

# Accounting for Federal Health Funds

*in the*

## Oklahoma State Health Department

By FLOYD HARRINGTON

OKLAHOMA'S public health program, State and local, is primarily organized to provide general public health services—the staffs and other resources of the health departments serve the purposes of two or more special health programs. This type of generalized staffing is necessary in Oklahoma in order to make the most efficient use of available funds. When health services are provided on such a basis, however, accounting for, and reporting on, the use of categorical grant-in-aid funds is complicated. This is one reason why Oklahoma has always supported the official view of the Association of State and Territorial Health Officers that a single Federal grant-in-aid fund would be preferable to some 7 categorical grant-in-aid funds administered by the Public Health Service and 3 funds administered by the Children's Bureau. In lieu of consolidation of

the various grant funds, however, accounting procedures can be adjusted to eliminate details which are more likely to confound than to assist program directors.

Impetus for the development of a simplified fund accounting system came from the adoption of a new regulatory requirement which is to be effective for the fiscal year 1954. In the plans for this next fiscal year, State health departments are required to describe the validation procedure they use in accounting for the distribution of categorical grant funds among the various divisions and activities. Since a description of the methods used to allot categorical funds in support of general health programs is to be officially submitted to the Federal agencies and approved by them, it seemed logical to also use such a plan for another purpose. The grant-in-aid regulations already provided for combining Federal grant funds into a single account on the books of the State comptroller and the State treasurer. Aside from the consolidation of accounts kept by these two officials, the only obstacle to simplification of Federal fund accounting was adoption and approval of an official validation plan.

Fiscal codes in Oklahoma do not provide for combining Federal funds with State funds in a single account. Rather than request a legislative change for the purpose of an experiment, a proposal was worked out within existing ad-

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*Mr. Harrington has been director of fiscal and personnel services in the Oklahoma State Department of Health since 1941. The single operating account, in which State and Federal funds are commingled for operating purposes, was discussed and a brief résumé of the techniques six States are using in applying this principle, in whole or in part, was given in the November 1953 issue of Public Health Reports, pp. 1071-1077.*

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ministrative requirements. The State officials involved and representatives of the Public Health Service and the Children's Bureau agreed to the creation of a single fund account for all Federal funds. The plan was approved for experimental operation in Oklahoma for the fiscal year 1953 and has been adopted for 1954 use.

**Budgets**

The basic document in the system being tried by Oklahoma is the working budget. A sample working budget form with typical entries is shown in form 1. Federal funds, it will be observed, are lumped in one column. On the basis of plans made by the program or project direc-

tor (the public health nursing division in this example), the total cost of each project is divided first between State and Federal accounts and then the amount allocated to the Federal account is distributed among the various participating Federal grant funds. Insofar as possible each item of expenditure in a project is charged in its entirety either to the State appropriation account or to the Federal operating account.

This procedure contrasts with the old system in one important respect. No entries appear in the separate Federal fund columns opposite individual budget items. The fund breakdown appears only on the "Totals" line. Under the previous system the working budget would look as shown in form 2. The advantage of the ex-

**Form 1. Sample working budget, public health nursing division, budget No. 90, fiscal year 1954**

Object	Total	State	Federal account	General health, hospital survey and planning, and water pollution control	Venereal disease control, venereal disease special projects, and mental health	Tuberculosis control, cancer control, and heart disease	Maternal and child health, A	Public health service program	Maternal and child health program
<b>1. Salaries:</b>									
Director .....	\$6,300	\$6,300	-----						
Public health nurse consultant (maternal and child health) .....	5,160	-----	\$5,160						
Public health nurse consultant (chronic) .....	5,160	-----	5,160						
Public health nurse consultant (mental) .....	4,920	-----	4,920						
Hospital consultant nurse .....	4,380	4,380	-----						
4 public health nursing supervisors at \$4,200 .....	16,800	8,400	8,400						
Stenographer .....	2,160	2,160	-----						
Subtotal .....	44,880	21,240	23,640						
<b>2. Travel:</b>									
Director .....	1,200	1,200	-----						
3 public health nurse consultants at \$1,500 .....	4,500	1,500	3,000						
Hospital consultant nurse .....	1,800	1,800	-----						
4 public health nursing supervisors at \$1,200 .....	4,800	2,400	2,400						
Subtotal .....	12,300	6,900	5,400						
<b>3. Other expenditures</b> .....	1,000	1,000	-----						
<b>Total</b> .....	58,180	29,140	29,040	G \$10,800	M \$6,420	(T \$1,720) C 1,720 (HD 1,720)	\$6,660	(M \$7,070) T 2,320 C 2,910 HD 2,910 V 2,320	\$11,620

**Form 2. Sample working budget of the former accounting system, public health nursing division,  
budget No. 90, fiscal year 1954**

Object	Total	State	General health, hospital survey and planning, and water pollution control	Venereal disease control, venereal disease special projects, and mental health	Tuberculosis control, cancer control, and heart disease	Maternal and child health, A	Public health service program	Maternal and child health program
<b>1. Salaries:</b>								
Director .....	\$6,300	\$6,300						
Public health nurse consultant (maternal and child health) .....	5,160					\$5,160		
Public health nurse consultant (chronic) .....	5,160				{ T 1,720 C 1,720 HD 1,720 }			
Public health nurse consultant (mental) .....	4,920			M \$4,920				
Hospital consultant nurse .....	4,380	4,380						
4 public health nurse supervisors at \$4,200 .....	16,800	8,400	G \$8,400					
Stenographer .....	2,160	2,160						
<b>Subtotal .....</b>	<b>44,880</b>	<b>21,240</b>	<b>G 8,400</b>	<b>M 4,920</b>	<b>{ T 1,720 C 1,720 HD 1,720 }</b>	<b>5,160</b>		
<b>2. Travel:</b>								
Director .....	1,200	1,200						
3 public health nurse consultants at \$1,500 .....	4,500	1,500		M 1,500		1,500		
Hospital consultant nurse .....	1,800	1,800						
4 public health nurse supervisors at \$1,200 .....	4,800	2,400	G 2,400					
<b>Subtotal .....</b>	<b>12,300</b>	<b>6,900</b>	<b>G 2,400</b>	<b>M 1,500</b>		<b>1,500</b>		
<b>3. Other expenditures .....</b>	<b>1,000</b>	<b>1,000</b>						
<b>Total .....</b>	<b>58,180</b>	<b>29,140</b>	<b>G 10,800</b>	<b>M 6,420</b>	<b>{ T 1,720 C 1,720 HD 1,720 }</b>	<b>6,660</b>	<b>{ M \$7,070 T 2,320 C 2,910 HD 2,910 V 2,320 }</b>	<b>\$11,620</b>

perimental system lies in the elimination of numerous arbitrary decisions about the propriety of specific fund support for individual salary and other expense items. Support for a program from the project as a whole is the important consideration. This change in budgeting procedure focuses attention upon that major determination.

Program and project directors determine program support, project by project, from estimates of staff time and analyses of operating statistics. These budget estimates are being validated through the time studies of local health departments and of the central office divisions serving two or more categorical programs.

Budgets submitted to the Children's Bureau and the Public Health Service are not affected by the procedure used in preparing working budgets. The CB-PHS budget for health services (joint form 3) is prepared as usual from the total amounts distributed to State and local resources and to each of the Federal grant accounts for each project.

Transfer of the amounts budgeted for the public health nursing division from the working budget to the budget for health services is illustrated in sections A and B of the chart.

### Books of Accounts

The separate special fund accounts kept by the State comptroller and State treasurer are reduced from 10 to 2.

#### OLD ACCOUNTS

<i>Eliminated</i>	<i>Retained</i>
Hospital survey and planning	Federal hospital
General health	construction.
Tuberculosis control	
Venereal disease control	
Maternal and child health	
Cancer control	
Mental health	
Heart disease control	
Water pollution survey	

#### NEW ACCOUNT

Federal funds

Accounts kept by the State health department are organized in three ledgers. In two project ledgers, one for State funds and the other for the combined Federal funds, accounts are kept for salaries, for travel, and for operating expenses, project by project. A budget ledger contains accounts for each Federal categorical fund by project totals only (chart C).

Routine expenditure of Federal funds is made from the single Federal account. Charges are posted to the expenditure object accounts in the combined Federal fund project ledger and in the State revenue account ledger (charts D and E). The work of posting voucher charges to expenditure object accounts has been reduced materially. Approximately one-fourth of the time previously spent in making fund distributions of travel and purchase vouchers is estimated to be presently required. A savings of

6 or 7 man-days per month is achieved by the simplification of this single process.

Each month a reconciliation of accounts is made with the State comptroller. The basis for this reconciliation is the control account kept in the combined Federal fund project ledger. One reconciliation now takes the place of nine previous reconciliations. Contrary to what might be expected from the potentially greater volume of transactions to be examined, there has been a noticeable saving of time in making the monthly reconciliations.

### Reports

At the close of each quarter the total of Federal fund expenditures for the quarter from each project is prorated and posted to categorical fund project accounts in the budget ledger on the basis of percentages derived from the amounts budgeted. In the example given for the public health nursing division, \$29,140 of State funds and \$29,040 of Federal funds were budgeted. Of the Federal funds, \$10,800 were general health funds. This amounts to 37.19 percent of \$29,040. Mental health funds utilized in the project came to \$6,420, or 22.11 percent of \$29,040. Therefore, when a first quarter expenditure from the Federal account of \$7,110 is distributed among the various participating grant funds, 37.19 percent is posted to the project ledger account in the general health ledger and 22.11 percent of \$7,110 is posted to the mental health fund project account (charts C and D).

Quarterly financial reports are prepared from the categorical fund ledgers (chart F). No change in procedures is required for preparing these reports.

### Budget Revisions

If Federal funds are lapsed from a project to working reserve, the working budget percentages are used in allocating lapsed funds back to the categorical grant funds. A working reserve account is established in the Federal ac-

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**Relationships between budgets, accounts and reports—Oklahoma State Department of Health** 

### Sample Working Budget Public Health Nursing Division

Item	1954	1953	1952
Salaries	8,300	8,300	8,100
Travel	1,100	1,100	1,100
Supplies	1,100	1,100	1,100
Printing	1,100	1,100	1,100
Telephone	1,100	1,100	1,100
Postage	1,100	1,100	1,100
Interest	1,100	1,100	1,100
Depreciation	1,100	1,100	1,100
Contingency	1,100	1,100	1,100
Reserve	1,100	1,100	1,100
<b>Total</b>	<b>23,040</b>	<b>23,040</b>	<b>23,040</b>

### Federal Budget

PROJECT	FY 1954	FY 1953	FY 1952
Public Health Nursing Division	6,10,800		

### General Health

26,644.21 / 10,800 M \$6,420

37.19%

Item	1954	1953	1952
Salaries	2,644.21	2,644.21	2,644.21
Travel	1,572.02	1,572.02	1,572.02
Supplies	6,420	6,420	6,420
Printing	1,000	1,000	1,000
Telephone	1,000	1,000	1,000
Postage	1,000	1,000	1,000
Interest	1,000	1,000	1,000
Depreciation	1,000	1,000	1,000
Contingency	1,000	1,000	1,000
Reserve	1,000	1,000	1,000
<b>Total</b>	<b>26,644.21</b>	<b>26,644.21</b>	<b>26,644.21</b>

### Federal Operating Account

Item	1954	1953	1952
Salaries	5,400	5,400	5,400
Travel	1,200	1,200	1,200
Supplies	23,640	23,640	23,640
Printing	5,910	5,910	5,910
Telephone	1,000	1,000	1,000
Postage	1,000	1,000	1,000
Interest	1,000	1,000	1,000
Depreciation	1,000	1,000	1,000
Contingency	1,000	1,000	1,000
Reserve	1,000	1,000	1,000
<b>Total</b>	<b>54,510</b>	<b>54,510</b>	<b>54,510</b>

### Mental Health

22.11%

Item	1954	1953	1952
Salaries	2,124.0	2,124.0	2,124.0
Travel	1,000	1,000	1,000
Supplies	1,000	1,000	1,000
Printing	1,000	1,000	1,000
Telephone	1,000	1,000	1,000
Postage	1,000	1,000	1,000
Interest	1,000	1,000	1,000
Depreciation	1,000	1,000	1,000
Contingency	1,000	1,000	1,000
Reserve	1,000	1,000	1,000
<b>Total</b>	<b>21,240</b>	<b>21,240</b>	<b>21,240</b>

### Federal Fund Accounts

Item	1954	1953	1952
Salaries	21,240	21,240	21,240
Travel	1,000	1,000	1,000
Supplies	1,000	1,000	1,000
Printing	1,000	1,000	1,000
Telephone	1,000	1,000	1,000
Postage	1,000	1,000	1,000
Interest	1,000	1,000	1,000
Depreciation	1,000	1,000	1,000
Contingency	1,000	1,000	1,000
Reserve	1,000	1,000	1,000
<b>Total</b>	<b>26,644.21</b>	<b>26,644.21</b>	<b>26,644.21</b>

### State General Revenue Account

Item	1954	1953	1952
Salaries	21,240	21,240	21,240
Travel	1,000	1,000	1,000
Supplies	1,000	1,000	1,000
Printing	1,000	1,000	1,000
Telephone	1,000	1,000	1,000
Postage	1,000	1,000	1,000
Interest	1,000	1,000	1,000
Depreciation	1,000	1,000	1,000
Contingency	1,000	1,000	1,000
Reserve	1,000	1,000	1,000
<b>Total</b>	<b>26,644.21</b>	<b>26,644.21</b>	<b>26,644.21</b>

### Federal Expenditure Report

Total First Quarter Expenditures \$7,110.00

General Health 2,644.21

Mental Health 1,572.02

PROJECT	FY 1954	FY 1953	FY 1952
Public Health Nursing Division	6,264.21		

**Form 3. Work papers for transfer to and from Federal fund working reserves**

Budget	Federal account	General health	Mental health	Tuberculosis control	Cancer control	Heart disease	Maternal and child health, A
	Transfers to working reserve						
No. 90, item 2.....	\$150	\$55. 78	\$33. 17	\$8. 88	\$8. 88	\$8. 88	\$34. 41
	Transfers from working reserve						
No. 90, item 1.....	\$240	\$89. 26	\$53. 06	\$14. 21	\$14. 21	\$14. 21	\$55. 05

count ledger to which the total amount of lapsed funds is posted. Proportionate shares of the amount lapsed are at the same time posted to individual working reserve accounts in the categorical fund ledgers. An example of work papers used as a basis for posting transfers to and from the working reserve accounts is given in form 3.

As shown in the example a project budget may be augmented by transfers from working reserve. If transfers from individual categorical fund working reserves are made in the same proportion as the original project fund percentages, no change results in the percentage of each Federal fund in the project. However, if transfers to a project are not in the original percentages, new project percentages result. In the latter case, transfers to a project are desirable only at the beginning of a fiscal quarter. If only a single Federal fund is involved in a project budget, this practical date limitation on transfers into a project budget does not exist, since the single Federal fund is at all times 100 percent of the Federal fund involved.

Supplemental budgets, utilizing previously unbudgeted Federal funds, would be most timely at the beginning of a quarter, since their effect on Federal fund percentages is the same as that caused by the transfer of funds to a project from working reserves.

**Conclusions**

A year's experience with the operation of a single Federal account has been entirely satis-

factory. A real advantage results in carrying out a generalized project, since it is not necessary to trace nine categorical funds to final utilization in order to comply with the regulations governing each fund. This system is particularly advantageous in the handling of expenditures for local health departments. As an example, lapsed funds derived from a vacant nursing position payable from maternal and child health funds formerly could not otherwise be used except for other activities within a maternal and child health program. Under this plan lapsed funds derived from a vacant nursing position payable from the Federal account are transferred back to the working reserve account in proportion to the contributions made to the project from each of the funds. Therefore, only that portion chargeable to maternal and child health funds needs to be reserved for other activities within the maternal and child health program.

The more obvious advantages of the single Federal operating account are:

1. Simplification of budgeting.
2. A very material time saving in coding and posting vouchers and requisitions.
3. A single monthly reconciliation with the State comptroller instead of a separate reconciliation for each Federal fund.
4. A single Federal account with the State treasurer and comptroller which materially simplifies the work of these officials.
5. A single cash balance which facilitates processing of payrolls for the first month of the

fiscal year when Federal payments are often delayed.

A quarterly determination of project expenditures based on percentages of Federal funds and posting to categorical fund ledgers is an additional task under the plan. Additional computations and postings are also necessary in the handling of working reserve accounts.

However, based on a rough survey, we believe that time involved in Federal fund accounting is reduced at least one-third under this plan.

On the whole, the plan results in economies and operating flexibility. We would recommend that State and Territorial health departments explore its possibilities for use in their organizations.

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