

cost actually underwritten by State funds. A "reimbursement plan" is prepared showing the percentage of each project which is to be charged to each Federal fund. Federal funds, as received, are deposited with the State treasurer in the public health Federal fund.

Fiscal operations proceed exactly the same as though all costs were funded exclusively by the State. Quarterly, there is filed with the State controller a copy of the expenditure report, with the reimbursement plan percentages applied to the various projects. With this statement as the authorization, the State controller transfers the required amounts from the public health Federal fund to the State general fund. The transfer is always the amount reported on the Federal quarterly report, so in one operation the fund transfer and the Federal quarterly report are prepared.

Since in California there are substantial State appropriations for most public health programs, matching funds are no problem in establishing appropriate reimbursement percentages.

Federal funds allotted to local public health departments are handled somewhat differently. A contract is written between the State health department and each local health department, under which the local health department is reimbursed for a percentage of the funds expended for salaries and wages. Claims under these contracts are filed directly against the public health Federal fund, and are split on a prearranged plan between specific Federal grant categories on separate allotment expenditure cards.

The plan in use in California has saved countless hours of special claim handling, and separate fund accounting, and so far as can be determined, is flexible enough to provide for any foreseeable contingency. In addition the plan emphasizes the "one program" concept, since program directors need not be concerned as to whether the cost of the program is being funded by State or Federal money. Only in those few projects funded exclusively by Federal funds is this element a matter of concern, and then only from the standpoint of the future outlook.

Through this accounting mechanism State funding is provided for all operations during the early months of a fiscal year, so no problem is created by late Federal remittances.

A Decentralized System Of Health Department Accounting in Tennessee

By HUGH B. HALLIBURTON

A STREAMLINED, decentralized budget system, which is a sharp departure from the previous method of deficits and detailed fund accounting at central office level, has been in operation in the Tennessee Department of Public Health since 1937, when the Reorganization Bill (Chapter 33, Public Acts of Tennessee, 1937) was passed.

The basis of the system is the establishment by the State budget director of a general fund from which quarterly allotments, based on legislative appropriations, are made to departments and agencies, each of which establishes an allotment account. In addition to the State allotment, this account includes estimated available Federal, local, and other funds. At the end of each quarter, the allotment for expendable receipts is adjusted by the State director of accounts, to agree with the amount collected and/or transferred from the special deposit accounts (trust fund accounts), as determined by the department or agency.

The amount of funds to be transferred to the health department allotment account from the deposit account is determined by a percentage distribution, based on the department's operating budgets. It is not necessary, however, to allocate the funds by percentages. Under Tennessee law, rules, and regulations, any desired method may be used to distribute the costs between funds so long as all other State and Federal regulations for handling public funds are complied with.

The health department's computations are

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made individually for each encumbrance and voucher, including salaries, travel, utilities, requisitions, and emergency purchases. This method involves increased detail work throughout the quarter, but work flow is even, and the time expended is more than offset by the time saved at the end of the quarter when reports must be made and specialized duties carried out.

The fact that, except for the four large counties—Davidson, Shelby, Knox, and Hamilton, all county appropriations for public health are disbursed by the State health department (which must keep a separate account for each county) is perhaps the chief obstacle to making one distribution of funds at the close of each quarter. A formula by which the State health officer could allocate public health funds direct to the counties, in the same way that allotments are made to State departments and agencies, might provide a solution to this difficulty.

Although Tennessee has found the individual voucher method satisfactory for making percentage distribution of funds, other methods, such as distribution by total quarterly budget expenditures or by a combination of this method with the individual voucher method, might prove more effective in other organizations.

Advantages of Single Account

No expenditure accounts other than the general allotment account are needed in the central accounting office when the single clearing account system is used. Expenditures for salaries and other items are reflected only for the total expenditure, and no breakdown of fund expenditures by object is required. The number of operating accounts necessary for complete accounting is reduced sharply, and funds may be commingled without issuing a separate disbursement voucher for each fund.

The greatest advantage of the single-account system is the flexibility afforded in utilization of funds. The control on line items and fund expenditures necessarily imposed by centralized State accounting, which requires a uniform accounting and reporting system, is often too rigid for proper functioning of a State health department. Centralized accounting places at least some limitation on the organizational setup of the accounting office and on the scope of financial data available for departmental use, whereas the decentralized system makes it possible to organize the health department accounting office so that fiscal information is readily available to program directors and to the department head.

However, if such a system is to work satisfactorily, responsibility must go hand-in-hand with flexibility. Any relaxation of controls by the State budget director and/or the State director of accounts presupposes assumption of increased responsibility by the department or agency, and failure to assume and to discharge satisfactorily this responsibility must result in tightened regulations. Fortunately, these apply only to the department or agency which fails to assume its responsibility.

To recapitulate, the following specific advantages, in ascending order of importance, are apparent in a decentralized accounting system for State governmental departments and agencies, such as the one described:

1. At central accounting level, elimination of the necessity for multiple expenditure accounts.
2. At department accounting level, reduction of the number of operating accounts.
3. Commingling of funds without issuance of separate vouchers for each fund involved in an expenditure.
4. Flexibility in utilization of funds.

