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Comparative study of comptrollership functions with emphasis on field activities of the bureau of supplies and accounts

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COMPARATIVE STUDY OF COMPTROLLERSHIP FUNCTIONS WITH EMPHASIS ON FIELD ACTIVITIES OF THE BUREAU OF SUPPLIES AND ACCOUNTS

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CHAPTER I

INTRODUCTION

As a prelude to discussion of the organizational assignment of comptrollership functions in the Navy, and more particularly in the field activities of the Navy that are managed by the Bureau of Supplies and Accounts, it is desirable to consider the application of these functions in the business world of today. This consideration is not merely for academic purposes. It must be remembered that the comptrollership concept in the Navy was instituted as a result of legislation[1] based on the reports of the Hoover Commission and that the membership of that Commission was comprised largely of businessmen. It is logical from the above to assume that the comptroller was intended to serve a purpose similar to that served in industry. Unfortunately, as will be demonstrated in the next chapter, there is a wide range of application of these purposes in the business world. As might be expected, there is some difference of opinion in the Navy as to the exact intent of Congress in the establishing of a comptrollership concept and, as a result, a considerable difference among management activities in the methods of implementation of the basic legislation.

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[1]Public Law 216: National Security Act Amendments of 1949, U. S. Statutes at Large, Eighty-first Congress.

The controller in the Department of Defense was created to supervise and direct departmental budgets and to establish, supervise and execute the functions of accounting, progress and statistical reporting, and internal audit.[2] Consideration of how these and associated functions are understood and utilized in industry may serve to establish a background for understanding some of the problems that implementation of the concept of comptrollership has presented to the Navy.

Appreciation of the basic differences between the major objectives[3] of business and of the Navy must be applied to any consideration of management functions. Regardless of other objectives, major or collateral, business may be expected to consider first the profit objective in some form. Non-military government departments will in most instances have a service objective. On the other hand, Department of Defense objectives must relate to matters of national security. Profit and service are, at best, minor collateral objectives.

The major objective of a Navy field activity is the successful accomplishment of its mission as assigned by higher authority. This military objective is the reason for the existence of the particular activity. There is nothing in this mission, however, that precludes accomplishment in the most efficient and economical manner possible. It is well known that efficiency and economy will provide the maximum return

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[2] Ibid.

[3] Richard N. Owens, Introduction to Business Policy (Homewood, Illinois: Richard D. Irwin, Inc., 1954), pp. 15-24. This work defines major, collateral, profit, and service objectives as used herein.

for each defense dollar and contribute thereby to the total mission of the service - to obtain the maximum in national security possible from appropriations which have been made available. These, therefore, are collateral objectives of all activities whether or not stated in the basic mission. Smithies discusses at some length this problem of efficiency and economy in connection with the Department of Defense budget, particularly at the departmental and bureau levels.[4] Contributions at the field level are also important in determining the optimum allocation of defense resources.

To help bridge this gap between military necessity and economic desirability is a major responsibility of the comptroller and application of successful business principles will contribute to this end. The definition and method of allocation of comptrollership functions will have a major effect on how well the comptroller is able to perform this service.

The terms "comptroller" and "controller" are used interchangeably throughout this paper. Since there is no general agreement in the source material considered, selection from between the two has been based on use in the particular source.

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[4]Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Company, Inc., 1955), pp. 278-325.

CHAPTER II

CONTROLLERSHIP FUNCTIONS IN INDUSTRY

General Situation

The great increase both in size and complexity of modern business which occurred between the two world wars resulted in a need, hitherto not recognized, for a staff specialist ". . . to watch, analyze and explain the financial operations of a business."[5] This specialist, who became the controller in most companies, and to whom other duties were added as a matter of convenience, occupies, therefore, a relatively new and unprecedented position in the organizational structures of modern business.

There is no universally recognized organizational position for the controller. Examination of the formal organizations of representative businesses indicates a wide difference in viewpoint. Controllers are found both well submerged as chief accountants and as high level officials reporting direct to the chief executive of the business. Many hold the title of vice president - a title in itself not necessarily an indication of substantial influence in the policy of an organization.[6] In our better known corporations, however,

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[5]John H. Mac Donald, Controllership in Modern Management, eds. Thornton F. Bradshaw and Charles C. Hull (Chicago: Richard D. Irwin, Inc., 1950), p. vii.

[6]Perrin Stryker, "The Vice President Problem," Fortune, September 1955,p. 88.

there are two normal positions for the controller. First, on the organizational level of the divisional vice presidents, although not necessarily himself a vice president; second, on the level directly below the vice presidents. In the latter case, the controller usually reports either to a financial vice president or to the treasurer. It appears, however, that despite the formal organization, the controller usually has direct access both to the board of directors and to the chief executive officer. Thus the controller may exercise influence upon company policy to an extent not apparent from consideration of the formal organization. Most companies admit freely that organization is often informal and authority is more the result of the ability and personality of the incumbent controller than of the formal task and mission statements so beloved by government agencies. In defense of the latter, it is necessary to consider the fact that in the military services the requirements of rotation provide a constant change of managing officials at two to four year intervals. Standardization of organization is essential to provide for continuity of effort and to permit rapid assumption of authority by newly arrived personnel. To shift the organization based upon each officer's apparent ability (or lack of same) would soon produce chaos.

Since the position of controller has never been defined in practice, it follows that the incumbents of this position have a wide range of functional assignments. The functions of controllership have been variously defined, the most formal being that of the Controllers Institute of America as approved by

the National Board of Directors on September 25, 1949:

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.

2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.

3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.

4. To report to government agencies, as required, and to supervise all matters relating to taxes.

5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of government influences as they affect the operations of the business.

6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.[7]

The above impresses one as a series of goals for ambitious controllers rather than as a statement of existing conditions. Actually it was intended to be more of a check list than a specification. In none of the specific companies

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[7] The Controller, September 1953, p. 431.

studied were all of the above functions performed by the controller if performed at all. Anderson believes that the seventeen functions defined by the Institute can be reduced to this basic statement: ". . . designing and operating the records of the business and reporting and interpreting the information which they contain."[8] This places emphasis upon the more intellectual task of reporting and interpreting as distinguished from the mechanics of record keeping. Peirce considers "control" to be "the presence in a business of that force which guides it to a predetermined object by means of predetermined policies and decisions."[9] Peirce further concludes, in relation to budget responsibility, that the controller must not only report facts and develop reasons for differences between budgetary estimates and actual performance, but also insure that accounting is so organized that costs are not charged other than to the supervisor who has control of the expenditure and the funds unless these specific transactions are clearly identified beforehand.[10]

Dale defines the functions of the controller in what this writer considers to be a somewhat indefinite manner. Such terms as "budgeting and control of operations and results" are open to considerable interpretation and may be construed to imply that the controller should intrude into line operations.

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[8]David R. Anderson, Practical Controllership (Chicago: Richard D. Irwin, Inc., 1949), p. 5.

[9]James L. Peirce, "The Planning and Control Concept," The Controller, September 1954, p. 403.

[10]James L. Peirce, "The Budget Comes of Age," Harvard Business Review, May-June 1954, p. 62.

This latter contravenes one concept upon which there seems to be general agreement, i.e., the controller is basically a staff officer and must refrain from interference into line responsibility if he is to accomplish his mission in a successful manner. Peirce emphasizes that the controller's task is to report facts, particularly to personnel most directly concerned, and to let responsible management undertake suitable corrective action.[11] Since Dale's study was sponsored and published by the American Management Association, his list of controllership functions is quoted:

> 1. Providing basic information for managerial control through formulation of accounting and costing policies, standards, and procedures, preparation of financial statements and maintenance of books of account; direction of internal auditing and cost control.
>
> 2. Budgeting and control of operations and results.
>
> 3. Specific control activities:
>
> a. General accounts - primary and subsidiary accounts; devising checks on the company's finances and safeguarding its assets; checking invoices, accounts receivable and payable; controlling cash payments and receipts, payroll accounts, fringe benefits, plant and equipment records; cost accounting activities of the various management functions.
>
> b. Preparation and interpretation of regular financial reports and statements.
>
> c. Inventory control.
>
> d. Statistics.
>
> e. Taxes
>
> 4. Internal audits.
>
> 5. Interpretation of control data.[12]

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[11] Ibid., p. 63.

[12] Ernest Dale, Planning and Developing the Company Organization (New York: American Management Association, 1952), p. 200.

One of the best discussions of the distribution of controllership functions was found in Doris' Handbook.[13] Of particular interest was Table I which shows allocations of functions based on a survey of one hundred fifteen companies. Principal functions allocated to the controller were found to be (expressed in percentage of instances) as shown in Table I.

TABLE I[14]

ALLOCATION OF SELECTED FUNCTIONS TO THE CONTROLLER

Function	Percentage
Auditing, internal	77
Accounting, general corporate	64
Forecasts, profits	64
Payrolls, general	64
Analyses (cost, profit, and financial)	61
Taxes, various	35 to 60
Forecasts, other than profits	20 to 59
Economics and statistics (development and maintenance)	48
Budgets, various	25 to 45
Office services, centralized	27 to 34
Communications, wire	31
Standard practices - instructions	26

Numerous minor functions, apparently matters of individual convenience within a particular company, have been discounted.

Anderson further classifies the usual controllership activities to be:

General accounting
Factory cost accounting
Marketing and administrative cost accounting
Budgeting
Internal auditing

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[13] Darrell H. Voorhies, Corporate Treasurer's and Controller's Handbook, ed. Lillian Doris (New York: Prentice-Hall, Inc., 1951), pp. 14-28.

[14] Ibid., pp. 18ff.

Tax returns and government reports
Office service functions (including clerical and communications)
Analysis and special studies[15]

Heckert and Willson consider the controller primarily as the chief accounting officer. Translation of "absolute facts and statistics into trends and relationships"[16] is considered to be an important part of his duties. A wide knowledge and understanding of the business and its problems is emphasized as a necessary qualification of the controller. Basic functions are defined as: accounting, auditing, tax, and interpretive.[17]

The Controller and the Accounting Function

A summary of the above citations would leade to acceptance of the fact that the controller is the chief accounting officer with new and specialized duties in the fields of analysis and interpretation plus such extra assignments as are warranted by conditions peculiar to the particular business. There remains, however, an important body of opinion to the contrary. In this interpretation of controllership functions, the reporting of information and analysis of data are paramount. A knowledge of basic accounting and statistical techniques and principles is necessary in order that the controller

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[15] David R. Anderson in Controllership in Modern Management, p. 75.

[16] J. Brooks Heckert and James D. Willson, Controllership (New York: The Ronald Press Company, 1952), p. 10. It is noted that the authors are both certified public accountants.

[17] Ibid., p. 497.

may interpret properly the information furnished by those sources, but that the controller must necessarily supervise the gathering of these data and the preparation of routine reports is discounted.

The importance of the analysis function in relation to the mechanics of general accounting is best summarized as follows:

> During the past few decades, managers and executives have felt an increased need for someone within the business who can analyse and interpret the masses of internal and external figures. Top management turned to the controller (or treasurer) to provide this analysis and interpretation. . . . The many functions assigned to the controller compete for his time and attention. Many of his duties involve the meeting of deadlines. If the load is heavy and pressures are intense, work involving deadlines gets first attention. Because analysis and interpretation of operating results and outside factors are largely creative responsibilities not subject to deadlines, they are often postponed or glossed over.[18]

Substantial agreement is found in Bradshaw and Hull:

> Eventually and particularly when management does not itself possess controller experience, it seems possible that the function of controllership is likely to become more distinctly separated from accounting (and more distinctly dissociated from record-keeping).[19]

Peirce states simply: ". . . controllership and accounting are two distinct and separate sciences, and must be practiced accordingly."[20] In the field of government comptrollership, Smithies considers the danger of overemphasis of accounting by military comptrollers to be as follows:

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[18] Frank Wallace in Corporate Treasurer's and Controller's Handbook, ed. Lillian Doris, op. cit., p. 838.

[19] B.C. Heacock, in Controllership in Modern Management, eds. T. F. Bradshaw and Charles C.Hull, op. cit., p. 9.

[20] James L. Peirce, "Comptrollership and Accounting: A Contrast," The Controller, September 1953, p. 410.

> The controllers, with their continuing budgetary responsibilities and with their emphasis on costing in dollars, are in a position to exert a more enduring and effective influence in the direction of improved efficiency. Yet they are themselves in danger of being unduly preoccupied with their traditional accounting and auditing functions.[21]

Arnold Emch believes that the responsibilities of the controller are predominantly informational in character. He emphasizes that this information must be both timely and adequate and that it must be distributed to each and every appropriate level of responsibility.[22]

We thus find substantial agreement that the controller should concern himself with analyzing and reporting the progress of the business as revealed by available records. Assignment of other functions depends upon the size of the business, precedent, and the individual capability of the incumbent controller.

It is demonstrated that the controller can perform his duties in an effective manner whether or not he is also the chief accounting officer of the corporation.

The Controller and the Treasurer

Many of the duties of the controller have been derived from those of the treasurer. The latter official usually concentrates on the employment and custody of corporate funds.

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[21] Smithies, op. cit., p. 283.

[22] Arnold F. Emch, "Control Means Action," Harvard Business Review, July-August 1954, pp. 95 ff.

The writer is of the opinion that treasury and controllership functions should be handled separately for two reasons. First, the qualifications for the two positions are not the same, the controller requiring interpretive ability and a diplomatic approach rather than the bulldog qualities associated with the protection of money. Second, it may be expected that whoever is entrusted with the custody of money will concentrate on the safety and proper accountability for that money to the exclusion, if necessary, of other important duties. Hence, if the duties of the two positions are combined, the man best qualified in controllership may not be appointed and, even if appointed,he may be forced to subordinate the controllership to the treasury. As best stated by Voorhies, the treasurer has specific monetary responsibilities which are not directly related to controllership.[23]

In other words, selection for the post of treasurer is based upon a different set of standards than those which apply to the controller. Both must, as in the case of all executives, have the finest of integrity, but this quality is essential in the treasurer to the possible exclusion of other desirable traits.

In a lighter vein, it may be concluded that the appointment of a controller is not attended by the immediate risk incident to the appointment of a treasurer. A noted British humorist expresses well the popular feeling with regard to the

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[23]Voorhies in Corporate Treasurer's and Controller's Handbook, p. 21.

latter. The company president speaks to his companion:

> There are two men who are capable of holding the job quite adequately. But then I realize how little I know of their real characters. It is the treasurership, you understand, which has to be filled. Now, a man who was quite good at another job might easily get wrong ideas into his head when he became a treasurer. He would have the handling of large sums of money. In other words, a man who in ordinary circumstances had never been conscious of any desire to visit the more distinct portions of South America might feel the urge, so to speak, shortly after he became a treasurer. That is my difficulty. Of course, one always takes a sporting chance with any treasurer; but how am I to find out which of these two men would give me the more reasonable opportunity of keeping some of my money?[24]

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[24] Pelham G. Wodehouse, Golf Without Tears (New York: George H. Doran Company, 1924), pp. 175-176.

CHAPTER III

COMPTROLLERSHIP FUNCTIONS IN THE NAVY DEPARTMENT

General Considerations

Planning and comptrollership in the Navy Department are considered to be part of the executive process. Steps in this process are: setting the objective, planning, and execution. One of the most important responsibilities of line management is to state clearly the objective. From this the planning staff can lay out the course necessary to accomplish the objective. Planning consists of program development, programming by functional elements and by considerations of time, and obtaining approval of the plan. Execution, a line task, involves the issuance of suitable directives to accomplish the objective in accordance with the approved plan and the establishing of appropriate controls to insure that the objective is reached.

The controller, a staff officer, participates in this executive process by means of accumulation, analysis, and presentation of a reservoir of information. Information may be qualitative, quantitative, cost or statistical. Analysis is from all recognized points of view. Presentation is to the line executive to assist him, through availability of timely and accurate information, to insure accomplishment of the

objective in an efficient and economical manner. Throughout this process, the conptroller must consider the aquisition and utilization of resources through the budgetary process and will usually coordinate budget formulation and review for the line executive. A second important task of the comptroller is to help relate statutory requirements with proposed actions. This is a continuing task since, in addition to the basic (substantive) legislation, most appropriation acts contain specific limitations or requirements which apply to the funds granted in the particular public law.

Navy Policy

It is the policy of the Navy Department that comptrollership organizations be established in all bureaus and offices of the Department plus major field activities. Certain functions that comptrollers should perform are "strongly recommended," but are neither mandatory nor all-inclusive. The criteria for determining the desirability of establishing a comptrollership organization have been promulgated and the bureau and office chiefs are responsible for taking appropriate action to implement the policy within the activities under their management control. In general, comptrollership activities should be established in field activities where the size, scope, and complexity of fiscal operations justify the need. This includes production and large service centers such as shipyards, ordnance plants, supply centers, major air

stations, etc.[25]

It was recognized that most of the comptroller functions were already being performed in some form in all naval activities. New elements introduced by the comptrollership concept were stated to be:

> 1. Emphasizing the constructive aspects of the reporting, analysis and interpretative functions as distinct from the purely recording function.
>
> 2. Improving budget formulation and execution through the collection and utilization of accounting and program data at all organizational levels.
>
> 3. Coordinating and integrating the several comptroller functions to provide concisely to the commanding officer the basic data essential for efficient, economical, and effective management.[26]

It was intended that the comptroller provide a coordinated staff service with technical guidance and direction of fact-collection systems in areas of "budget formulation and execution, program analysis, accounting, and progress reports and statistics."[27] This statement appears to require some further interpretation in order to reconcile the intent here with that previously expressed which specifically emphasized ". . . the constructive aspects of the reporting, analysis, and interpretative functions as distinct from the purely recording function."[28] Perhaps this conflict has left the

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[25] U. S. Navy Department, Office of the Secretary, SEC NAV INSTRUCTION 5400.4, "Establishment of comptroller organizations in bureaus, headquarters, offices, and field activities of the Navy and Marine Corps," 18 November 1953, p. 1 ff.

[26] Ibid., Enclosure (1), p. 1.

[27] Ibid.

[28] Ibid.

door open to many of the differences of opinion as to what are the necessary and proper functions of the comptroller. The basic functions of comptrollership are listed as being performed ". . . whether or not a formal comptroller organization is established." Functions cited are: integrated system for financial management, budgeting, accounting and disbursing, program analysis, and progress reporting and statistics.[29] Provision for the important function of internal review is provided for the large field installations as a separate unit of the comptrollership organization.[30] Thus, by implication, internal review is included in the mission of the smaller activities even if not isolated organizationally. It is not specified whether these functions must be performed by the comptrollership organization if established.

The Office of the Navy Comptroller has issued a manual which further defines some of the above requirements. Functions are the same as cited from SECNAV INSTRUCTION 5400.4. Detailed organization and allocation of specific functions to the comptrollership organization appear to be permissive rather than mandatory. It is stated that "...details of organization should be tailored to fit the local need."[31] The basic mission of the comptroller is that he ". . . establishes, coordinates

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[29] Ibid., Enclosure (1), pp. 2-3.

[30] Ibid., pp. 13-14.

[31] Navy Comptroller Manual (Washington: 1955), vol. 1, pp. 2-5.

and maintains an integrated system of financial management by means of which he provides to the commanding officer the factual data essential for effective management control of operations."[32]

Management of the accounting organization by other than the comptroller is permitted by the following:

> Where the management bureau or commanding officer desires accounting and fiscal operations to be performed outside the comptroller's immediate organization, such operation should be set up as an integral unit of the activity on a departmental or comparable level.[33]

The Bureau of Ordnance

The Bureau of Ordnance has issued a comprehensive study of the comptroller organization in ordnance field activities to which reference will be made throughout this subdivision.[34] It follows the general pattern recommended by the Secretary of the Navy, but states that: ". . . the functions of accounting, cost accounting, budgeting and statistics, disbursing, and internal review must be performed in the Comptroller Department."[35] An additional function, that of management engineering, is considered, but incorporation within the comptrollership organization is left to the discretion of the commanding officer.[36] This is intended to include the survey

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[32] Ibid., pp. 2-3.

[33] Ibid., pp. 2-5.

[34] U. S. Navy Department, Bureau of Ordnance, NAVORD INSTRUCTION 5450.5A, "Comptroller Organization in Naval Ordnance Establishments," 21 September 1953.

[35] Ibid., p. 4.

[36] Ibid.

and analysis of methods and procedures, organizational studies, and the evaluation of use of manpower, materials and equipment,[37] certainly proper functions of comptrollership in the field of management. Extension to fields of work measurement and simplification seems to fit a coordinated statistical and analysis program. The requirement that the comptroller supervise the accounting may, however, dilute the talent of the incumbent, particularly at the smaller stations where there may be a lack of well-qualified assistants.

The requirement that disbursing be included in the comptrollership organization is considered to be unfortunate. The function of disbursing was well defined by Shoop to be: ". . . to liquidate the legal obligations of the United States."[38] It is difficult to see any reason to require the comptroller to exercise administrative supervision over this function which could as well be performed in either the supply or commissary departments (as may be available). This allocation of functions conflicts with the requirement that: "No executive or employee should be assigned the entire charge over both cash or other disposable assets and the records of such assets."[39] The long established policy of separation between payroll preparation and payment, as well as certification and payment of vouchers for material, should not be changed for mere administrative convenience. Control over

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[37] Ibid., Enclosure (3).

[38] Taken from a talk given by Major General Shoop, Fiscal Director, U. S. Marine Corps, 8 December 1955, at The George Washington University.

[39] NAVORD INSTRUCTION 5450.5A, p. 21.

both payroll and Navy Industrial Fund payments is intra-station so that it is of doubtful wisdom that the comptroller should in effect be placed in the position of auditing and approving his own actions. Although the functions of disbursing and internal review are contained in separate units of the comptroller's staff, the fact that they report to a common superior might lead to a certain amount of collusion or concealment which should be less likely to occur if these functions were in different departments.

The Bureau of Ships

The Bureau of Ships has required that a comptrollership organization be established in all naval shipyards plus certain laboratories, repair facilities, and stations under the management control of that bureau. Organization of a comptroller department was made the first step in conversion to the Navy Industrial Fund system of accounting.[40] The comptroller is designated the principal advisor to the commanding officer in matters of financial operations. Principal duties and responsibilities have been prescribed as follows:

> (a) Implementing and administering the law, policies, regulations, directives and instructions pertaining to the financial systems and operations of the Shipyard, including budgeting, accounting, disbursing, financial, statistical and progress reporting, internal accounting review, and the procedures relating to such responsibilities;

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[40] U. S. Navy Department, Bureau of Ships, BUSHIPS INSTRUCTION, "Comptroller Department; Establishment of," 12 August 1954, p. 1.

(b) Acting as advisor and consultant to the Shipyard Commander on financial policy matters, program planning and related areas of financial administration;

(c) Administering accounting and disbursing operations for other naval activities as designated by proper authority;

(d) Directing preparation of the Shipyard's operating budget;

(e) Administering budgetary control programs and developing methods and techniques for use in furnishing budgetary information; analyzing and evaluating budget estimates and coordinating presentation thereof to the Shipyard Commander; and recommending action concerning budget revisions;

(f) Supervising determination of costs of operations and securing reimbursements for work performed;

(g) Establishing overhead rates subject to the approval of the Shipyard Commander;

(h) Devising internal review procedures for the Comptroller Department and supervising administration thereof.[41]

Specific objections of the writer to requiring the comptroller to assume line authority over accounting and disbursing functions continue to apply. In this case, the application is wider as most of the Bureau of Ships activities perform considerable fiscal type work for other activities. Supervision of this by the comptroller involves him in work that is in no way related to the basic comptroller mission of the parent activity. Prior to World War II, shipyards operated successfully for a considerable period of time with dis-

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[41] U. S. Navy Department, Bureau of Ships, BUSHIPS INSTRUCTION 5450.4A, "Comptroller Department Organization," 3 July 1954, Enclosure (2), p. 1.

bursing organized as a separate department and accounting as a division of the industrial department. Thus, there is no particular historical precedent for either being combined or their being placed under a third department for supervision. Each is a technical specialty which could as well report direct to the commanding officer.

Other exceptions include (using the subparagraph numbers of the preceding reference): (d) use of the work "directing" instead of the usual, "coordinating," in connection with preparation of the budget removes the comptroller from his staff position and conflicts with the accepted position, well presented by Peirce, that establishment of the final plan or budget is an operational responsibility;[42] (h) restricting internal review procedures to within the comptroller department is not required by higher authority and would make such a review almost without value--the comptroller should be authorized to review financial type documents wherever prepared, utilized or processed without regard to organizational lines within the command.[43]

The Bureau of Supplies and Accounts

Of the Navy activities studied in connection with this paper, the Bureau of Supplies and Accounts appears to have

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[42] This is a major theme propounded in "The Planning and Control Concept."

[43] John B. Thurston, in Corporate Treasurer's and Controller's Handbook, pp.757 ff.; SECNAV INSTRUCTION 5400.4, Enclosure (1), p. 13.

made the least progress in embracing the comptrollership concept at its field activities. Comptrollership organizations have been established only at the three supply centers and four large supply depots. Even here it has been a compromise arrangement; the comptrollership functions have been introduced into the former planning departments so that the result is a combined planning and comptroller department. There seems to be little reason not to establish comptroller departments at other supply depots. Even if smaller than the pilot installations, they are major funding activities with complex problems of financial management.

In the case of the supply demand control points, there is already established a financial control division, the duties of which include coordination and justification of budgetary requirements for material and services under activity cognizance, review and evaluation of system budget performance against planned programs, administration of budgets and stock procurement funds, allocation of stock procurement allotments to field activities, maintenance of accounting records, summarization of fiscal data, and preparation of reports to higher authority.[44] Since these are basic comptroller functions, establishment of a formal comptroller organization should present no serious problems.

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[44] Bureau of Supplies and Accounts Manual, (Washington: 1946), vol. 1, p. 1-25, par. 11062-7.

Where comptroller organizations have been established, the intent has been to achieve the basic objectives of comptrollership "by minor organizational adjustments rather than basic reorganization."[45] The existing fiscal (accounting and disbursing) departments were left out of this combined organization under the theory that they performed an operational function for both the parent and other activities receiving fiscal support. The basic directive further states that: ". . . it is considered that a comptroller organization, as a staff component, can perform its functions more effectively without the distraction of administering this operating function."[46] Provision was made that such existing or additional fiscal reports that might be required were to be made available to the planning and comptroller departments. The writer is in absolute agreement with both the decision and the reasons therefor as regards the non-inclusion of the accounting and disbursing functions in the comptroller department. Assignment of non-related functions such as military planning, however, appears to be as "distracting" to the comptroller as accounting would have been.

Except where otherwise noted, functional statements for the planning and comptroller department agree, in general, with those previously discussed and conform with the provisions

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[45] U. S. Navy Department, Bureau of Supplies and Accounts, BUSANDA INSTRUCTION 5450.55, "Establishment of Comptroller Organizations at BuSandA Managed or Financed Activities; policy for," 4 March 1954, p. 1.

[46] Ibid., p. 2.

of SECNAV INSTRUCTION 5400.4. A management planning division, similar to the management engineering division discussed in connection with the Bureau of Ordnance, performs several tasks which are related to those envisioned for a comptrollership organization. These include development of methods and procedures, review of operational performance, analysis of organization and preparation of charts, analysis of methods to promote efficiency and economy and to insure that prescribed standards are followed, and administration of management control programs such as methods improvement, forms and reports control. Certain other functions, such as space control, allocation of equipment, and recommendations pertaining to the Shore Station Development Board (except as regards price) concerning plant improvements, have little relation to the basic comptrollership functions. The former tasks are cited since any attempt to perform these functions in a planning organization separate from the comptrollership organization would either result in considerable duplication of effort or departure by the comptroller from the basic reporting, analysis and interpretative functions.[47] At the same time, assignment of the second group of tasks and attachment of a military plans division to the comptrollership organization are of doubtful wisdom--both are technical fields basically unrelated to comptrollership.

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[47] SECNAV INSTRUCTION 5400.4, Enclosure (1), p. 1.

Through informal discussion, the writer understands that consideration is being given to adding accounting to the comptrollership organization and separating management engineering (planning) therefrom.

Estimates of payroll and allotment accounting at supply installations for other than the parent activity vary from fifty to eighty per cent of the total effort. Management by the comptroller of these operations would seem to serve no useful purpose.

On the other hand, as discussed above, certain so-called management planning functions are closely related to comptrollership and should be a part thereof. Since almost all methods and procedures in a supply facility involve financial management in some form, the comptroller must become involved in all recommended changes. In the same way, to separate the organization of personnel from the allocation of personnel ceilings to the organization would seem to lend itself to considerable duplication in research prior to the recommendation of any decision. Review of operating performance and promotion of efficiency and economy are functions of comptrollership as regards financial management--to attempt to accomplish the same purposes with regard to non-financial management (if that term be subject to definition) would again be overlapping and uneconomical.

The obvious solution is to disestablish the management planning division and to divide its functions in the most

logical manner between comptrollership and planning. Functions which have nothing to do with comptrollership should be grouped with military planning in another organization. Planning might then be established either as an independent staff department or as a separate division of the administrative services department which contains most of the other military aids to command.

CHAPTER IV

CONCLUSIONS

Throughout this paper the writer has attempted to present a comparison of the application of comptrollership functions both within the Navy and with civilian practice. It is obvious that there are many solutions to the assignment and the organizational location of functions and that conditions peculiar to each activity must help govern each decision. Since the purpose of this paper is to relate these many choices to the best approach for the Bureau of Supplies and Accounts in implementing the comptrollership concept at its field activities, conclusions will be in the form of specific recommendations which are intended to assist in arriving at the best decisions. Precedent and argument have been cited throughout the preceding chapters, so these recommendations will be restricted to the opinions of the author.

Action by the Bureau of Supplies and Accounts is recommended as follows:

1. That comptrollership organizations be established at all supply depots and supply demand control points unless specific local conditions justify an exception. Excluded, of course, are supply depots which are contained in other supply

commands. Where the number of officers available is not sufficient to allow a comptroller without other primary duties, it is considered proper that the officer be assigned charge of other departments. In this case, a civilian deputy in each of the departments affected would be desirable to maintain organizational integrity and continuity of effort.

2. That the existing planning and comptroller departments be disestablished. Functions should be divided so that all that relate to comptrollership are in that department and unrelated functions, such as military planning, are in separate departments. Care should be taken in disestablishment of the management planning division so that future duplication of effort will be avoided.

3. That the separation of accounting and disbursing from controllership be continued.

In conclusion, the writer is of the opinion that the controller, whether in government or industry, will be able to perform his duties in an effective manner and retain his objectivity in advice to the commanding officer only if he supervises all the staff functions related directly to his mission, but not if he becomes administratively concerned with non-related functions or is assigned burdensome operational responsibilities.

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