

S-1301-0000-200B

310 Accounting
(General)

'45

8.5 Agency Account - Reconciliation and Adjustment, Form FI-116: The purpose of this form is to provide a memorandum current account with each agency that procures commodities for the Administration for reconciling the commodity accounts reflecting government contributions with the actual value of the contributions as reflected in the governmental agencies' accounts and for journalizing the appropriate adjustments to the controlling general ledger commodity accounts. Postings to this account shall be original entries from the Shipping Document Posting Vouchers, described in Section 4, and shall be made subsequent to the posting of such vouchers to the Voyage Account - Detail of Value, Form FI-107, described in Section 8.2.

8.51 The form for the Agency Account - Reconciliation and Adjustment consists of a left-hand sheet, Form FI-116, and right-hand fly-sheets, Form FI-116-A, for commodities, and Form FI-116-B for ocean freight. An account shall be kept with each agency that procures commodities or furnishes shipping for the Administration; and, as to each agency, separate accounts shall be kept as to each type of delivery, that is, on board vessel, at warehouse, et cetera. The agency accounts shall be sub-divided further as to the type of funds used for procurement, that is, convertible or non-convertible currencies. The appropriate description of the account shall be shown on the forms as indicated.

8.52 Posting to Forms FI-116 and FI-116-B from original documents shall be as follows:

- a. Entries for commodity costs on Form FI-116 shall be grouped by vessel which shall be identified by voyage number and by the vessel account number shown on the Posting Voucher Transmittal Slip, Form FI-112-A. The latter number corresponds to the Sheet Number of the Voyage Account - Summary Sheet for the vessel, Form FI-107-A, and shall be entered in the column for "S" Sheet Number. Bills of Lading shall be entered in numerical sequence and shall be identified by Request Number and FAS Number.
- b. The accounts to be entered in the columns for "Value Entered on Voyage Account" on Form FI-116 shall be taken from the Shipping Document Posting Voucher, Form FI-112, and shall correspond to the entries in the Voyage Account - Detail of Value, Form FI-107. Amounts for "included" and "added" accessorial costs shall be interlined in the columns for Accessorial Costs. The total of the postings for each vessel to the various agency accounts shall correspond with the total of the postings to the Voyage Account - Summary Sheet for the vessel, Form FI-107-A, for which Debit Advices are issued. Whether the posting shall be to the "Actual" or "Estimate" group of columns, will be indicated by the check-mark for "Basis of Value" on the Shipping Document Posting Voucher, Form FI-112.

- c. If the Shipping Document Posting Voucher shows that a short delivery at the time of transfer of title to the Administration has been noted on the bill of lading, the value of such short delivery shall be entered in the appropriate column on Form FI-116.
 - d. The commodity code classification shall be entered on Form FI-116 from Form FI-112.
 - e. The method of entering ocean freight charges on Form FI-116-B shall be similar to postings to Form FI-116 with the exception that the entry for freight will be a single entry for vessel and destination rather than detailed entries for each bill of lading.
- 8.53 At the time of posting original documents to Form FI-116, an initial fly-sheet, Form FI-116-A, shall be prepared. The recipient country (or UNRRA operation) and purpose (direct delivery, stockpiling, et cetera) shall be entered in the appropriate columns on Form FI-116-A. As invoices are received as a basis of adjustment from originally estimated values, and as reconciliations are made with governmental agencies, the amounts of such adjustments shall be entered on Form FI-116-A. A separate fly-sheet, Form FI-116-A, shall be prepared for each quarterly period and all adjustments made during the period shall be entered on the appropriate fly-sheet.
- 8.54 The following shall be the method of recording adjustments to actual invoices and to reconciled agency accounts on Forms FI-116, FI-116-A and FI-116-B.
- a. Upon receipt of an invoice applicable to a bill of lading for which an estimate was originally used as basis of entry to the Voyage Account - Detail of Value, the receipt of such invoice shall be indicated by a check-mark in the appropriate column under the heading "Basis of Adjustment" on Form FI-116. The actual amount of such invoice shall be entered in red ink in the appropriate column under the "Actual" group of columns on Form FI-116. The amount of the required adjustment between the original estimate and the actual invoice shall be entered in the appropriate column or columns on the fly-sheet, Form FI-116-A for the quarterly period in which the adjustment is made.
 - b. Reconciliation of entries on the Administration's accounts with the various governmental agency accounts shall be indicated by a check-mark in the column under "Reconciliation" of the "Basis of Adjustment" group on Form FI-116, and the agency's Transfer Receipt Number shall be entered. Necessary adjustments between the entries on the Administration's accounts and the actual payments as shown by the agencies' accounts shall be entered in the appropriate columns on the fly-sheet, Form FI-116-A, for the quarterly period in which the adjustments are made.

- c. Adjustments with procuring agencies for short deliveries at time of transfer of title to the Administration shall be indicated by check-marks in the appropriate column of Form FI-116, and the amount of adjustment shall be shown on the fly-sheet, Form FI-116-A.
 - d. The method of entering adjustments to actual invoices and to reconciled agency accounts on Form FI-116-B shall be similar to postings of adjustments to Forms FI-116 and FI-116-A.
- 8.56 The totals of postings from original documents to Forms FI-116 and FI-116-B must necessarily correspond with the totals of postings to the Voyage Account - Detail of Value, Form FI-107, the Voyage Account - Summary Sheet, Form FI-107-A, and the Voyage Account - Monthly Journal, Form FI-107-B. The appropriate distribution of journalization from Form FI-107-B to the general ledger accounts Government Contributions and Government Contributions in Suspense for actual values and for estimated values respectively as prescribed in Administrative Order No. 76 shall be made from the distribution of such values on Forms FI-116 and FI-116-B. Subsequent clearance of the suspense account shall be made by summary journalization periodically from totals of postings of adjustments on Forms FI-116-A and 116-B.
- 8.57 At the end of each quarter, all fly-sheets, Form FI-116-A, and adjustments of ocean freight on Form FI-116-B, for the quarter shall be totalled. The combined total of the commodity classification columns for F.O.B. Plant Cost shall be a journal adjustment to the general ledger accounts for Commodity Acquisition and Government Contributions in Suspense (or Inventory), the original entries to those accounts having been from the Voyage Account - Monthly Journal, Form FI-107-B, which were based in part on estimates. The totals of the commodity classification columns shall be journalized to adjust the supporting commodity classification accounts. The general ledger accounts for Ocean Freight and Accessorial Costs shall be adjusted similarly.
- 8.58 On the basis of an analysis of adjustments by country and purpose, the appropriate regional office accounts and Commodity Distribution Expense accounts shall be adjusted by journalization.
- 8.6 Warehouse and Inventory Account, Form FI-117: The purpose of this form is to provide a monetary record of warehoused commodities or inventories to which title is acquired by the Administration prior to loading on board vessel. Postings to the account shall be from original documentation covering the acquisition and shipment of the commodities.

(Description and instructions for the use of this form
will be issued subsequently)

PORT OF DISCHARGE _____[illegible]

MONTH

[illegible]

[illegible]

[illegible]

VOYAGE ACCOUNT - MONTHLY JOURNAL

MONTH

CREDIT: COMMODITY CONTRIBUTIONS										CONTRIBUTION ACCOUNT															
COST FOB PLANT BY COMMODITY CLASSIFICATION										TOTAL COST FOB PLANT		ACC'L COST		OC. FRGHT.											
0		1		2		3		4		5		6		7		8		9							

VOYAGE ACCOUNT - MONTHLY JOURNAL

[illegible]

MONTH _____

[illegible]

[illegible]

UNITED NATIONS
REHABILITATION ADMINISTRATION
WASHINGTON 25, D. C.

SHEET NO. _____

SHIPPING AGENCY _____

TYPE OF FUNDS _____

LIATION AND ADJUSTMENT OCEAN FREIGHT

[illegible]

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

Document Routing Slip

Consignee _____

Country _____

Vessel _____ B/L No. _____

Voyage No. _____ Date of Clearance _____

Port of Clearance _____

Port of Discharge _____

Request No. _____ F.A.S. No. _____

<u>SOURCE</u>	<u>Check</u>
Shipside Transfer.....	<input type="checkbox"/>
Free Funds.....	<input type="checkbox"/>
Working Funds.....	<input type="checkbox"/>
Private Contributions.....	<input type="checkbox"/>
Warehouse Transfer.....	<input type="checkbox"/>
Trans-Shipment.....	<input type="checkbox"/>
.....	<input type="checkbox"/>

<u>PURPOSE</u>	<u>Check</u>
Direct Delivery.....	<input type="checkbox"/>
Stockpiling.....	<input type="checkbox"/>
Administrative Material....	<input type="checkbox"/>
UNRRA R. & R. Equipment....	<input type="checkbox"/>
Loan Equipment.....	<input type="checkbox"/>
Canteen Amenity Supplies...	<input type="checkbox"/>
.....	<input type="checkbox"/>

<u>DEBIT</u>
..... (Office Current Acc't)
Commodity Acquisition.....

<u>CREDIT</u>
..... (Contributing Country)
..... (Private Contributor)
Commodity Acquisition.....

<u>FOR POSTING TO</u>	<u>Posted</u>
	<u>By</u> <u>Date</u>
Detail Voyage Account...	<input type="checkbox"/>
..... (Agency Account)	<input type="checkbox"/>
..... (Inventory Account)	<input type="checkbox"/>

<u>POSTING DATA</u>
Basis of Value { Actual..... (Estimate...)
Commodity Classification Code No. _____
Ocean Freight... \$ _____
FOB Plant Cost.. \$ _____
Access. Costs:
Included..... \$ _____
Added..... \$ _____
Total Value... \$ _____

DOCUMENT CONTROL UNIT
Prepared:

By _____ Date _____

Completion verified:
By _____ Date _____

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

Posting Voucher Transmittal Slip

Vessel _____ Acc't.No. _____

Voy. No. _____ Date of Clearance _____

B/L Nos. _____ Month _____

To the Posting Unit:

The Shipping Document Posting Vouchers attached hereto covering vessel and bills of lading described above have been approved and are transmitted for posting in the accounts indicated below:

For Document Control Unit:

By _____ Date _____

FOR POSTING TO:

Check

Posted

✓

PREDETERMINED TOTALS FOR PROOF:

Proof

✓

Detail Voyage Account... _____

Ocean Freight.....\$ _____

Agency Account..... _____

FOB Plant Cost..... _____

Inventory Account..... _____

Acc'l Cost - Included _____

" " Added... _____

POSTING UNIT VERIFICATION:

Account: _____ By _____ Date _____

Total Value..... _____

Detail Voyage.. _____

FINAL COMPLETION VERIFIED:

Agency _____

By _____ Date _____

Inventory _____

(For Document Control Unit)

Form FI-113
6 Dec. 45

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

Division of Accounts and Audits

Request for Documents

Name of Vessel	Voyage No.	Date of Clearance

To the Bureau of Supply:

Please furnish the Division of Accounts and Audits with the documents indicated below by check mark. This form should be returned with the documents and will be receipted. Please indicate which of the documents must be returned to you, and note reason for inability to supply any of the documents requested.

For Division of Accounts and Audits

[illegible]

Receipt is acknowledged of the above documents excepting those for which inability to supply is noted.	Receipt is acknowledged for return of documents for which return was requested above.
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Date By
4510140 Accounts & Audits

Date _____ By _____
Bureau of Supply

26 Jan. '46

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

Receipt for Loaned Documents

Vessel _____ Voy.No. _____

Port of Clearance _____

Date of Clearance _____

To The Division of Accounts and Audits:

Receipt is acknowledged of the shipping documents described below pertaining to the above described vessel delivered to the Bureau of Supply on loan and for return to the Division of Accounts and Audits.

For Bureau of Supply

By _____ Date _____

DESCRIPTION OF DOCUMENTS:

To The Bureau of Supply:

Return of the documents described above is herewith acknowledged.

For Division of Accounts and Audits

By _____ Date _____

Form FI-115
21 Dec. 1945

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

Pro Forma Estimate

Requ. No. _____ FAS No. _____

Vessel _____ B/L No. _____

Voyage No. _____ Consignee _____

Port of Clearance _____

Date of Clearance _____

The following represents the best available estimate of cost for commodities shipped and/or ocean freight under the above Bill of Lading number for which an invoice is not available and is subject to adjustment on the accounts when actual cost becomes available.

For Document Control Unit:

Approved _____ Date _____

DESCRIPTION OF COMMODITIES:

<u>Ocean Freight</u>	<u>FOB Plant Cost</u>	<u>Access. Costs</u>
000 000 00	0 000 000 00	000 000 00

TOTAL

The following represents the basis for the above estimate:

Prepared by: _____

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION
WASHINGTON 25, D. C.

FORM **FI-116**
(28 DEC 1945)

AGENCY ACCOUNT - RECONCILIATION AND ADJUSTMENT COMMODITIES

[illegible]

[illegible]

Central File Fiscal
UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION

February 12th, 1944. 310
K

To: Governor Lehman ✓
Sir Arthur Salter

From: Kenneth Dayton

Subject: Accounting Plan

DIRECTOR GENERAL

FEB 14 1944

U. N. R. R. A.

Sometime ago we submitted our proposed Accounting Plan to the Commissioner of Accounts of the United States Treasury Department, and I attach hereto the comments, questions and suggestions of himself, Mr. Maxwell, the Assistant Commissioner, and Mr. Cake, Chief Accountant. I have marked in the margin those paragraphs which I think may be of particular interest to you, and I specially want to call your attention to the paragraph on page 2 which suggests that the appropriate Congressional Committees be consulted to determine whether the information proposed will meet their needs. Mr. Bartelt orally amplified this suggestion. He suggested that if we explained the proposed scheme to the Congressional Committees, so that they were satisfied at our attempt to give them all pertinent information which they might want, then at a later date we would find that we had protected ourselves from attack by some critic who would raise a specious question and claim that we were attempting to keep Congress in the dark on information which it ought to have.

NO

Attachment: Copy of letter from Mr. Bartelt 2/8/44

CC: Mr. Feller

C O P Y

TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON 25

BUREAU OF ACCOUNTS
Office of the Commissioner

February 8, 1944

Mr. Kenneth Dayton
Acting Treasurer
United Nations Relief and
Rehabilitation Administration
1734 New York Avenue, N. W.
Washington 25, D. C.

Dear Mr. Dayton:

This will confirm the oral suggestions made at the conference in my office on February 7, regarding the proposed Plan of Accounting for the United Nations Relief and Rehabilitation Administration.

First, let me say that I appreciate the opportunity afforded in examining the Plan.

It is obvious that the very nature of the organization, its world-wide activities, and the fact that it will deal in funds, commodities, and services involving numerous currencies will make UNRRA's accounting and reporting task one of the most difficult ever undertaken. Moreover, the activities of UNRRA undoubtedly will have world-wide political implications.

It is fundamental that when any business grows to the stage where the Management cannot supervise, or even be familiar with, all of the details, greater reliance must be placed upon the method of accounting and reporting. While it is impossible in an undertaking of this kind to anticipate all of the needs of those responsible for administration, it seems to me that it is most important that those who will need information, either for policy determination or for current administration, should indicate in advance, as nearly as practicable, the character of the information to be provided for their respective purposes. This information undoubtedly will need to be expressed in terms of (1) money and (2) physical units of many different kinds and descriptions.

Not only the Congress and the people of the United States, but other countries as well, will want to know (1) the sources of all funds and property coming into the possession of UNRRA or under its control and jurisdiction, and (2) the disposition of such funds and property.

One of the basic classifications under the Accounting Plan will be by countries, and quite likely the expenditure of money and goods (in a broad sense) should be classified as to those made (1) in a country, and (2) on behalf of a country. Below the country classification will probably be a "character" classification (e.g. administrative expenses, commodities distributed, etc.) and below the "character" classification an "objective" classification (e.g. personal services, travel, etc.). The basis of the classification (e.g. voucher payments, distribution of commodities, etc.) or the stage at which the respective classifications are to be made will have to be carefully considered since they must be determined on grounds of practical considerations. Obligor documents and vouchers will not always suffice for the reason that cash expenditures in many instances will first be made for stockpiles, the goods being distributed for relief and rehabilitation at a later date.

The first question is: "Who will need information?" After that, "What information will they need, and when?"

Beginning with the Congress, it would seem wise if the appropriate committees should be consulted with a view to determining whether the information to be provided will meet the reasonable needs of the members of the Congress. Many misunderstandings and much criticism result from an incomplete or inaccurate understanding of the facts.

From the standpoint of current administration, before the accounting and reporting system is set up, the top executives and the heads of the various divisions responsible for administration should consider carefully the type of information which they will need in their daily work. They will get not only better information, but there will be less confusion in the accounting records and the whole system will operate more efficiently and economically than would be the case if responsible administrative officers should wait until the need for particular information arises. A little advance planning by administrative officers of their informational needs will avoid a common time-consuming mistake of hashing and re-hashing accounting documents in order to provide needed statistical and analytical data.

One of the things to guard against, of course, is the administrative officer who will ask for more detail than is reasonably necessary. Therefore, I would suggest that a highly qualified committee -- not necessarily accountants -- who are familiar with the broad aspects of the problem, be designated to screen the type of information to be produced from the accounts, both for management purposes and for providing the Congress and the public with information which they may want. An effort should be made to set up the accounts in advance so that as few changes as possible will subsequently be required; and any further subdivisions of commodity and other data below the level previously approved by the committee should pass through the committee before the work is imposed upon the accounting department. The committee should be composed of men who will understand the implications of any

desired changes in expenditure classifications after the accounts and coding of accounts have once been established. What may appear to be a simple change to an operating official may actually result in accounting expense and confusion greatly out of proportion to the value of results obtained.

After the type of information necessary for management has been determined (this should not be in too general terms) the accounting technique can be set up; but, in my opinion, the accounting procedure should not be approved until it is known that the reports will provide the information needed by the President, the Congress and its appropriate committees, the Director General, the Council and its committees, and all the division chiefs and other operating officers of UNRRA.

As I stated yesterday, while I have not had an opportunity to study the proposed accounting plan in great detail, I was greatly impressed with the general layout and the thoroughness with which the job appears to have been done. However, as you know, I have also asked Mr. Robert Maxwell, Assistant Commissioner of Accounts, and Mr. Gilbert L. Cake, Chief Accountant, to look it over. On the basis of this examination we have the following comments which you may wish to consider.

It is understood that the draft is intended as a manual for use in the establishment of a system of accounts. The following general comments refer not only to the general plan but to information or instructions which it may be desirable to include in the manual, in addition to the material now contained in the draft.

1. General ledger accounts in relation to data desired.

As a general rule, the general ledger control accounts for revenues and expenditures should be in agreement with the classifications of information to be shown on the summary financial statements. In case the classifications of revenues by "source" and "form," shown in Schedule A, and the expenditure classifications by "character" in Schedule B, are definitely determined to be the classifications needed, it would seem desirable to establish an account for each such classification either in the general ledger or in subsidiary ledgers.

2. Relation between the various bases of classifications.

In connection with the classifications of receipts and expenditures, the relation between such classifications should be made clear to the accountant who is to establish the records. For example, are receipts to be classified (1) by country, (2) by source under each country, and (3) by form under each source by country, or, are the classifications to be made without regard to each other?

3. Chart of accounts and pro-forma entries. To clarify the operation of the accounting system, a set of pro-forma entries for the general ledger for each anticipated type of transaction, arranged in their probable sequence, would be of considerable assistance to accounting control offices in an understanding of the operation and maintenance of the accounts. Since many of the accounting documents and records provide for both quantities and prices, it is assumed that certain of the fiscal documents and records may also serve the purpose of property accounting.

4. Illustrative transactions. Illustrative entries and ledger postings, if shown in the various forms attached - as exhibits and coordinated with each other, would be of considerable value in explaining how the accounts, registers, and forms are to be used, and their relation to each other.

5. Conversion of currency. The draft contains suggestions as to the rate of conversion to be used, such as original rates, standard rates, or average rates, and recommends the adoption of predetermined rates to be established by officials of the Administration. We think that the manual should contain definite instructions on the conversion rates to be used, consideration being given to the official or pegged rate, the free or uncontrolled rate, the export rate, etc.

6. Appropriation accounts. The allotment and budgetary accounts to be established should be specified, together with the

pro-forma entries, chart of accounts, and exhibits containing illustrations of typical transactions.

7. General organization: Classification of expenditures by organization units. Schedule B, on page 33, provides for a classification of expenditures by organization unit or project. As the organization unit will be an important classification of expenditures, a chart should be developed, showing the various organization units, and the functions of each, under which expenditure information will be desired.

8. Accounting organization. The organization of the accounting control offices should be given with an explanation of the functions of each subdivision. These instructions should indicate the scope of the accounts to be maintained, the nature of accounting control to be exercised by accounting control offices over branch accounting offices, and reporting responsibilities of the accounting control offices and the accounting branch offices, respectively.

9. Property accounting. Since it appears that the draft of the manual covers primarily fiscal accounting, it is assumed that a separate manual will be provided for warehousing activities and property accounting.

10. Disbursements. On page 11 provision is made for disbursing agents of UNRRA to make expenditures only from cash advances. You may wish to give consideration to whether circumstances might arise where disbursing agents should be permitted to draw drafts on the Treasurer of UNRRA under special authorizations.

11. Deposits. On page 13 it is provided that representatives of UNRRA abroad, when making deposits in foreign banks, will cable advice of such deposits to the appropriate accounting control office. Should there be numerous cases of small deposits the question arises as to whether a separate cable advice is practicable or necessary. Perhaps a periodic report would suffice; or it may be desirable to limit the individual cable advices to a specified sum of money.

12. Audit of accounts and records. It is assumed that a separate manual will deal with the question of audit of the accounting records and reports, and the accountability for property and funds.

Very truly yours,

/s/

E. F. Bartelt
Commissioner of Accounts

310
February 9th, 1944.

Dear Mr. Acheson:

Thank you for the copy of the letter from Mr. Broad. Although the letter was reasonably cautious, I hope you share my view that it was favorable.

As to the specific suggestions, it did not seem to me that the change of the Fiscal Year of the Administration was important. We have been giving continuous study to the possibility of decentralizing accounting and will carry it as far as we can in the light of the fact that the supply problem itself must probably be handled on a global basis. Certainly, we must necessarily reduce the central accounting to a minimum or the task will be hopeless. As foreign exchange regulations now stand, I think our proposal does give us results closely approximating actual costs. We had already decided to keep subsidiary ledgers in local currency, and limit the double currency entries to the control accounts. The matter of integrating financial and appropriation accounting is under study.

You will also be glad to know that the United States Treasury accountants made a fairly detailed study of the plan, raised some technical questions to which we are giving consideration, but approved the scheme substantially in its entirety. I think that I shall have a formal letter from Mr. Bartelt on the subject.

Sincerely yours,

Kenneth Dayton.

The Honorable
Dean Acheson
Assistant Secretary of State
Washington

KDayton:mr
9 feb. 44.

FEB 10 1944



UNRRA
MAIL & RECORDS

~~Final~~
316
February 1, 1944

TO: Frederick C. McMillen
FROM: Kenneth Dayton
RE: Your Memorandum of January 25 on Budget and Accounting Control.

While we have come nearer agreement on the criticisms which you made of the proposed budget and accounting systems, there remain fields in which decisions of policy will have to be made. I wonder if you would give the extra copy of this memorandum, together with a copy of your own, to Mr. Hendrickson, so that we can have another conference and then to the extent necessary we can go to the Senior Deputy for a final decision.

My comments are directed to your numbered paragraphs.

1. I do not suppose that an operating head and a budget officer will ever agree on line budget control. Obviously, from the point of view of the operating man, a lump sum appropriation within which he can make appointments and fix salaries at his discretion is much more convenient.

Such a lump sum figure, however, substantially eliminates budget control, and in my experience leads to the creation of unnecessary positions, the payment of salaries which are out of line, and the loss of control by the senior administrative official. Obviously, those charges cannot be leveled against every operating head. We had departments in the City of New York whose heads exercised just as conscientious control as the budget director himself. Unfortunately, they were much in the minority.

The system cannot be varied according to the responsibility of each operating official. It must be uniform throughout the entire organization. An operating head is concerned primarily with operating and not with cost. He tends to spend whatever money seems advisable to facilitate his own operations. An independent review of his expenses is of great value, and particularly necessary when the expenditures may come under the scrutiny of legislative critics. Much of the criticism in Congress against departmental appropriations finds its justification in the lack of budgetary control in the Federal system.

It is proposed that the headquarters office should have an administrative planning group to advise the Senior Deputy.

yellow

Effective control to carry out the Senior Deputy's decisions is realized through the line budget. It is to be supposed that the Bureau of Supply, the Bureau of Areas and the Secretariat will all want statistical services. Is each one to have a separate statistical staff with a head statistician, or is there to be a statistical group to serve the whole office? This sort of question should be decided centrally, but under a lump sum allocation it will in fact be decided by the various bureaus and divisions.

You have yourself pointed out that you could not now foresee the staff which you will require for the rest of 1944. Rather than allocate a lump sum to provide money for a plan which is not yet worked out, I would propose an allocation to meet the existing situation and an increase in that allocation whenever you showed the need for additional positions. This will result in building up the allocation to the Bureau of Supply on the basis of actual needs. It will apply equally to every other bureau and division. It will enable us to assure uniform salary scales throughout the organization, to avoid duplication of staff in the different bureaus and divisions, to carry out the proposals of the administrative planning group when they shall have been approved by the Senior Deputy, and will enable us to protect ourselves against prospective congressional and council criticism.

I do not think the proposal for an average salary limitation will solve the problem. We do not know what the average salary ought to be, and the average salary will doubtless vary very materially between different bureaus and divisions.

Furthermore, line budget control is highly desirable to enable those responsible for fiscal problems to estimate lapses and redistribute the available money to other divisions for activities before the end of the fiscal period.

It is no answer to say that the Personnel Division has the responsibility for some of the foregoing items. A line by line budget does not divest the Personnel Division of any of its technical responsibilities or authority for recruitment, placement, training nor classification of positions. It simply assures the Personnel Division that the position for which assignment has been requested by the bureau or division head is an authorized position by virtue of prior approval from an organizational viewpoint by the Senior Deputy Director General or other policy making official having such jurisdiction, that classification approval for the position has previously been given by the Personnel Division and that funds are available to pay the salary for the position. It would be a waste of time and effort upon the part of the recruitment staff of the Personnel Division to start the processing of any personnel assignment document until all of the above conditions have been met.

Furthermore, the Personnel Division is concerned with the matters listed above and not with money. Since we have a limited sum of money for administrative purposes, it is essential that action be reviewed from the money point of view.

2. Some of the allocations for other than personal services in headquarters should be in a lump sum basis, such as cables and foreign travel. As to items such as supplies, domestic travel, long distance telephones, et cetera, it seems to me the sooner we can get the bureau and division heads to give us estimates of their expenditures the better control we will have. In OFRRO some of the divisions tended to spend very freely in these fields, and undue expenditure can be reached only if it is attributable to a particular division. It comes to attention more readily if that division has a specific allowance and has to come back to justify requests for further increases or allowances.

3. We are agreed that pending the establishment of a permanent supply mission in some foreign city the allocations should be made to the headquarters office of the Bureau of Supply.

4-5. We are agreed that the budget for the pre-operating program must be based upon programs prepared by the Bureau of Supply and the divisions concerned with planning. The advantage of having a pre-operating budget is that it allocates a limited supply of money in proper proportion, and when the supply situation requires a shift in emphasis it brings the matter up for review by the appropriate officials. I think you agree that there must be such a budgetary control. You argue rather that it should be placed in the Bureau of Supply than in a budget office. If we have a billion dollars to spend against a need of five billion dollars, the Bureau of Supply certainly will not wish to spend a disproportionate part of the billion dollars for food or clothing. If there is no budget and accounting control, then the control will have to be exercised by the Bureau of Supply itself. The question which your comment really raises is whether there is to be a budget office and an accounting control, or whether all these controls are to be vested in the Bureau of Supply.

However, the same question arises about expenditures in areas; then you have the same problem of vesting control of expenditures in the Bureau of Areas; and if the decision is to do this, you have two separate sets of controls, one in Supplies and one in Areas. Entirely aside from having two sets of conflicting controls, I do not think they are as effective when they are vested in an operating bureau because, as I said above, the bureaus are concerned with operations and not with money, and unfortunately we have to be very much concerned with money.

6. I agree with the desirability of drawing a line between administrative and operating salaries, but I am very much afraid that the line will have to be worked out by experience over the whole life of the organization. For instance, it is suggested that one hundred and fifty students may be brought here from China to learn relief and rehabilitation at a total expense to us of some \$360,000. They will not be administrative employees of UNRRA and the administrative budget should not be charged with this expense. It is definitely a relief and rehabilitation expense. I know of no way to decide in advance on the classification of expenditures, except as each particular situation comes up.

7. You suggest that the decision on the seven main commodity classifications for accounting purposes be postponed until the Bureau of Supply is more completely organized, and you suggested orally, though not in your memorandum, that the accounting might be limited to these seven main classifications and not carried into the subsidiary breakdown.

Discussion developed that as to the main classifications, you were mainly concerned with an object as distinguished from a purpose classification -- in other words, kerosene would always be charged to a particular code whether it was used for fuel, disinfectant, or for other purposes.

From an accounting point of view, an object classification is much simpler than a purpose classification because one item always goes in one place. We determined on the purpose classification only after considerable debate. I think that the Council and the forty-four member nations will want to know whether we have spent our money for food, for shelter, for agricultural rehabilitation, or for industrial rehabilitation, and will not be satisfied to know simply that we have bought so much kerosene with no explanation of the reason why we bought it.

Furthermore, for control purposes, I think the purpose for which a thing is bought is of importance. I do not believe that we are going to decide on the amount of kerosene to be purchased except in relation to a particular purpose. On the contrary, the medical people will decide that they need so much kerosene for their use, the shelter people for their use, the industrial rehabilitation people for their use, and the agricultural people for theirs. This will give you the grand total, which you will probably purchase as a whole. But suppose that we run short of money in the shelter program and the people planning that program decide that they can reduce their kerosene requirements better than some other item. We shall have to know what part of the total kerosene purchase is for shelter, since we cannot measure the reduction against a total which covers three other purposes.

The same type of question arises as to a budget and accounting breakdown underneath the seven main commodity classifications. In the first place, it is quite probable that Congress and the Council will want to know not only what money has been spent for food, but what has been spent for meat, dried milk, wheat, et cetera. It is true that the Bureau of Supply statistics will produce the proportionate quantities of these articles for their information, but in the light of experience, they are just as likely to want to know the amount of money spent. Obviously, if all purchases are thrown into a food category, it involves a tremendous amount of work to pick out a particular item to determine its cost separately from the whole, and I think we are likely to forestall criticism if we report initially on the subsidiary breakdown of the expenditure.

The comment is equally applicable to initial budgetary allowances. The supply situation may be such that you are forced to go out and buy a disproportionate amount of cereals because you simply cannot get other foods in the proportion that you need them, but I do not think that you want to start on this assumption. I think you want to start on the assumption that you are going to have a balanced program and bring the matter up for consideration when it is necessary to unbalance the allocations.

Similarly, if you are buying a million gallons of kerosene, I think you ought to know why you have fixed that figure and you get the answer only by referring back to the program purposes for which it is required.

8. I think we are now agreed that there must be a separate allowance for transportation and warehousing to meet the case where the purchase price does not include these items, and particularly where the transportation and warehousing services might be furnished by a different country and paid out of a different contribution than the cost of the goods themselves.

9. This refers again to the distinction between administrative and operating expenses, which has been discussed in 6 above.

10. I believe we are now agreed that all area purchases should pass through the stock-pile account so that we will have one common over-all control for your entire purchasing program, whether it is directed to the creation of a stock-pile or whether it is for the spot need of a particular area. This is the only device by which we can record as a whole all the purchases of the Administration, and I think you agreed that it was desirable from your point of view.

FORM **AD-87**
(25 FEB 1946)

UNRRA

CROSS REFERENCE SHEET

DATE

5 Feb. 1944

CROSS INDEX

310 -----

TO

Governor Lehman, Director General

FROM

Kenneth Dayton

SUMMARY

Subject: McGoldrick's Suggestions for FEA - UNRRA Supply Relations.

RECORD FILED

030 - F. E. A.

TYPIST

de

DATE

7 April 1948