

accrual basis would have provided more timely and accurate information for assessing the economic impact of the budget than either cash budget disbursements or deliveries as recorded in the national income accounts.

Furthermore, the Commission feels strongly that adoption of the accrued expenditure measure would represent a further significant advance in improved internal management of individual Federal agencies. As pointed out before, most agencies are now or will be using costs for program management and agency control. The accrual concept for budget purposes will foster the concept of cost control in all agencies, and especially in those not now on a cost system. For those agencies already using program costs, the information required for the budget should be a byproduct of their accounting system.

The Commission has considered the possibility that some users of the budget and Federal financial reports might be confused by the term *accrued expenditures*. The Commission believes, however, that once expenditures have been redefined, there is no need to use the term *accrued expenditures*, and the term *expenditures* will automatically apply to the figures developed on the accrual concept.

Feasibility and implementation

The Commission appreciates the fact that although substantial progress has been made in the improvement of agency accounting systems, it is not yet possible for several key agencies to provide immediately the information which would be required to comply with the Commission's accrual recommendation. This change will also create increased burdens in terms of cost and time for the Bureau of Accounts of the Treasury Department which will have to process accrued expenditures data, as well as disbursement data.

In making its recommendation, the Commission has had the benefit of several interagency feasibility inquiries conducted under the leadership of the General Accounting Office. It believes that—with the cooperation of everyone concerned—it will be possible to begin internal review and testing and internal monthly reporting of accrued expenditures for most of the Government effective July 1, 1968. The Commission recognizes that the problem of conversion to accrual accounting is large in the Department of Defense, and that somewhat more time may be required by that agency. Accrued expenditure data should be available in time to make it possible for the President's budget for fiscal 1971 (transmitted in January 1970) to be fully on an accrual basis. Monthly expenditure reporting to the public on the accrual basis then would begin July 1, 1970.

Some concern has been expressed to the Commission about possible delays in the monthly reporting of expenditures by the Treasury when the conversion to accrual accounting is made. Since the Treasury will continue to need the information it now has, reports on cash receipts and disbursements should be available with the same timing as at present. Until some experience is acquired under the accrual system, reports of accrued expenditures may take