

DISPATCH NOTE

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Republic of Vietnam
Directorate General
of
Budget and Foreign Aid
dependent on the Presidency

No. 37,730 TTP/NSNV

Documents:

A Program Budgeting project for the
Public Works Direction General, with
a chart and comments.

Remarks:

With request to let us
know your opinion.

Saigon, Vietnam
September 26, 1959
Program Director
(Nguyen Quock Lan)

PROJECT TWO

Outline of procedures of program and activity accounting for the Public Works Direction General (Central Agency).

I. Expenditures on "personnel" and "supplies and services" are analyzed according to Instruction Sheet NSCT-IV on Operational Expenditures. The expenditures are divided by programs only, or by both programs and activities if their results are substantial and can be evaluated, or uniform.

II. One or two employees of the Direction General's Administrative Service will be designated to take charge of this "Program Budget" accounting according to the above system. Every month these employees will have to:

2-1 receive information from all the directors, offices and "personnel" and "accounting" sections relative to the use of personnel and needs of materials and services of each director or office.

2-2 divide expenditures by programs and activities on the basis of the above information.

2-3 Keep close contact with all the directors, offices and sections in order to regularly have the above information and to know every change in the assignment of personnel, materials and services.

III. Information for division of "personnel costs" (Article 01) by programs and activities will be furnished every month by responsible officials of the concerned directors or offices, or whenever there is an important change, to the employees in charge of "Program Budget" accounting (called Program Accountant).

Forms to be used will be standardized for all directors and offices of the Public Works Direction General for the convenience of the "Public Accountants":

a) For those employees working on several programs and activities at a time, a special form will be used to record the approximate time they spend on each program or activity (this evaluation will be certified by worksite supervisors).

b) A "work slip" for floating personal or worksite personnel to record the time spent on each work to be certified by supervisors.

Forms a and b will be used continuously every month if no important change happens in the personnel assignment and will serve as daily or weekly reports depending on requirements.

The above forms will not be used for employees designated to only one program or activity, or for the employees specified in the instruction sheet NSCT-IV.

IV. Information for analyzing "materials and services" costs (Article 03) are of two main kinds:

4-1 For materials and services to be used immediately by a director or office, the accounting section will make a "purchase order" for the materials, or a "Work Order" for the services, and will send a copy to the "Program Accountant". If possible, the copy must show what program or activity the materials or services have been purchased for.

4-2 Regarding materials bought wholesale and stored for gradual use, the using director or office must make each time a "request" (on a standard form), giving full details (mentioning the program or activity which they are used for, if possible), and send it to the warehouse manager. This man will send a copy of the request to the Program Accountant.

The warehouse manager must record all materials bought and stored in an inventory. At the end of each quarter (credit allotment period), the warehouse manager must make a quarterly balance sheet indicating the quantity purchased, the quantity utilized during the quarter, and the remaining quantity. At the end of each year an annual balance sheet must be made to show the remaining quantity to be carried forward to the following fiscal year.

4-3 Those materials and services that cannot be distributed according to the above two methods will be pro-rated, or divided equally to using programs or activities. These costs are very few in number and cannot be charged directly to any program or activity. For example: house renting (when it is for the use of the whole Direction General) water and electricity for lighting and ventilation (with the exception of the electricity amount used to operate a specific machine), telephone and possibly telegrams and postage, publications, general maintenance and repairs (which cannot be charged against any specific program). In short, they are costs of a compulsory character or which do not often vary.

V. The credits for "ordinary repairs of roads" (Art. 04) are to finance worksite achievements and are remitted directly to Public Work areas concerned. The Central Agency is not responsible for these credits.

"Ordinary repairs of roads" pertains to Activity 3, "road building", Program 2, "Roads". From information given by different agencies, Public Work area authorities have to determine credits for:

- Office personnel and materials of the area or service
- Worksite floating personnel
- Building materials and miscellaneous materials of the worksite

.... And the proportion of equipment used for this sub-activity.

This section will be reexamined and confirmed after program budgeting is applied for P.W. areas.

6X. Investment costs (Article 06 and Article 07) must be divided into two kinds:

6X-1 Investments of public or national interest (tertiary investments) include:

- (a) Art. 06: industrial and building equipment (par. 05)
- (b) Art. 07: roads and bridges construction (par. 02):
 - 1. new constructions
 - 2. repairs
 - (city housing projects
 - (rural well-digging projects

These investments will be laid aside in investment programs concerning equipment and constructions. Moreover, the credits for constructions are direct funds which are not recorded in the books of the P.W. Direction General. They will be examined and analyzed subsequently in the investments section.

6X-2 Ordinary or "direct" investments (secondary investments) required for office operation - as replacement of some office materials or vehicles - include:

- (a) Art. 06; par. 01: office furniture and equipment
- par. 02: house furniture and equipment
- par. 03: transportation equipment
- (b) Art. 07: Additional constructions for offices
- additional constructions for the Gia Dinh equipment
- major repairs in the Phu An research laborat

Owing to their particularity, these investments will be distributed to programs and activities from the requirements of various agencies based on "investment" or "equipment" sheets that the accounting section of the Direction General has to send to the Program Accountant every month.

This man will not immediately distribute the costs to any program or activity, but will record them in an investment and equipment inventory. At the end of the fiscal year, the Program Accountant will make a general inventory stating costs by groups of similar amortization rates and charge the closed fiscal year's programs and activities with their amortization share. The amortization period average may be from five to seven years, for Art. 06 and ten years for Art. 07. The capital portion which is not yet amortized will be recorded in the investment and equipment inventory for handling in the following fiscal years.

Thus the distribution of costs of this category (c-2) is done only once a year, at the end of the fiscal year.

VI. Remarks.

Any basic principles that have been applied in the above distribution of costs to an agency or program will be retained for application:

- (a) To similar agencies or programs
- (b) For a continuous period in order to follow up the developments carrying important changes requiring modification of the principles.

Made from information provided by Mr. Murphy, MSUG, Saigon

September 17, 1959

Director of Programs

Comments on the Chart of Accounting by Programs and Activities

I. Generalities -

This chart summarizes the important points of Project Two (outline of the accounting procedures for programs and activities).

The purpose of the chart is twofold:

- (a) To organize an accounting system to serve a program budget.
 - (b) Showing the relation between the existing accounting system and that based on programs and activities.
- A. Separated by a vertical line, the chart comprises two parts:
- (a) The left-hand part (two blocks representing the two subjects, "Organizational Unit" and "Economic Character") shows budget execution by subject matter and economic character.
 - (b) The right-hand part (blocks "Special Accounts" and "Programs and Activities Accounting") shows distribution of costs to all programs and activities of the Direction General of Public Works.
- B. On the other hand, the chart is divided into two parts by a horizontal line:
- (a) The top two blocks ("Organizational Unit and "Special Account") concern primary recording of daily and detailed costs of various directions (?) and offices of the P. Works Direction General.
 - (b) The bottom two blocks ("Economic Character" and "Programs and Activities") show that these costs are combined into single articles and are distributed by economic character and by programs and activities. This is a periodic recording.

Accounting based on subject matters.

1. Organizational unit. In the present system, journals are kept for:

- ... The Direction General, including the Director General's office, the Administrative Service, the Technical Service, and the Road and Bridges Service.
- ... The Gia Dinh equipment service.
- ... The Vehicles Control Service.
- ... The Power Control Service.

The above journals are recorded daily with costs (from Art. 01 to Art. 07) of the important directions and offices dependent on the Direction General according to the order of payments. These journals are similar to auxiliary journals in the centralized accounting system.

2. Economic character. Each month the Accounting Section adds up the costs scattered in the above journals and groups them into articles and paragraphs as provided by the National Budget for all the directions and services of the Direction General. This book is similar to the "General Journal" in the above system.

III. Accounting Based on Programs and Activities. This accounting is kept concurrently with the above accounting and is in charge of a "Program Accountant" assisted by his staff. When a program budget can be applied regularly, this section may become the "Budget Accounting Section" (as opposed to the above Administrative Accounting) to be placed under a Budget Officer of the Public Works Direction General.

This accounting includes two phases:

1. "The Special Accounts" for primary daily recording

These accounts are of four main categories:

- (a) Inventory of materials and services - Art. 03
- (b) Inventory of direct or secondary investments.
- (c) Tertiary investments (of public interest) on tools.
- (d) Tertiary investments (of public interest) on constructions; (new constructions and major repairs.)

A. The inventory of materials records only materials (pertaining to Art. 03) which are bought wholesale and stored for use over a certain time.

In the subject accounting mentioned above regarding "organizational units" (II, 1) the total cost of the above purchases is recorded in the journals to be charged against the fiscal year's appropriation. "The Inventory of Materials" also records the total cost of the purchases, but only the cost of the actual quantity of materials which have been used are charged against the fiscal year's appropriation on the basis of programs and activities.

At the end of each quarter, a balance sheet must be made and at the end of each year, a general balance sheet.

B. The "direct investment" inventory records only those investments which are necessary for programs' or activities' operation, mostly ordinary equipment such as office equipment, house equipment, transportation equipment (article 06; par. 01, 02, 03, and a small section of Article 07).

The difference between this type of inventory and the following two types (c-d) is that this one directly concerns the general operation of the agencies and its cost will be distributed to every program and activity. This cost distribution is done at the end of each quarter on the basis of the equipment amortization rates.

Belonging to "public interest investments", program 6, "building equipment and materials", are tools including industrial and building equipment (Art. 06, Par. 05). These tools will be entered in a "tools inventory" which will be balanced at the end of each quarter or year.

At the beginning of this program budgeting application, all the credits for these investments are assigned to program 6 for the fiscal year (investments section). However, even in this period the "tools inventory" must indicate the current situation of the "tools yard": the quantity which has been stored and the total quantity cast off or sold, etc.

After the program accounting has been developed, the "tools inventory" must show the yearly amortization rate which will be charged against the using programs or activities for the fiscal year.

D. The main purpose of the "Inventory of constructions" (new constructions and major repairs) is to follow up those construction projects which extend over several years and to show the portion that has been completed and that which is foreseen for execution in the next year.

The cost of the constructions realized during the year will be totally charged against such programs as road building and rural well-digging during the fiscal year (investments section).

2. The function of the "Program and Activity Accounting" is to gather all monthly expenditures and to distribute them to primary programs and activities in order to be able to figure out the work unit cost in each case (to be done later on).

Following are comparison costs:

- personnel
- materials and services
- maintenance and ordinary r
- direct investments (usus
- amortization r

In addition to the above, a few programs include tertiary capital outlays like road building, rural well digging.

To(?) a complete program will include the following costs (as for the road service):

Economic Character	C O S T S		Sources and Information
	Common Costs	Cost of Specific Work	
Operational Costs	01 Personnel 03 Materials and Services	04 Usual Maintenance and repairs	Acct'g. Service of Direction Gen. of P.W. Dependent agencies 03: part of information about 03 comes from special accounts
Investments	06 direct investments, usual equipping	07 constructions: new construction and major repairs	Special Accounts (inventories)

IV. Budget of the Public Works Direction General

The total budget of the Direction General is equal to the total cost recorded by subject matter (by agency or economic character) or to the total cost of all its programs plus the balances . in inventories.

BUDGET OF PUBLIC WORKS DIRECTION GENERAL

Accounting by subject matter and economic character	Amount	Accounting by Program & Activity	Amount
Operational costs: 01 Personnel		Program I (management & techniques)	
03 Materials & Services		II (roads & bridges)	
04 Usual maintenance and repairs		III (wells)	
		IV (Power)	
		V (Vehicle Control)	
Investments: 06 Machines, equipment		VI (Materials & Equipme	
07 New construction and major repairs		Total for prof	
	TOTAL		GRAND TOT'