu of the discontinued forms and procedures there have been provided new and improved standard Government bills of lading and related documents, of the series numbered 1103 to 1109a, inclusive, originals

and copies, Standard Forms Nos. 1113 and 1113a, Public Voucher for Transportation Charges, original and memorandum thereof, respectively, and appropriate procedures designed to serve more effectively the current transportation and shipping requirements of the Government. The practice heretofore followed of gratuitously furnishing blank voucher forms for transportation charges to common carriers has been discontinued, and substantial savings effected, through an agreement whereby such carriers will bear the cost of the transportation voucher forms.

**Circular Letter.**

*Circular Letter dated August 15, 1942, A–16366, Claims Against Common Carriers for the Value of Unused Passenger Tickets or Portions Thereof.*—This circular prescribes appropriate procedures to apply throughout the Government service which will enable the General Accounting Office properly to audit and settle accounts involving deductions for, or collections of, the value of unused passenger tickets or portions thereof.

# *Appendix C*

## ADMINISTRATIVE ORDER NO. 8 (REVISED)—EMPLOYEES' SUGGESTIONS

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON

*October 30, 1942*

**Administrative Order No. 8 (Revised May 14, 1943).**

I realize that all efficient and loyal employees have at least two primary interests in their official work. The first and most important is to direct their own efforts most effectively in the disposition of the necessary and important work of the organization of which they are a part; and second, their own advancement in the service.

With these things in mind, and desiring to reward efficient and thoughtful employees beyond what ordinarily they might expect in the way of statutory within-grade promotions and normal advancement to higher grades, I wish to announce, with a view to improving the service and at the same time offering some material advantage to deserving employees, in partial recognition of their thought and efforts, that until further notice, any employee, whether he be a supervisor or a nonsupervisor, who presents an acceptable plan or suggestion for the revision of organization, work methods, or procedures which will eliminate unessential work functions, personnel, forms, reports, procedures, etc., or which will result in substantial saving in time, labor or material, or in substantial improvement in the disposition of the work of the office:

1. Will be considered for an additional one-step promotion within the 18- or 30-month period for especially meritorious service.

2. Shall receive first consideration for promotions to positions in higher grades, other required elements being equal.

There appears to be a widespread but false impression that the grade of a supervisory position is determined largely or solely by the number of persons supervised and the volume of work performed. I wish to state emphatically that supervisors will not lose grade or income through their efforts to discharge their responsibilities efficiently and economically. All of us are working together on a tremendous job. I feel confident of your loyal and enthusiastic support. Each elimination of unnecessary work, functions, personnel, etc., which speeds up essential actions is as important to the success of this organization as guns and ships are to the war effort.

Plans and suggestions should be addressed to the Comptroller General and may be submitted through supervisory channels or direct to the Comptroller General as the employee may elect. In the interest of a better mutual understanding of the merits of a suggestion and the expeditious disposition of each suggestion, it is believed that better results will generally be secured if suggestions are submitted through regular official channels. When so submitted a copy of the

suggestion should be sent direct to the Comptroller General at the same time the original is submitted to the employee's supervisor for routing through channels. It is expected that each line supervisor and executive to whom a suggestion is routed will carefully consider the same and promptly forward it, together with his comments and specific recommendation, to his official superior next in line of authority and so on until the suggestion and its associated comments and recommendations reach my office. All suggestions will be submitted for appropriate attention to a committee consisting of the Second Assistant to the Comptroller General, who will act as Chairman, and one representative from each Division and Office. The Committee will meet once each month, or more frequently at the call of the Chairman, and will consider all plans and suggestions submitted. Those deemed worthy of serious consideration will be carefully studied and appropriate steps will be taken to establish their value. The decision of the Committee as to the acceptability of a plan or suggestion will be final and appeals therefrom will not be acted upon except in case of manifest error. Every plan or suggestion or copy thereof submitted will be acknowledged by the Chairman of the Committee acting in my behalf.

In passing upon the acceptability or nonacceptability of a plan or suggestion the Committee will give due consideration to the normal requirements of the employee's work assignment.

LINDSAY C. WARREN,
*Comptroller General of the United States.*

# *Appendix D*

## STATISTICS

### LEGISLATIVE

| Reports and miscellaneous inquiries | On hand July 1, 1942 | Received during 1943 | Disposed of during 1943 | On hand June 30, 1943 |
|---|---|---|---|---|
| Reports: | | | | |
| To the President: | | | | |
| Reports requested or required by law | ---------- | 1 | 1 | ---------- |
| To the Congress and to committees of the Congress: | | | | |
| Reports requested or required by law | 2 | 115 | 111 | 6 |
| Volunteer suggestive reports | ---------- | 27 | 27 | ---------- |
| To the Director of the Budget: | | | | |
| Requested reports on enrolled enactments | ---------- | 82 | 82 | ---------- |
| Requested reports on proposed or pending legislation | 2 | 77 | 76 | 3 |
| Replies to miscellaneous inquiries from Members of the Congress | 347 | 1,741 | 1,790 | 298 |
| Total | 351 | 2,043 | 2,087 | 307 |

### COMPTROLLER GENERAL'S INDEX

| | |
|---|---|
| Cases received: | |
| New cases | 8,317 |
| Miscellaneous cases | 7,451 |
| Total | 15,768 |
| Cases disposed of: | |
| New cases | 8,296 |
| Letters re cases | 6,687 |
| Miscellaneous letters | 3,117 |
| Total | 18,100 |

### ACCOUNTING FORMS APPROVED

Special forms:

| Department or Agency: | *Number* |
|---|---|
| Administrative Office of the United States Courts | 2 |
| Agriculture | 35 |
| Board of Economic Warfare | 1 |
| Civil Service Commission | 4 |
| Commerce | 18 |
| District of Columbia | 1 |
| Federal Power Commission | 1 |
| Federal Security Agency | 13 |
| General Accounting Office | 5 |
| Government Printing Office | 1 |
| Inter-American Defense Board | 2 |

## ACCOUNTING FORMS APPROVED—Continued

| Special forms—Continued. | |
|---|---|
| Department or Agency—Continued. | *Number* |
| Interior | 14 |
| Justice | 6 |
| Labor | 3 |
| Library of Congress | 1 |
| Maritime Commission, United States | 1 |
| National Housing Agency | 25 |
| Navy | 34 |
| Office for Emergency Management | 49 |
| Office of Censorship | 1 |
| Office of Price Administration | 1 |
| Office of Strategic Services | 1 |
| Petroleum Administration for War | 2 |
| Post Office | 42 |
| Postal Telegraph-Cable Co | 2 |
| Railroad Retirement Board | 3 |
| Recorder of Deeds | 1 |
| Securities and Exchange Commission | 2 |
| State | 4 |
| Tax Court of the United States | 2 |
| Treasury | 21 |
| Veterans' Administration | 11 |
| War | 70 |
| Western Union Telegraph Co | 1 |
| Total special forms | 380 |
| Standard forms | 15 |
| Total accounting forms approved and prescribed | 395 |

## INSPECTIONS AND SURVEYS

The States, Territories, foreign countries, and United States vessels, in and on which surveys, special audits, special investigations, and inspections of accounts were made, number of offices and accounts inspected, and number of reports rendered, are as follows:

| State, etc. | Offices visited | Accounts inspected | Reports | | | | |
|---|---|---|---|---|---|---|---|
| | | | Inspection | Survey | Special audit | Special investigation | Total |
| Alabama | 2 | | | | | 5 | 5 |
| Arkansas | 2 | | | | 2 | | 2 |
| California | 39 | 33 | 21 | 3 | 1 | 29 | 54 |
| Connecticut | 19 | 5 | 3 | 14 | 2 | 3 | 22 |
| Delaware | | | | | | 1 | 1 |
| Florida | | | | | | 4 | 4 |
| Georgia | 1 | 5 | 1 | | | | 1 |
| Illinois | 12 | 5 | 2 | 1 | 3 | 11 | 17 |
| Indiana | 1 | 6 | 1 | | | 3 | 4 |
| Iowa | | | | | | 1 | 1 |
| Kansas | 10 | 10 | 8 | | 2 | | 10 |
| Kentucky | 5 | 9 | 2 | | | 28 | 30 |
| Louisiana | 11 | 14 | 8 | 1 | 1 | 1 | 11 |
| Maryland | 2 | 1 | | | 1 | 3 | 4 |

## INSPECTIONS AND SURVEYS—Continued

| State, etc. | Offices visited | Accounts inspected | Reports | | | | |
|---|---|---|---|---|---|---|---|
| | | | Inspection | Survey | Special audit | Special investigation | Total |
| Massachusetts | 8 | 7 | 4 | | 1 | 10 | 15 |
| Minnesota | 7 | 25 | 3 | | 19 | 3 | 25 |
| Missouri | 4 | 6 | 1 | | 3 | 1 | 5 |
| Nebraska | 23 | 14 | 4 | 13 | 7 | 2 | 26 |
| New Hampshire | 17 | 9 | 8 | 9 | | 2 | 19 |
| New Jersey | 13 | 13 | 7 | 4 | | 21 | 32 |
| New Mexico | 5 | 3 | 3 | 2 | | | 5 |
| New York | 64 | 43 | 37 | 20 | 3 | 95 | 155 |
| North Dakota | 1 | 8 | | | 6 | | 6 |
| Ohio | | | | | | 1 | 1 |
| Oklahoma | 2 | 2 | | | 2 | | 2 |
| Oregon | 5 | 6 | | 4 | 13 | 1 | 18 |
| Pennsylvania | 26 | 33 | 22 | 3 | 3 | 25 | 53 |
| Rhode Island | 25 | 24 | 22 | | | 9 | 31 |
| Tennessee | 21 | 44 | 19 | 2 | | 4 | 25 |
| Texas | 44 | 47 | 40 | 3 | 1 | 13 | 57 |
| Virginia | 23 | 24 | 13 | 2 | 3 | 17 | 35 |
| Washington | 9 | 4 | 4 | 4 | | 2 | 10 |
| Wisconsin | 1 | 1 | 1 | | | | 1 |
| Mexico | 1 | 1 | 1 | | | | 1 |
| Panama Canal Zone | 1 | 1 | 1 | | | | 1 |
| Puerto Rico | 2 | 2 | 2 | | | 6 | 8 |
| District of Columbia | 60 | 46 | 30 | 7 | 11 | 64 | 112 |
| United States Vessels | 11 | 14 | 11 | | | | 11 |
| Grand total | 477 | 465 | 279 | 92 | 84 | 365 | 820 |

*Reported noncompliances—Departmental regulations, Fiscal Year 1943*

| DEPARTMENTS | Number of reports citing noncompliances with departmental regulations |
|---|---|
| Treasury: | |
| Customs Regulations | 30 |
| Treasury Circular No. 176 | 12 |
| Treasury Circular No. 8 | 2 |
| War Department: | |
| Army Regulations | 14 |
| Navy Department: | |
| Navy Regulations | 5 |
| Supplies and Accounts Manual | 14 |
| Interior Department: | |
| Indian Service Lease Regulations | 1 |
| Department of Agriculture: | |
| Emergency Crop and Feed Loan Section (Manual of Policy and Procedure) | 1 |
| Federal Crop Insurance (Loss Adjustment Procedure and Adjuster's Manual and Wheat Crop Insurance Regulations) | 10 |
| Federal Land Banks Manual and By-laws as pertaining to Federal Farm Mortgage Corporation | 3 |
| Department of Justice: | |
| Circular No. 3679 | 1 |
| Circular No. 3770 | 1 |
| Miscellaneous | 7 |
| Total | 101 |

## APPROPRIATION AND FISCAL OFFICERS' ACCOUNTS

*Volume and Detail of Accounting and Ledger Accounts Maintained*

*Appropriation.*—Accounts maintained for each appropriation made, through which it is determined that expenditures are not in excess of amounts appropriated:

Number of accounts ..... 50,591

*Limitation.*—Accounts maintained for limitations upon expenditure for specified purposes under one or more appropriations, through which it is determined that expenditures are not in excess of the amounts stated in the appropriation acts:

Number of accounts ..... 24,105

*Emergency relief project.*—Accounts maintained for each emergency relief project approved by the President under authority of Emergency Relief Acts, through which it is determined that expenditures are not in excess of amounts allocated by the President:

Number of accounts ..... 260,587

*Receipt.*—Accounts maintained to record receipts under prescribed classifications, in order that it may be determined that the application and disposition thereof is in compliance with law:

Number of accounts ..... 26,621

*Personal accounts with accountable officers.*—Accounts maintained with each accountable collecting or disbursing officer of the United States, pursuant to sec. 304 of the Budget and Accounting Act, 1921, through which necessary features of the audit and settlement of the acounts of such officers are conducted:

Number of accounts ..... 16,876

*Public debt.*—Accounts maintained to show the principal amount of the public debt incurred and outstanding by issues of bonds, notes, or other certificates of indebtedness, etc., through which it may be determined whether there has been a proper accounting for transactions thereunder:

Number of accounts ..... 2,775

*Receivables.*—Accounts maintained for the purpose of recording loans made, such as Public Works loans, Rural Electrification loans, etc., and debts raised against private parties, through which it may be determined that there is proper accounting for recoveries, etc.:

Number of accounts ..... 15,250

*Miscellaneous.*—Subsidiary and general accounts on receipt limitations, reserves, individual deposits, etc., which are necessary for the purpose of auditing certain classes of transactions:

Number of accounts ..... 71,932

*Documents prepared, examined, and approved, or countersigned in the name of or by the Comptroller General of the United States*

*Appropriation warrants*—which serve as the basis for establishing accounts on all Government fiscal records of appropriations made:

Examined, and countersigned by the Comptroller General ..... 1,253

*Transfer appropriation warrants*—which serve as the basis for establishing accounts and recording on all Government fiscal records, transfers of appropriations as authorized by law:

Examined, and countersigned by the Comptroller General ..... 1,879

*Documents prepared, examined, and approved, or countersigned in the name of or by the Comptroller General of the United States*—Continued

*Surplus warrants*—which serve as the basis for recording on all Government records the unexpended balances of appropriations, which, pursuant to law, are carried to the surplus fund of the Government:
Examined, and countersigned by the Comptroller General ..... 165

*Covering warrants*—which report amounts received by the Treasurer of the United States for deposit and covering into the Treasury:
Examined and countersigned in the name of the Comptroller General .. 31,018

*Transfer and counter warrants*—which are stated to serve as the basis for recording on all Government records audited and approved adjustments between previously reported receipts and expenditures:
Examined, prepared in part, and countersigned in the name of the Comptroller General ..... 12,407

*Transfer and counter warrants, procurement series*—which are stated to effect return to the general supply fund and to the general fund of the cost and expense in connection therewith of purchases made by the Procurement Division, Treasury Department, for the several departments and agencies of the Government:
Examined and countersigned in the name of the Comptroller General .. 4,915

*Pay warrants*—which are stated to cover withdrawal and disbursement of public funds by the Treasurer of the United States:
Examined and countersigned in the name of the Comptroller General .. 4,795

*Requisitions for disbursing funds*—which serve as the basis for establishing on the records of the Government depositary credit of disbursing officers of the United States:
Examined and approved in the name of the Comptroller General ..... 23,386

*Appropriation and receipt accounts: Established, canceled, and changed during fiscal year 1943*

[A=established; B=canceled; C=changed]

| Department or establishment | Appropriation and receipt accounts | | | | | | | | | Limitation or subsidiary accounts | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General | | | Special | | | Trust | | | General | | | Special | | | Trust | | |
| | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C |
| Agriculture | 125 | 7 | 12 | 12 | 1 | 4 | 27 | --- | 4 | 363 | 15 | 36 | 41 | --- | --- | 52 | --- | 19 |
| Commerce | 123 | 6 | 22 | 2 | 1 | --- | 7 | --- | 3 | 381 | 1 | 6 | 1 | --- | --- | 26 | --- | 5 |
| District of Columbia | 220 | 10 | 4 | --- | --- | --- | 19 | 2 | 6 | 210 | --- | 22 | --- | --- | --- | 46 | 1 | --- |
| Executive and Independent Offices | 495 | 20 | 49 | 27 | --- | 3 | 10 | --- | 6 | 1,009 | 52 | 148 | 11 | --- | --- | 131 | --- | --- |
| Interior | 335 | --- | 48 | 11 | --- | --- | 20 | --- | 2 | 692 | 3 | 40 | 105 | --- | 1 | 210 | 2 | --- |
| Justice | 61 | --- | 3 | --- | --- | --- | 10 | 1 | --- | 73 | --- | 11 | --- | --- | 1 | 2 | --- | --- |
| Judicial | 38 | --- | --- | --- | --- | --- | 1 | --- | --- | 2 | --- | --- | --- | --- | --- | --- | --- | --- |
| Labor | 44 | --- | 1 | --- | --- | --- | 1 | --- | --- | 66 | --- | 2 | --- | --- | --- | 1 | --- | --- |
| Legislative | 15 | --- | 3 | --- | --- | --- | --- | --- | --- | 11 | --- | 4 | --- | --- | --- | --- | --- | --- |
| Navy | 116 | 11 | 54 | 2 | --- | --- | --- | --- | 4 | 52 | --- | 22 | 2 | --- | --- | --- | --- | --- |
| Post Office | 44 | --- | 6 | --- | --- | --- | --- | --- | --- | 11 | --- | --- | --- | --- | --- | --- | --- | --- |
| State | 57 | 1 | 11 | --- | --- | --- | 4 | --- | --- | 135 | --- | 9 | 1 | --- | --- | 2 | --- | --- |
| Treasury | 204 | 1 | 13 | 10 | --- | --- | 5 | --- | --- | 85 | 3 | 13 | 2 | --- | --- | --- | --- | --- |
| War | 172 | 5 | 59 | 4 | --- | 1 | 19 | --- | --- | 181 | --- | 69 | 3 | --- | 1 | 13 | --- | 2 |
| Total | 2,049 | 61 | 285 | 68 | 2 | 8 | 123 | 3 | 25 | 3,271 | 74 | 382 | 166 | --- | 3 | 483 | 3 | 26 |

The foregoing involved the preparation and distribution of 1,624 accounts and procedures letters—advices to agencies of the Government concerned of the symbols and titles of accounts to be established on their accounting records for the purposes above stated.

## GENERAL AUDIT

*Field Preaudit for Department of Agriculture*

| Class | Total vouchers preaudited for each class | Total preaudited vouchers certified by G. A. O. for less than administratively approved, or disallowed in full as invalid claims for each class | Percentage of total vouchers preaudited found correct by G. A. O. for each class |
|---|---|---|---|
| Payments under Soil Conservation and Domestic Allotment Act of Feb. 29, 1936, as amended | 4,119,581 | 21,860 | 99.5 |
| Parity payments under section 303 of the Agricultural Adjustment Act of 1938 (52 Stat. 45), as amended | 167,703 | 1,184 | 99.3 |
| Payments under Sugar Act of 1937 | 83,120 | 1,658 | 98.0 |
| 1937 Cotton Price Adjustment payments, under Act of Aug. 25, 1937 | 141 | 32 | 77.3 |
| Rental and Benefit payments, under Act of May 12, 1933 | 44 | 1 | 97.7 |
| Refunds of marketing quota penalties | 81 | 10 | 87.6 |
| Total vouchers preaudited | 4,370,670 | | |
| Total vouchers found not correct | | 24,745 | |
| Average percentage found correct | | | 99.4 |

*Contracts*

Volume of Federal contracts, renewals and modifications (including subcontracts and incidental agreements) and assignments examined during the fiscal year 1943.

| | |
|---|---|
| Unexamined contracts on hand July 1, 1942 | 256,699 |
| Contracts received during the fiscal year 1943 | 3,244,442 |
| Total | 3,501,141 |
| Contracts examined during 1943 | 2,708,193 |
| Unexamined contracts remaining on hand June 30, 1943 | 792,948 |

## GENERAL CLAIMS WORK

*Volume of claims received and settled during fiscal year 1943, exclusive of transportation*

| Class of claims | On hand July 1, 1942 | Received during 1943 | Settled during 1943 | On hand June 30, 1943 |
|---|---|---|---|---|
| Civil (general and miscellaneous) | 15,625 | 65,412 | 61,867 | 19,170 |
| United States Commissioners' accounts | 40 | 2,491 | 2,422 | 109 |
| Service (joint service pay act group, including Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, Public Health Service) | 9,716 | 61,745 | 48,489 | 22,972 |
| Total | 25,381 | 129,648 | 112,778 | 42,251 |

*Volume of review cases considered during 1943*

| Class of case [1] | On hand July 1, 1942 | Received during 1943 | Disposed of during 1943 | On hand June 30, 1943 |
|---|---|---|---|---|
| Requests for review (civil, service, Court of Claims, and transportation claims) | 259 | 2,622 | 2,539 | 342 |

[1] These cases include calls for reports by the Attorney General in suits filed in the Court of Claims and the several United States District Courts, involving civil, service, and transportation questions, and settled civil, service, and transportation claims for which applications for review have been presented.

Certificates of settlements of allowed claims, prepared and signed in the name of the Comptroller General, from July 1, 1942, to June 30, 1943 ..... 63,431

*Effects of American citizens dying within consular districts abroad*

| | On hand July 1, 1942 | Received during 1943 | Disposed of during 1943 | On hand June 30, 1943 |
|---|---|---|---|---|
| Packages | 169 | 1 | 2 | 168 |

*Check liabilities*

| | |
|---|---|
| Total number of checks (unpaid) on hand July 1, 1942 | 63,850 |
| Checks received and filed | 106,046 |
| Checks charged for use in pending cases | 13,454 |
| Checks forwarded to Check Accounting Section for cancelation | 1,540 |
| Amount of checks forwarded to Check Accounting Section for cancelation | $90,747.45 |
| Checks forwarded to Check Accounting Section which have been outstanding and unpaid one or more full fiscal years (sec. 21, Act of June 26, 1934, 48 Stat. 1235) | 34,189 |
| Total number of checks on hand June 30, 1943 | 120,713 |

*Checks—Outstanding liabilities subject to settlement as claims under section 21, Act of June 26, 1934, 48 Stat. 1235*

| | |
|---|---|
| On hand July 1, 1942 | 329,390 |
| Received from Check Accounting Section during 1943 | 5,759 |
| Withdrawn for settlement of claims during 1943 | 603 |
| On hand June 30, 1943 | 334,546 |

*Forgery cases developing into United States claims*

| | |
|---|---|
| Cases on hand July 1, 1942 | 1,448 |
| Cases received during 1943 | 2,009 |
| Cases disposed of during 1943 | 2,053 |
| Cases on hand June 30, 1943 | 1,404 |
| Cases referred to Secret Service for investigation during 1943 | 148 |
| Cases referred to Treasurer of the United States for reclamation during 1943 | 900 |

*Forgery cases developing into United States claims*—Continued

| | |
|---|---|
| Original checks forwarded to Treasurer of the United States for reclamation, and for payments to claimants or deposit into the Treasury, during 1943 | 1,543 |
| Original checks returned by Treasurer of the United States for credit during 1943 | 1,658 |
| Amount of original checks forwarded to Treasurer of the United States during 1943 | $57,588.99 |
| Amount collected on duplicate payments and forged checks during 1943 | $30,708.74 |

*Miscellaneous debt transactions, fiscal year 1943*

In connection with the function of collecting miscellaneous amounts due the United States, the following transactions were accomplished through the miscellaneous debt records:

| | |
|---|---|
| Cases on hand July 1, 1942 | 313 |
| Cases received during fiscal year 1943 | 4,257 |
| Total | 4,570 |
| Cases disposed of during fiscal year 1943 | 4,457 |
| Cases on hand June 30, 1943 | 113 |
| Debt cards on hand July 1, 1942 | 341,090 |
| New debt cards during fiscal year 1943 | 42,129 |
| Total | 383,219 |
| Debt cards canceled, etc., during fiscal year 1943 | 22,492 |
| Debt cards on hand June 30, 1943 | 360,727 |
| Indebtedness as of July 1, 1942 | [1] $1,677,488,245.13 |
| Indebtedness reported during fiscal year 1943 | 35,884,229.81 |
| Total | 1,713,372,474.94 |
| Cancelations, collections and set-offs, etc., during fiscal year 1943 | [2] 1,204,390,799.34 |
| Indebtedness as of June 30, 1943 | 508,981,675.60 |
| Number of United States (debt) certificates of settlement issued during the fiscal year 1943 | 976 |

[1] Includes $1,152,430,411.44 in accounts of Chief Disbursing Officer adjusted to $145,408.30 as of June 30, 1943.

[2] Includes recorded differences of $1,152,285,003.14 in account of Chief Disbursing Officer allowed, collected or otherwise adjusted during fiscal year 1943.

For a full statement of amounts due the United States, collected in the general claims work, see table on page 110.

Reports on petitions, which, during the fiscal year ended June 30, 1943, were completed and transmitted to the Department of Justice for use in Indian tribal suits in the Court of Claims.

| Statutes | Tribal claimants | Date filed in Court of Claims | Court reference | Amount claimed | Date forwarded to Department of Justice |
|---|---|---|---|---|---|
| 1924, June 7, 43 Stat. 537, as amended by Joint Resolutions of May 19, 1926, 44 Stat. 568, Feb. 19, 1929, 45 Stat. 1229, and Act of Aug. 16, 1937, 50 Stat. 650. | Chickasaw Nation of Indians (Supplemental) | Dec. 22, 1937 | K-544 | $1,958,128.05 | May 22, 1943 |
| 1938, June 28, 52 Stat. 1209, as amended by the Act of July 15, 1941, 55 Stat. 593. | Confederated Bands of Ute Indians. | Nov. 22, 1941 | 45585 | Not stated | May 6, 1943 |

Reports on petitions, which, on June 30, 1943, were awaiting examination or were in preparation for submission to the Department of Justice for use in Indian tribal suits in the Court of Claims.

| Statutes | Tribal claimants | Date filed in Court of Claims | Court reference | Amount claimed |
|---|---|---|---|---|
| 1935, Aug. 30, 49 Stat. 1049 | Mole Lake Band, et al, of Lake Superior, Chippewa Indians of Wisconsin. | April 1, 1940 | 45162 | Not stated |
| 1935, Aug. 26, 49 Stat. 801 | Tilamook, et al, Indians of Oregon. | Aug. 6, 1940 | 45230 | $9,500,000 |
| 1935, Aug. 26, 49 Stat. 801 | Rogue River, et al, Indians of Oregon. | Aug. 6, 1940 | 45231 | 9,500,000 |
| 1938, June 28, 52 Stat. 1209, as amended by the Act of July 15, 1941, 55 Stat. 593. | Confederated Bands of Ute Indians. | Dec. 9, 1942 | 45783 | Not stated |
| Total | | | | 19,000,000 |

Petitions which on June 30, 1943, had been received but not reported on due to proceedings under Rule 39 (a) of the Court of Claims.

| Statutes | Tribal claimants | Date filed in Court of Claims | Court reference | Amount claimed |
|---|---|---|---|---|
| 1935, June 19, 49 Stat. 388 | Tlingit Nation | June 8, 1942 | 45692 | $35,000,000 |
| 1935, June 19, 49 Stat. 388 | Haida Nation | June 8, 1942 | 45693 | 5,000,000 |
| Total | | | | 40,000,000 |

## TRANSPORTATION AUDIT AND CLAIMS

*Freight transportation claims*

| | |
|---|---|
| Claims on hand July 1, 1942 | 1,211 |
| Claims received during 1943 | 21,921 |
| Claims settled during 1943 | 19,563 |
| Claims on hand June 30, 1943 | 3,569 |

*Passenger transportation claims*

| | |
|---|---|
| Claims on hand July 1, 1942 | 51 |
| Claims received during 1943 | 3,792 |
| Claims settled during 1943 | 2,886 |
| Claims on hand June 30, 1943 | 957 |

*Amounts involved in above freight and passenger claims*

| Class | Number settled | Amounts claimed | Amounts disallowed | Percent allowed of amounts claimed |
|---|---|---|---|---|
| Freight | 19,563 | $5,376,329.70 | $2,383,647.85 | 55.66 |
| Passenger | 2,886 | 660,046.77 | 38,628.54 | 94.15 |
| Total | 22,449 | 6,036,376.47 | 2,422,276.39 | 59.87 |

In addition to the foregoing, there were prepared and furnished during the fiscal year 1943, 49,276 reports as to freight rates and questions related thereto.

*Freight transportation preaudit*

| | |
|---|---|
| On hand July 1, 1942 | 32 |
| Received during 1943 | 8820 |
| Disposed of during 1943: | |
| Certified | 8852 |
| On hand June 30, 1943 | 0 |

*Passenger transportation preaudit*

| | |
|---|---|
| On hand July 1, 1942 | 3 |
| Received during 1943 | 809 |
| Disposed of during 1943 | 810 |
| On hand June 30, 1943 | 2 |

*Amounts involved in above preaudited transportation vouchers*

| Class | Bills preaudited | Amounts claimed | Amounts disallowed | Percent allowed of amounts claimed |
|---|---|---|---|---|
| Freight | 8,852 | $722,639.54 | $7,272.68 | 99.00 |
| Passenger | 810 | 34,591.05 | 1,813.12 | 94.76 |
| Total | 9,662 | 757,230.59 | 9,085.80 | 98.80 |

*Disbursing officers' transportation payments audited*

| Class | Vouchers | Amounts claimed | Amounts suspended | Amounts refunded [1] |
|---|---|---|---|---|
| Freight | 929,201 | $273,649,046.96 | $16,026,523.03 | $5,326,512.66 |
| Passenger | 426,681 | 91,295,249.81 | 626,122.68 | 212,576.98 |
| Total | 1,355,882 | 364,944,296.77 | 16,652,645.71 | 5,539,089.64 |

[1] Covers, in part, items suspended in prior years.

For a statement as to the general condition of vouchers for the fiscal year 1943, see page 110.

## POSTAL ACCOUNTS AND CLAIMS

*Postal Service accounts*

| Description | On hand July 1, 1942 | Received | Settled | On hand June 30, 1943 |
|---|---|---|---|---|
| Accounts—Mail transportation: | | | | |
| Air mail, domestic | 3 | 1,246 | 1,141 | 108 |
| Electric and cable car | 0 | 978 | 978 | 0 |
| Powerboat | 0 | 1,283 | 1,283 | 0 |
| Railroad | 76 | 16,468 | 16,497 | 47 |
| Special mail | 0 | 223 | 223 | 0 |
| Star route | 29 | 142,716 | 140,384 | 2,361 |
| Steamship, foreign mail | 3 | 1,106 | 1,109 | 0 |
| Air mail, foreign | 102 | 1,391 | 1,420 | 73 |
| Miscellaneous accounts: | | | | |
| Freight transportation | 622 | 8,247 | 8,864 | 5 |
| Supplies | 0 | 20,020 | 20,003 | 17 |
| Tolls, etc., rural delivery | 0 | 17 | 17 | 0 |
| Parcel post, foreign | 106 | 226 | 265 | 67 |
| Postal, foreign | 0 | 80 | 79 | 1 |
| Money order, foreign | 5 | 226 | 223 | 8 |
| Travel expenses | 0 | 26,380 | 25,873 | 507 |
| Sundry | 0 | 3,333 | 3,333 | 0 |
| Claims: | | | | |
| Damage and award | 0 | 1,973 | 1,973 | 0 |
| Indemnities: | | | | |
| Warrant | 302 | 17,611 | 17,841 | 72 |
| Postmaster | 12,861 | 175,537 | 173,335 | 15,063 |
| Money order, invalid | 537 | 20,092 | 19,272 | 1,357 |
| Decedents' estates | 35 | 1,435 | 1,368 | 102 |
| Compromise cases | 4 | 39 | 42 | 1 |
| Miscellaneous | 72 | 618 | 499 | 191 |
| Decedents' estates (Postal Savings) | 976 | 17,938 | 17,198 | 1,716 |
| Total | 15,733 | 459,183 | 453,220 | 21,696 |
| Postmasters' accounts: | | | | |
| Quarterly: District offices | 0 | 153,114 | 139,957 | 13,157 |
| Postal: 1st and 2d class offices | 0 | 20,899 | 15,604 | 5,295 |
| Money order: Direct offices | 0 | 15,630 | 15,630 | 0 |
| Late | 5,177 | 3,987 | 4,187 | 4,977 |
| Postal savings | 17,831 | 86,481 | 53,818 | 50,494 |
| Internal revenue stamp accounts | 0 | 504 | 336 | 168 |
| Migratory bird hunting stamp accounts | 63 | 253 | 250 | 66 |
| United States savings bond accounts | 30,225 | 51,685 | 55,746 | 26,164 |
| Motor vehicle tax stamp accounts | 112 | 2,641 | 2,571 | 182 |
| War Savings stamps (boxes) | 2,403 | 32,735 | 20,550 | 14,588 |
| War Savings stamp accounts | 0 | 1,414 | 0 | 1,414 |
| Total | 55,811 | 369,343 | 308,649 | 116,505 |
| Pay rolls—Postmasters': | | | | |
| Clerk hire | 0 | 21,117 | 18,972 | 2,145 |
| City delivery | 0 | 13,639 | 12,732 | 907 |
| Rural delivery | 0 | 203 | 174 | 29 |
| Railway mail | 0 | 55 | 55 | 0 |
| Miscellaneous | 0 | 514 | 514 | 0 |
| Custodial employees | 0 | 12,391 | 11,329 | 1,062 |
| Custodial: Miscellaneous vouchers | 0 | 13,191 | 13,191 | 0 |
| Vehicle employees | 0 | 424 | 424 | 0 |
| Vehicle: Miscellaneous vouchers | 0 | 12,230 | 12,230 | 0 |
| Car fare and bicycle vouchers | 0 | 2,835 | 2,835 | 0 |
| Village delivery | 0 | 2,832 | 2,708 | 124 |
| Total | 0 | 79,431 | 75,164 | 4,267 |
| Contracts: | | | | |
| Post-office quarters<br>Post-office garages<br>Railway post-office terminals | 462 | 6,214 | 6,554 | 122 |
| Contract stations | 5 | 3,427 | 3,432 | 0 |
| Mail messenger | 0 | 6,026 | 6,026 | 0 |
| Telephones | 0 | 2,495 | 2,488 | 7 |
| Hire of vehicles | 17 | 1,363 | 1,380 | 0 |
| Purchase of supplies, equipment, and miscellaneous services | 74 | 4,473 | 3,976 | 571 |
| Purchase of automobile parts and accessories—discount on | 8 | 606 | 614 | 0 |
| Transportation of letter carriers and other post-office employees | 2 | 47 | 46 | 3 |
| Miscellaneous | 1 | 308 | 82 | 227 |
| Total | 569 | 24,959 | 24,598 | 930 |

*Postal accounts and claims preaudited*

| Classes | Number | Amount allowed |
|---|---|---|
| Domestic air mail | 1,141 | $20,616,692.44 |
| Damage, personal and property | 1,973 | 70,133.92 |
| Electric and cable car | 978 | 227,616.21 |
| Foreign: | | |
| Air mail | 1,420 | 4,448,686.73 |
| Steamship | 1,109 | 725,809.88 |
| Postal | 79 | 2,591,954.50 |
| Parcel post | 265 | |
| Freight and express | 8,864 | 235,879.48 |
| Indemnities for loss, rifling or damage of registered, insured, and collect-on-delivery mail | 17,841 | 158,170.18 |
| Money orders, unpaid, more than one year old | [1] 19,272 | 203,717.72 |
| Power boat | 1,283 | 385,181.33 |
| Supplies | 20,003 | 12,161,239.46 |
| Railroad | 16,497 | 114,318,560.99 |
| Rewards for information, etc | 328 | 17,899.50 |
| Road tolls | 17 | 1,807.33 |
| Star route | 140,384 | 13,425,092.76 |
| Special-mail carriers | 223 | 19,159.75 |
| Travel expenses | 25,873 | 1,332,579.92 |
| Miscellaneous | [2] 307 | 63,650.01 |
| Total | 257,857 | 171,003,832.11 |

[1] Includes 823 claims disallowed.
[2] Includes 25 claims disallowed.

*Money order audit*

| Description | On hand July 1, 1942 | Received | Completed | On hand June 30, 1943 |
|---|---|---|---|---|
| Paid money orders: | | | | |
| Cards perforated for: | | | | |
| Domestic | 17,591,971 | 63,260,054 | 57,529,485 | 23,322,540 |
| International | 21,533 | 580,355 | 566,515 | 35,373 |
| Tabulated | 107,612 | 58,072,916 | 58,113,429 | 67,099 |
| Tabulated (special) | 4,999,780 | 287,406,113 | 278,720,612 | 13,685,281 |
| Examined | 37,769 | 58,113,429 | 57,877,159 | 274,039 |
| Assorted by dates, thousands and ten thousands | 53,391,758 | 838,229,503 | 659,291,932 | 232,329,329 |
| Perforated and listed (Canadian) | 29,886 | 1,483,926 | 1,479,572 | 34,240 |
| Issued money orders: | | | | |
| Numbered | 81,613,486 | 165,059,439 | 195,480,620 | 51,192,305 |
| Tabulated | 12,075,707 | 200,284,603 | 205,462,620 | 6,897,690 |
| Examined | 8,192,123 | 205,462,620 | 204,632,834 | 9,021,909 |

*Postal savings work*

| | | | | |
|---|---|---|---|---|
| Postal-savings certificates: | | | | |
| Abstracts reviewed and briefed | 2,355 | 36,279 | 38,634 | ---------- |
| Arranging and filing postal-savings certificates | 5,646,374 | 16,870,819 | 21,516,928 | 1,000,265 |
| Requests for information (cases searched) | 42 | 76,763 | 76,646 | 159 |

*Postal savings audit*

The following statistics show the volume of this work and the amounts involved:

| | |
|---|---|
| Accounts (number) | 53,818 |
| Receipts | $923,307,978.26 |
| Disbursements | $772,229,995.08 |
| Paid certificates audited (number) | 16,870,819 |
| Paid certificates arranged and filed (number) | 21,516,928 |
| Searches of paid certificate file (number) | 76,646 |
| Defense postal savings stamps redeemed (albums) | 5,137,500 |

The accounts audited covered the period December 1, 1941 to July 31, 1942.

*United States savings bonds, defense savings stamps, internal revenue stamps, migratory bird hunting stamps, and motor vehicle stamp accounts*

By various acts of the Congress sale of the above enumerated bonds and stamps was directed to be made by postmasters. Proceeds of sales are deposited in the Treasury as public debt, internal revenue and miscellaneous receipts, respectively. The following tabulation shows the volume of accounts, sales, etc.:

| Classes | Number of accounts | Sales | Suspensions | |
|---|---|---|---|---|
| | | | Number | Amount |
| United States savings bond accounts | 55,746 | $1,023,022,275.00 | 3,586 | $174,787.47 |
| Internal revenue stamp accounts | 336 | 2,753,552.53 | ---------- | ---------- |
| Migratory bird hunting stamp accounts | 250 | 382,094.00 | ---------- | ---------- |
| Motor vehicle stamp accounts | 2,571 | 117,764,228.33 | 4 | 517.53 |
| Total | ---------- | ---------- | 3,590 | 175,305.00 |

## RECONCILIATION, CLEARANCE, AND RECORDS

| | |
|---|---|
| Correspondence cases: | |
| On hand July 1, 1942 | 338 |
| Received during 1943 | 2,926 |
| Completed | 3,107 |
| On hand June 30, 1943 | 157 |
| Check accounting: | |
| Depositary accounts: | |
| On hand July 1, 1942 | 7,103 |
| Received during 1943 | 40,978 |
| Reconciled and adjusted | 39,141 |
| On hand June 30, 1943 | 8,940 |
| Individual Indian Moneys accounts: | |
| On hand July 1, 1942 | 135 |
| Received during 1943 | 769 |
| Audited and reconciled | 521 |
| On hand June 30, 1943 | 383 |
| Adjustment letters written | 10,660 |
| Benefit payment checks examined for indorsements, annuity rates, etc | 5,768,438 |
| Checks returned to the Treasurer for perfection of indorsements | 37,637 |
| "Outstanding Liabilities": | |
| Reports to Treasury Department | 3,242 |
| Checks so reported | 75,888 |
| Amount involved | $1,315,059.53 |
| Statements of differences prepared on General Accounts of the Treasurer and former Treasurers of the United States | 42 |
| Total checks examined and used in reconciliation | 74,673,365 |
| Accounts coordination and research and consolidated files: | |
| Accounts on hand July 1, 1942 | 1,257 |
| Accounts received during 1943 | 18,707 |
| Accounts assembled | 18,606 |
| Unassembled accounts on hand June 30, 1943 | 1,358 |

Transcripts and miscellaneous information furnished:

| Requests from— | On hand July 1, 1942 | Received | Filled | On hand June 30, 1943 |
|---|---|---|---|---|
| General Accounting Office for claims transcripts | 1,549 | 11,722 | 10,637 | 2,634 |
| Departments | 338 | 3,264 | 3,445 | 157 |
| Miscellaneous | 1,144 | 10,609 | 10,428 | 1,325 |
| Total | 3,031 | 25,595 | 24,510 | 4,116 |

| | |
|---|---|
| Claims filed | 218,524 |
| Claims withdrawn | 107,224 |
| Certificates reviewed and filed | 44,049 |
| Correspondence filed | 29,385 |
| Vouchers filed | 223,343 |
| Vouchers withdrawn | 13,513 |
| Miscellaneous accounts recorded and filed | 13,003 |
| Navy pay rolls recorded and filed | 4,008 |
| Deserter cases recorded and filed | 844 |
| Contracts filed | 298,199 |
| Contracts withdrawn | 49,316 |
| Contract cards filed | 320,715 |
| Supporting papers to transfer settlements filed | 3,453 |
| War Savings Bonds: | |
| Individual authorization and record of allotment cards: | |
| Alphabetized | 2,743,121 |
| Filed | 283,299 |
| Examination and analysis of accounts: | |
| Accounts on hand July 1, 1942 | 2,120 |
| Received during 1943 | 33,018 |
| Examined, analyzed, segregated and forwarded | 27,976 |
| Accounts on hand June 30, 1943 | 7,162 |
| Total number of vouchers examined, analyzed, and segregated during 1943 | 23,162,417 |
| Aggregate number (counting pages of pay rolls) | 28,847,410 |
| Summarization and reconciliation of accounts: | |
| Accounting bundles on hand July 1, 1942 | 695 |
| Received during 1943 | 22,417 |
| Summarized, reconciled and forwarded | 21,321 |
| Accounting bundles on hand June 30, 1943 | 1,791 |
| Total number of schedules summarized and reconciled during 1943 | 4,184,258 |
| Searching and transcribing: | |
| Requests for vouchers, contracts, transcripts, etc., on hand July 1, 1942 | 7,916 |
| Requests received during 1943 | 829,808 |
| Requests filled or otherwise disposed of during 1943 | 816,812 |
| Requests on hand June 30, 1943 | 20,912 |
| Accounts control: | |
| Accounts recorded during 1943 | 33,017 |
| Accounts released for settlement during 1943 | 17,008 |
| Settlements posted during 1943 | 14,192 |

| | | |
|---|---|---|
| Letters of administrative exception and miscellaneous correspondence received from disbursing and administrative officers analyzed and distributed or attached to pertinent documents | | 131,968 |
| Accounts received, examined, classified, and numbered during 1943 | | 33,017 |
| Computing and recording: | | |
| Pay recording: | | |
| Accounts on hand July 1, 1942 | | 1,438 |
| Received during 1943 | | 4,877 |
| Recorded and forwarded | | 5,592 |
| Accounts on hand June 30, 1943 | | 723 |
| Officers' and enlisted men's pay and allowance vouchers recorded | 2,361,249 | |
| Finals and deserters' vouchers recorded | 298,280 | |
| Military pay rolls recorded | 252,006 | |
| Total vouchers recorded during 1943 | | 2,911,535 |
| Military computing: | | |
| Navy, Marine, and Coast Guard accounts on hand July 1, 1942 | | 1,152 |
| Received during 1943 | | 7,396 |
| Completed and forwarded | | 6,240 |
| Accounts on hand June 30, 1943 | | 2,308 |
| War accounts on hand July 1, 1942 | | 234 |
| Received during 1943 | | 1,851 |
| Completed during 1943 | | 2,065 |
| Accounts on hand June 30, 1943 | | 20 |
| Total vouchers computed during 1943 (including pages of pay rolls) | | 4,149,143 |
| Civil computing: | | |
| Accounts on hand July 1, 1942 | | 2,817 |
| Received during 1943 | | 17,631 |
| Completed during 1943 | | 15,407 |
| Accounts on hand June 30, 1943 | | 5,041 |
| Total vouchers computed during 1943 (including pages of pay rolls) | | 8,237,810 |

## GENERAL CONDITION OF FISCAL ACCOUNTS

| | | |
|---|---|---|
| Unsettled accounts on hand July 1, 1942 | | 25,818 |
| Accounts received during 1943 | | 33,017 |
| Accounts settled during 1943 | | 14,192 |
| Unsettled accounts on hand June 30, 1943 | | 44,643 |
| Breakdown of unsettled accounts: | | |
| Audited unsettled accounts on hand July 1, 1942 | 10,140 | |
| Accounts audited during 1943 | 18,750 | |
| Accounts settled during 1943 | 14,192 | |
| [1] Audited unsettled accounts on hand June 30, 1943 | | 14,698 |
| Unaudited unsettled accounts on hand June 30, 1943 | | 29,945 |
| Total unsettled accounts on hand June 30, 1943 | | 44,643 |

[1] Includes 3,235 accounts held for report that field inspection has been completed.

## GENERAL CONDITION OF VOUCHERS

| | | |
|---|---|---|
| Unaudited vouchers on hand July 1, 1942: | | |
| General audit | 5,250,206 | |
| Transportation audit | 254,245 | |
| Individual Indian Moneys | 23,034 | |
| Unassigned for audit | 4,758,930 | |
| | | 10,286,415 |
| Vouchers received during fiscal year 1943 | | 26,078,102 |
| | | 36,364,517 |
| Vouchers audited during fiscal year 1943: | | |
| General audit | 21,940,851 | |
| Transportation audit | 1,355,882 | |
| Individual Indian Moneys | 38,708 | |
| | | 23,335,441 |
| Unaudited vouchers on hand June 30, 1943: | | |
| General audit | 7,462,395 | |
| Transportation audit | 612,388 | |
| Individual Indian Moneys | 8,897 | |
| Unassigned for audit | 4,945,396 | |
| | | 13,029,076 |

## COLLECTIONS OF AMOUNTS DUE THE UNITED STATES

Amount of indebtedness to the United States collected during the fiscal year 1943 through efforts of the General Accounting Office, $18,932,537.69, as follows:

| | | |
|---|---|---|
| General Claims: | | |
| Cash or equivalent: | | |
| Fraudulent payments (not including service) | $62.50 | |
| Gasoline tax | 1,593.27 | |
| Improper payments to Army and Navy personnel | 3,109.23 | |
| Improper payments to civilian personnel | 3,264.87 | |
| Indebtedness growing out of contracts with the United States | 38,478.09 | |
| Miscellaneous | 23,239.58 | |
| Processing taxes, erroneous payments | 3,794.96 | |
| Veterans' Administration, insurance, compensation, etc. | 4,788.01 | |
| Forgery | 1,433.27 | |
| | | $79,763.78 |
| Checkages in accounts of disbursing officers | | 42,003.13 |
| Checks, amounts collected on duplicate payments and forged checks | | 21,736.57 |

| | | | |
|---|---|---|---|
| General Claims—Continued. | | | |
| Offsets in claim settlements as to defaulting contractors, delinquent taxes, and miscellaneous | | 347, 987. 53 | |
| Through Department of Justice | | 214, 528. 15 | |
| | | | $706, 019. 16 |
| Transportation: | | | |
| Amount refunded as a result of suspensions made in post audit | | | 5, 539, 089. 64 |
| Investigations: | | | |
| Collections and recoveries | | | 1, 968, 355. 05 |
| Audit: | | | |
| Collections on account of suspensions and disallowances | | | 5, 167, 832. 86 |
| Postal Accounts and Claims: | | | |
| Open accounts of former postmasters: | | | |
| For fiscal years 1923 to 1942, inclusive | $100, 488. 28 | | |
| For fiscal year 1943 | 14, 285. 20 | | |
| | | $114, 773. 48 | |
| Accounts with foreign countries: | | | |
| Air-mail transit [1] | 5, 386, 626. 84 | | |
| Miscellaneous | 1, 093. 40 | | |
| Parcel post | 35, 436. 74 | | |
| Postal | 8, 062. 33 | | |
| | | 5, 431, 219. 31 | |
| Liquidation of items due the United States through set-off against payments for the Postal Service: | | | |
| Taxes | $3, 712. 22 | | |
| Loans | 829. 61 | | |
| Defaulting contractors | 636. 43 | | |
| Miscellaneous | 69. 93 | | |
| | | 5, 248. 19 | |
| | | | 5, 551, 240. 98 |
| Total collections | | | 18, 932, 537. 69 |

[1] Includes $1,437,054.12 due Pan American Airways Company for carriage of mails for account of foreign countries.

## PERSONNEL

| Personnel on rolls at June 30 | | | | Entitled to military preference at June 30 | | | |
|---|---|---|---|---|---|---|---|
| Year | Men | Women | Total | Year | Men | Women | Total |
| 1941 | 3, 458 | 2, 067 | 5, 525 | 1941 | 825 | 106 | 931 |
| 1942 | 4, 554 | 2, 847 | 7, 401 | 1942 | 791 | 118 | 909 |
| 1943 | 4, 841 | 4, 171 | 9, 012 | 1943 | 937 | 143 | 1, 080 |

*Personnel actions*

| Actions | Fiscal year | | |
|---|---|---|---|
| | 1941 | 1942 | 1943 |
| Appointments: | | | |
| Men | 648 | 2,008 | 2,042 |
| Women | 393 | 1,145 | 2,387 |
| Total | 1,041 | 3,153 | 4,429 |
| Separations: | | | |
| Men | 486 | 912 | 1,755 |
| Women | 225 | 365 | 1,063 |
| Total | 711 | [1] 1,277 | [2] 2,818 |
| Retirements: | | | |
| Age | 17 | 11 | 8 |
| Optional | 2 | 12 | 18 |
| Disability | 20 | 9 | 33 |
| Total | 39 | 32 | 59 |
| Retained beyond retirement age | None | 2 | 3 |
| Promotions: | | | |
| Allocations, reallocations and intraoffice transfers | 340 | 3,943 | 4,964 |
| Administrative action | 316 | 3,238 | 1,186 |
| Total | 656 | 7,181 | 6,150 |
| Demotions: | | | |
| Reallocation of position under Classification Act | None | None | 5 |
| Administrative action | 6 | 20 | 58 |

[1] Includes 370 entered military service.
[2] Includes 1,110 entered military service.

*Leave granted*

| Calendar year | Annual | | Sick | | Military | |
|---|---|---|---|---|---|---|
| | Number of days | Average per person using | Number of days | Average per person using | Number of days | Average per person using |
| 1940 | 127,238 | 24.9 | 51,494 | 11.0 | 2,195 | 19.0 |
| 1941 | 135,356 | 22.7 | 53,787 | 10.6 | None | None |
| 1942 | 147,544 | 19.1 | 76,386 | 11.0 | None | None |

## FINANCIAL STATEMENT—FISCAL YEAR 1943

*Operating Funds*

Receipts—

| | | |
|---|---|---|
| Balances on hand July 1, 1942: | | |
| With Treasurer of U. S | $3,571,657.09 | |
| With disbursing officer | 253,880.84 | |
| | | $3,825,537.93 |
| Appropriations for 1943 | | 17,074,335.00 |
| Collections: | | |
| Appropriation reimbursements | 10,009.86 | |
| Trust fund receipts | 4.83 | |
| Miscellaneous receipts | 18,716.28 | |
| | | 28,730.97 |
| Total receipts | | $20,928,603.90 |

*Operating Funds*—Continued

| | | | |
|---|---|---|---|
| Expenditures— | | | |
| Expended during fiscal year: | | | |
| Through Treasurer of United States | $77,317.06 | | |
| Through disbursing officer | 18,748,266.06 | | |
| | | $18,825,583.12 | |
| Returned to surplus | | 392,009.34 | |
| Deposits to the credit of: | | | |
| Trust fund receipts | 4.83 | | |
| Miscellaneous receipts | 18,716.28 | | |
| | | 18,721.11 | |
| Total expenditures | | | $19,236,313.57 |
| Balance on hand June 30, 1943 | | | 1,692,290.33 |
| Analysis of balance June 30, 1943: | | | |
| Unexpended funds for 1943 | | 1,606,743.70 | |
| Available for fiscal year 1944 | | 85,546.63 | |
| | | | 1,692,290.33 |

*Trust Funds*

| | | | |
|---|---|---|---|
| Receipts — | | | |
| Balance on hand July 1, 1942 | | 10,806.65 | |
| Received on Appropriation Warrants, July 1, 1942 to June 30, 1943 | | 1,386.10 | |
| | | | 12,192.75 |
| Expenditures— | | | |
| Expended on certificates of settlement | | | 1,290.29 |
| Balance June 30, 1943 | | | 10,902.46 |

*Special Deposit Fund*

| | | | |
|---|---|---|---|
| Receipts— | | | |
| Balance on hand July 1, 1942 | | 26,987.03 | |
| Collections | | 366,764.93 | |
| | | | 393,751.96 |
| Expenditures— | | | |
| Disbursed on vouchers and certificates of settlement | | 4,545.03 | |
| Transfers to appropriations and funds | | 89,132.22 | |
| | | | 93,677.25 |
| Balance on hand June 30, 1943 | | | 300,074.71 |

## PHOTOSTATIC WORK

| | |
|---|---|
| Check forgery matters and contract cases: | |
| Cases on hand July 1, 1942 | 1,717 |
| Cases received | 8,147 |
| Cases disposed of | 7,947 |
| Cases on hand June 30, 1943 | 1,917 |

Collections:

| | | |
|---|---|---|
| Photostats of records: | | |
| Miscellaneous | $854.00 | |
| 108 Final statements @ 15¢ | 16.20 | |
| Total | | $870.20 |
| Photostats of documents: | | |
| Furnished without charge | 83,836 | |
| Furnished with charge | 5,693 | |
| Total | | 89,529 |



For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington, D. C. - Price 20 cents