A PROPOSED
BUDGETARY ACCOUNTING
PROCEDURES MANUAL
FOR
THE REPUBLIC OF VIETNAM

MICHIGAN STATE UNIVERSITY
Vietnam Advisory Group

September, 1957
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BUDGETARY ACCOUNTING PROCEDURES MANUAL
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SEPTEMBER, 1957
This proposed procedures manual for budgetary accounting was prepared at the request and for the use of the Direction General of Budget and Foreign Aid by Mr. John Q. Adamson, Accounting Consultant on the staff of the Michigan State University Vietnam Advisory Group. In the preparation of this material Mr. Adamson spent three months in the Obligation Control Service of the Vietnamese Government, working in close cooperation with staff members of that agency. His research was performed under the general supervision of Mr. Marvin H. Murphy, Budget Specialist of the Michigan State University staff.

It was originally planned to issue this report in the form of a loose-leaf procedures manual. Subsequently, however, it was decided that the material would have greater utility if it were bound. It is hoped that this book will become a reference guide, to be used by the Vietnamese Government in modifying and modernizing budgetary accounting procedures.

Those who are interested in existing 1957 Vietnamese Government budgetary accounting procedures should find the comparative flow chart and narrative description of present procedures (Exhibit I) useful.

Wesley R. Fishel
Chief Advisor
December, 1957
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A. INTRODUCTION

Since this writing is intended as a description of procedures for budgetary control accounting, its form will be that of a loose-leaf procedures manual rather than of a report. A procedures manual, to be practical and effective, must not be merely a description of current practice as it exists, but rather it should assume leadership and point out the way to be followed for more efficient and economical operations. Supervision at various levels should constantly strive to direct actual practice so that it will conform with procedures as set forth in the procedures manual. If circumstances exist at the outset or at any time which prevent conformity with the procedures as outlined in the manual, then those in authority should work towards correcting the circumstances if, after careful examination and review, the procedures are found to be sound and proper.

Likewise a procedures manual, to be practical and effective, should be subject to revision from time to time as new ideas develop and better ways of performance present themselves. All personnel concerned should be encouraged to present their ideas and inventions as such thoughts occur to them for improvement of any and all procedures. Such suggestions should be made to the Organization and Methods Group, which after careful analysis of their practical application, should prepare a write-up thereof and present it for the Director's approval before incorporating it into the procedures manual. At the time of incorporation it
is important that all personnel be informed and instructed. The best way to do this is by making the revised or supplementary procedures manual sheets promptly available to them. When necessary, the written instructions should be supplemented with personal instruction as well.

The first writing of the procedures manual is naturally on a tentative basis. Doubtless some unnecessary detail is included while, on the other hand, certain matters deemed essential by some are inadvertently omitted. Consequently, frequent revision and supplementation is anticipated and expected in the early stages of its formation.

One of the problems already encountered is that of terminology. For example, how should major sections of government be referred to in general? As a matter of expediency the term department has been used, not as a specific but simply descriptive. The same can be said in adoption of the term central accounting direction to describe a unit of government that perhaps does not now exist in the Viêt-Nam Republic. As established in the Viêt-Nam Republic, this direction would operate as a unit in the Direction General of the Budget and Foreign Aid, surplanting the present direction of control of "Expenses engagées" and expanding its functions.

Likewise, the ordonnateur is assumed to be the department head or his delegated representative. The liquidator is assumed to be the departmental accountant or chief accountant. Thus it is pointed out that terms are intended in a descriptive sense and not as specifics. Converting terms to specifics will doubtless be some
of the early revisions called for in this procedures manual.

Although the procedures herein outlined advocate the use of a central accounting direction (service) for the final clearance and ultimate control of all expenditures, for the assembling and recording of all governmental financial activity in one central location, for one overall supervising and directing authority for all accounting procedures in the interest of adequacy, uniformity, and standardization, and finally for the maintenance of a strong organization to serve as a check and balance against the treasury's handling of funds in and out, nevertheless it is recognized that a central accounting direction, at least to the extent advocated herein, is not mandatory. It is possible to adopt an alternative system which would minimize the functions of the central accounting direction and leave the control of expenditures in accordance with allotments and appropriations entirely under the unqualified jurisdiction of the individual departments. The strong argument for the alternative system is that it eliminates a certain amount of duplication and facilitates payments in the hinterlands. It should be recognized that certain conditions must exist in order to insure an adequate and satisfactory decentralized accounting system. When a department has unqualified jurisdiction over expenditures, it becomes almost imperative to rely on an independent post-audit agency to achieve fiscal control and to insure that expenditures have been made in accord with the budget authorization. This system also requires an effective delegation, and acceptance,
of financial responsibility at the department level, and a satisfactory level of accounting skills within the departments to insure uniformity in procedures and reporting. If, at any time, this alternative system is adopted, this manual can be readily revised to conform to this alternative.

It is the responsibility of the budget direction to see through to conclusion the adoption of a complete and workable annual expenditure appropriation as set forth in the budget document. Consequently, it is at that point where budgetary accounting begins.
B. BUDGETARY CONTROL REGISTER

The budgetary control register is maintained in both the central accounting direction and each department or ministry concerned. This should be a loose-leaf book for flexibility, the same sheet form being used in the departments as is used in the central accounting direction, which results in printing economy and the advantage of standardization. In both places a separate sheet is headed up for each account by code number and name or description according to the budget account classification. In other words, the identity of the obligation, expenditure, etc., will be no longer by budget chapter and title but by the new budget account classification.

The particular layout of the form can vary as long as certain essential data is arranged for in convenient sequence. An example of the form is illustrated in all good, recent textbooks on governmental accounting1/.

Following this pattern is the State of Michigan "Budgetary Control" Form A-54 which provides a satisfactory arrangement2/. Columns 6, 7, 8, and 9 could be eliminated. However they might be left for:

a. Separate control of Caisse de Regie expenditures, or
b. When the Viet-Nam Republic installs a central purchasing office.

1/ See Mikesell, "Governmental Accounting", P. 136 (Homeward, Illinois, Richard D. Irwin, Inc., 1956). Also see Exhibit IV.
2/ See Exhibit III and accompanying explanatory text in this manual.
1. **Central Accounting Direction**

The central accounting direction need carry only as much detail in the budgetary control register as is contained in the official budget document itself. This arrangement contemplates that the breakdown in the budget document would go no lower than the four or five major groups of objects of expenditure. More detail would unnecessarily burden the process of high level review and approval. The broader presentation would allow emphasis on the program concept of budget accomplishment.

It is anticipated that the various units of the Government will prepare their budget requests, which are submitted to the budget direction, by object code, but such fine detail should be omitted from the budget document presented to the National Assembly.

If this is done, then the central accounting direction would set up its budgetary control register sheets, likewise, by the four or five major groups of objects of expenditure for each unit of the Government.

To illustrate, an example of the budget document accounts might be as follows:

```
SOCIAL DEVELOPMENT
   Education
      (function)
      (sub-function)
Department at the Presidency
      (department)
National Institute of Administration
   Academic Instruction
      (budget administrative unit)
      (program)
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```
(a) Civilian employee compensation $3,578,000
(b) Contractual services, Supplies and Materials $2,029,000
(c) Current Transfers
   Scholarships and Educational Allowances $500,000
   Total Current Operating Expenditures $6,107,000
(d) Equipment $550,000
   Total Capital Expenditures $550,000
   Grand Total for Program $6,657,000

Items designated a, b, c, and d would be recorded as accounts in the budgetary control register of the central accounting direction.
2. **Department**

Each department would set up a budgetary control sheet for each object code. Summary sheets would also be set up according to major groups of objects of expenditure in order that an immediate comparison can be made between the departmental budgetary control register and the central accounting budgetary control register. The idea is that the department is given the responsibility of control of its own detail. The department needs the detail for management control of its operations. This is as it should be. The central accounting direction is concerned only with seeing that expenditures are in conformity with the appropriations set forth in the budget document.

An alternative procedure would have each department set up budgetary control sheets only for major groups of objects codes, that is, for the following as they apply:

**CURRENT OPERATING EXPENDITURES**

1. Civilian Employee Compensations  
   (or Pay and Allowances of the Armed Forces)  
2. Contractual Services, Supplies and Materials  
3. Payments of Interest  
4. Reimbursement  
5. Current Transfers  

**CAPITAL EXPENDITURES**

6. Machinery and Equipment  
7. New Construction and Improvements  
8. Purchase of Lands and Other Existing Assets  
9. Capital Transfers  

The central accounting direction would then have the responsibility for recording expenditures by detailed object code.

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The detail by object codes could be punched on cards, sorted into object codes by department, and tabulated on accounting machines to furnish statistical statements to each department of its expenditures by object codes.
C. Budget Document

The budget document, as finally approved, or the legislative bill which enacts the appropriations in detail, becomes the authority for posting, or entry of, the amount of the specific appropriation for the particular fiscal year in the budgetary control register. It should be the duty of the budget direction to notify each department of the amount of its appropriation by written notice. This can be by form letter with the particular section of the budget document, or legislative bill, attached. The present form of the budget document should be, and is being, revised according to the new account classifications.

1. Central Accounting Direction

The central accounting direction promptly posts or enters the appropriated amount for each department according to the account headings on the sheets, or pages, in the budgetary control register. The figure is entered for each account in the special column provided for "Appropriation" (budget credit).

2. Department

Likewise each department promptly posts, or enters, the appropriated amounts for its particular budget accounts according to the applicable account headings on the pages in its budgetary control register in the special "Appropriation" column provided.
D. ALLOTMENT SCHEDULE

Allotment is the process of estimating the spread of appropriation expenditures over the entire fiscal year by months and/or quarters and scheduling the appropriation (budget credit) accordingly. The purpose of this is to conserve the appropriation to assure its availability over the entire period to which the appropriation applies. This is to avoid loss of the entire year's perspective and to prevent the early exhaustion of the appropriation to the detriment of operations later in the year. It is protection against the department's over-enthusiasm to spend its credit for an account too soon and thus be embarrassed and ineffective due to unavailable credit for finishing certain aspects of its year's operations.

Under present procedures, the payroll for the entire year is encumbered or obligated at the start of the year although the allotment therefor is made on a quarterly basis. This results in an apparent over-expenditure immediately which is a distortion and is unsatisfactory from the standpoint of control. The argument is made that this applies to permanent employees and, therefore, an obligation is created for the entire year. On the other hand, the same philosophy could be applied to certain other materials and services but it is not. Also there actually is no obligation to pay until the work has been performed. Therefore, the allotment for personnel should be encumbered as payrolls are submitted.

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As an alternative, encumbrances could be made to match the allotment. That is, when the quarterly allotment is made, the payroll for that quarter could be entered as an encumbrance against it. This will provide a more realistic comparison and a truer picture of the situation from an obligation of expenditure control standpoint.

A second purpose of an allotment system is to prevent governmental deficits by establishing procedures whereby an agency's budget appropriations may be reduced when the actual revenue collections during the fiscal year are less than the estimated revenues used as a basis for determining the appropriations.

Quarterly allotments are now made by the budget direction according to the receipt of revenue and the budget direction should retain this power to reduce allotments when estimated revenues fail to materialize. However, the budget direction should be very cautious in exercising this authority. It should be assumed at the beginning of the fiscal year that funds will be available to cover the appropriations, and allotment schedules should be prepared on that basis. Only after five or six months' experience clearly indicates that actual revenues are falling below estimated revenues should procedures be started to reduce allotments. A more satisfactory solution to this problem is to develop better and more accurate revenue estimates, so that only under unusual circumstances will allotments have to be reduced for this reason.

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1. **Budget Direction**

The budget direction issues the "Requests for Allotments" forms to the various departments with instructions on the preparation and submission of the forms. The forms are designed to facilitate the spread of the appropriations throughout the year by months as accurately as possible. Payroll figures can be spread perhaps more accurately than others. On materials, contractual services, etc., estimates must be relied upon and here experience and prior records are helpful.

The "Request for Allotments" become formal allotments when approved by the budget direction and the respective departments are so notified. If, after review, the budget direction examiner thinks the request should be revised, he discusses this with the particular department's representative, explaining the reason, and together they come to an agreement or compromise. The "Request for Allotments" is prepared once a year in as many copies as necessary, including copies for the budget direction, the central accounting direction, the department. All copies are first sent to the budget direction, the department retaining one for record which could be the penciled work copy. The budget direction distributes the copies after approval.

The budget direction furnishes "Request for Allotment Transfer" forms to each department for its use in making such requests from one period to another as circumstances justify. No books of record are kept in the budget direction. Copies of forms are filed by department.
2. **Central Accounting Direction**

   Upon receipt of the approved allotment schedules, the central accounting direction posts, or enters, the respective allotments in the budgetary control register, according to department and account classification, in the special column provided. Any allotment transfers approved are entered in the same column when written notice thereof is received.

   At the beginning of each quarter the respective quarterly allotment is entered in the designated column in the budgetary control register.

3. **Department**

   The departments make the same entries for allotments as the central accounting direction in the budgetary control register. The departments, however, will post the allotment amounts according to the analysis in which the budgetary control register is set up, that is, either by object code or by major groups of object codes. The latter alternative would be followed if central accounting furnishes the departments monthly tabulated statistical statements by object codes.

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E. PURCHASE ORDER

Until a central purchasing department is established, it is assumed that each department will issue its own purchase orders. This should be the responsibility of a certain person or office (depending on volume of activity). Each section head, division head, or director, who has a budget authorization to administer, would make his wishes known by means of a "Purchase Requisition" form which he issues to the departmental purchaser or purchase office. Those authorized to issue and sign "Purchase Requisitions" are designated in writing by the ordonnateur with a copy to the purchase office. Here authorized signature cards can be used as explained in Section I below. The "Purchase Requisition" differs from the "Purchase Order" in that the former is an order to the purchase office while the latter is an order to the trader, or vendor. This process provides a centralization and thus a control of all purchasing by the head of the department. The "Purchase Requisition" shows the account number, according to the budget account classification, and this account number is then shown on the "Purchase Order".

It must be emphasized that the purchase office is not to delay or hold up issuance of the purchase order. As soon as the requisition is received, the purchase order should be prepared immediately, provided all purchase procedure requirements are complied with, such as obtaining the proper number of quotations, the calling for bids, etc.

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The "Purchase Requisition" is prepared in three copies:

- Copy No. 1 for the purchase office
- Copy No. 2 for the liquidator
- Copy No. 3 for the issuing office

The "Purchase Order" is prepared in six copies:

- Copy No. 1 for the trader or vendor
- Copy No. 2 for the purchase office
- Copy No. 3 for the liquidator
- Copy No. 4 for the central accounting direction
- Copy No. 5 for the issuing office
- Copy No. 6 for the purchase office

After the "Purchase Order" is typed, copies 5 and 6 are removed. No. 5 is forwarded to the requesting office as notice that the "Purchase Order" has been prepared. No. 6 is filed numerically in the purchase office with the original requisition attached. The other four copies are sent to the ordonnateur who approves copies 1, 2, and 3, then forwards all four copies to the central accounting direction.

When the three visaed copies are received by the purchase office back from the central accounting direction (central accounting keeps copy 4) the 6th copy and the "Purchase Requisition" are compared with the original, and changes noted, if any. The 6th copy is filed alphabetically according to vendor's name. The original and 2nd copy are sent to the vendor, the 3rd to the liquidator. The vendor signs the 2nd copy of the "Purchase Order", signifying his acceptance of the order and agreement to abide by its terms, and returns it to the purchase office where it is filed numerically to provide a cross reference.
Each department will number its own purchase orders consecutively beginning with number one. To distinguish between the different numerical series, each department will use a prefix which will be the two-digit department code in the budget account classification, separated from the serial sequence by a dash, such as, 10-1, 10-2, 10-3, etc.

1. **Central Accounting Direction**

Upon receipt of the "Purchase Order", it is registered as an encumbrance (obligation) in the budgetary control register according to account number, the amount of money being posted in the column headed "Encumbrance" (or "obligation"). Before entering, the accountant (or special employee assigned) pre-audits the "Purchase Order" for:

a. Mathematical accuracy.

b. Adequacy of unencumbered allotment balance or budget credit, proper account number.

c. Nature of contemplated expenditure in keeping with appropriation intent.

In the event any of these three are negative, the "Purchase Order" is attached to a printed transmittal slip on which the reason for rejection is checked (X), and returned to the liquidator who will arrange to have the necessary rectification made. In such case, central accounting makes no entry in the budgetary control register.

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If the "Purchase Order" is found to be proper, it is registered by entering the pertinent information in the budgetary control register and bringing down a new balance in the "Uncumbered Allotment Balance" column.

The four copies are then visaed, the fourth is filed, the first, second, and third copies are returned to the purchase office.
2. **Department**

The issuing office sends the "Purchase Requisition" in duplicate to the purchase office. The purchase office prices both copies and passes them to the liquidator. The liquidator enters the proper budget account classification code number on both copies. He records the obligation as an encumbrance in the budgetary control register, ascertaining that the allotment balance is sufficient to absorb the proposed expenditure. The liquidator then visas both copies, returns the original to the purchase office and files the duplicate copy by issuing office.

Upon receipt of Copy No. 3 of the "Purchase Order" which has been vised by the central accounting direction, the liquidator compares it with his copy of the "Purchase Requisition", and its entry in the budgetary control register, and makes any supplemental posting required to bring the original posting into agreement with the "Purchase Order". He also amends the "Purchase Requisition" to bring it into agreement with the "Purchase Order", including notation of the purchase order number. He files the "Purchase Order" by number and the "Purchase Requisition" by issuing office.

It will be pointed out that the department encumbers the requisition while central accounting only encumbers the order. This is to save central accounting some unnecessary detail because a fourth copy of the requisition could be made and sent

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to central accounting for encumbering. It is believed, however, that the omission of this step in no way weakens central accounting control because from central accounting's standpoint no obligation is incurred until it visas the "Purchase Order".
F. INVOICE - VOUCHER

This is a combined invoice and voucher prepared by the trader or vendor (or by the department and sent to the vendor for certification signature) on the standard form furnished by the Viet-Nam Republic. The cost of furnishing the forms is more than offset by the processing time saved with the use of a standard form. Since it is a combined invoice-voucher, designated spaces are provided for all accounting and budgetary control purposes, as well as for the pre-audit processes.

The "Invoice-Voucher" comes in sextuplet, that is, six copies to each set, which are distributed as follows:

Copy No. 1 for treasury, after visa by central accounting direction.

Copy No. 2 for central accounting direction.

Copy No. 3 for vendor with remittance (cheque)

Copy No. 4 for liquidator, at time payment is made, completed as to date of payment, check number, etc.

Copy No. 5 for liquidator, at the start.

Copy No. 6 for vendor, retained for record at time invoice-voucher is prepared.

Conforming to present practice, the approval signature of the ordonnateur is provided for on the "Invoice-Voucher". It is recommended, however, that this duty be delegated, say to the liquidator, in order that the ordonnateur will have more time available for administration of his department as well as for other problems of state.

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1. Central Accounting Direction

If the "Invoice-Voucher" is received from the department, there will only be the four copies, Copy 6 having been retained by the vendor, Copy 5 by the department. Copy 1 will have been approved by the ordonnateur.

A voucher number is assigned by central accounting from the register established for this purpose, and the number is entered on all four copies. For applying serial numbers to forms in quantity, a small, mechanical, hand-numbering machine, such as a "Bates", is highly recommended. Such a machine automatically changes number after the set designated impressions have been made.

If the "Invoice-Voucher" is received by central accounting from the vendor, Copies 1 and 5 are sent to the liquidator. No. 1 will be approved by the ordonnateur and returned to the central accounting direction, No. 5 will be retained for departmental record. For departmental control purposes, the liquidator will assign a departmental consecutive voucher number to the No. 5 copy because the numbers assigned by the central accounting direction will not run consecutively for individual departments.

At the central accounting direction the "Invoice-Voucher" is matched with the copy of the corresponding "Purchase Order" on file and partial pre-audit is performed as follows:

a. Compt. - Verification of mathematical accuracy. Since this was done for the "Purchase Order", mental comparison of figures would suffice unless a double check is desired.
b. Checked - Items and specifications on "Invoice-Voucher" are compared with those on "Purchase Order."

c. Audited - This is partially done by auditing the accounting distribution of the total amount (in money) by cost classification or object code.

It may be found more practical to defer any of the pre-audit processing until the "Receiving Report" arrives so that all three essential documents: "Purchase Order", "Invoice-Voucher", and "Receiving Report" are on hand to complete the pre-audit in one continuous operation. Although these three steps in the pre-audit process can be performed by the same employee, the better practice is to have one employee verify the mathematical accuracy, another employee to do the checking, still a third employee to audit for accounting distribution and overall review. Each person thus becomes adept at his particular function, initials the document after completion, and passes it along quickly to the employee performing the next function.
2. Department

The liquidator has the responsibility of seeing that the vendor promptly submits an "Invoice-Voucher", even to the extent of preparing it himself, if necessary (from the vendor's own invoice), and submitting it to the vendor for certification. Only the No. 1 copy is certified by the vendor.

Should the vendor send the "Invoice-Voucher" to the central accounting direction, the liquidator receives the No. 1 and No. 5 copies from there.

In either case the liquidator matches the "Invoice-Voucher" with his No. 3 copy of the "Purchase Order" which he has on file, obtains approval of the ordonnateur on copy No. 1 of the "Invoice-Voucher", then passes it on to the central accounting direction, either alone or with copies No. 2, No. 3, and No. 4, if he has them.

In the budgetary control register, the liquidator liquidates the encumbrance of the "Purchase Requisition" as adjusted to the "Purchase Order" if so required, and enters the "Invoice-Voucher" as an expenditure. This last operation is deferred until actual notice of payment is received by the arrival of the No. 4 copy of the "Invoice-Voucher" with evidence of payment thereon.

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3. **Special Vouchers**

Special voucher forms can be designed and made use of to meet specific demands where the general "Invoice-Voucher" does not seem to fit too well. Too much specialization is not advised, however, particularly at first. With the proper detailed attachments the "Invoice-Voucher" can be adapted to all payments without too much strain. Special voucher forms which might be considered for specific uses include:

- Payroll Voucher
- Employee Expense Voucher
- Imprest Cash Voucher
- Freight Voucher

These are vouchers, of course, which do not require purchase orders nor receiving reports. The supporting schedules attached, however, must be certified and approved. For example, in the case of a "Pay Roll Voucher", the payroll itself must be attached and certified to by the accountant responsible for its preparation, visaed by civil service, perhaps, and approved by the ordonnateur.

Likewise for an "Employee Expense Voucher", specific details as to expenditures are required to be shown and certified to by the employee, authorized by his immediate or intermediate supervisor, visaed by the liquidator, and approved by the ordonnateur.

The "Imprest Cash Voucher" must not only carry a listing of all cash disbursements, but each amount listed must be supported by an "Imprest Cash Receipt" bearing the signature of the
payee as well as a detailed description of the object and purpose. In addition, the "Imprest Cash Voucher" must be visaed by the liquidator and approved by the ordonnateur before it is sent to central accounting.

The recommendation for attaching copies of the receipts to the voucher raises the objection that too much clerical effort would be spent in the pre-audit of such petty expenditures and would thus serve to partially cancel out some of the advantages gained through the use of an imprest cash fund for small payments. Perhaps after a post-audit procedure is well established, the receipts should be retained in the issuing office for the inspector's scrutiny, rather than be attached to the original voucher which goes to treasury.

For all of the special-purpose vouchers, regardless of form used, the liquidator makes entry in the department budgetary control register to encumber the allotment (budget credit) as soon as it is first received. There will be an exception for the "Pay Roll Voucher" if pay rolls are encumbered quarterly in advance.

Recurring Expenditures, which require no "Purchase Requisition" but relate to a service that is furnished on a continuing basis, can be processed in different ways. Such expenditures would include those for telephone, telegraph, water, electricity, garbage collection, and other items that could be included in a broad, general class. In connection with the rendering of such services, the user is usually required to sign a contract, no matter how simple or informal. A copy of such contract should be retained by the liquidator and central accounting. Particularly those named are sometimes referred to as compulsory expenditures. The responsibility for originating these periodic expenditures rests with the liquidator of each department.

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Such expenditures could be processed for payment by any one of the following means.

1. By using the regular "Invoice-Voucher".
2. By using a special voucher form, one entitled, say, "Contractual Service Voucher".
3. By using imprest cash funds.

Both the liquidator and central accounting must necessarily be alert to the fact that each of these would be primary obligation documents as distinguished from material purchase vouchers which have been previously encumbered through the preceding "Purchase Requisitions" or "Purchase Orders". Imprest cash fund payments are processed on an "Imprest Cash Voucher" anyway which is by nature a primary obligation document. An experienced recordkeeper quickly becomes aware of these differences and recognizes them with no trouble. The liquidator will arrange for proper entries to be made in the budgetary control register as soon as these vouchers originate or arrive in his office. The register should be checked for each voucher to ascertain whether or not the expenditure has been previously encumbered and for what amount. This procedure is followed in central accounting as well as in the office of the liquidator.

The "Invoice-Voucher" would be adequate for processing the payment of such expenditures. The main objection would be that the "Invoice-Voucher" should always be supported by a "Purchase Order" and a "Receiving Report" and introducing exceptions.
violates this rule and thus tends to weaken control. If exceptions are made, these expenditures not entitled to such exception might slip by, or troublesome attempts will be made by some employees to slip them by.

On the affirmative side it could be stated that the very nature of the expenditures would indicate that neither a "Purchase Order" nor a "Receiving Report" would be required for these recurring expenditures, consequently there would be no problem. It was not intended that the "Invoice-Voucher" is to be used exclusively for material payments but for payments of both material and services. In most cases, however, it would be better to accept the utility billing on the companies' regular billing forms, attaching these to the voucher, using the voucher as a summary or recapitulation statement for the attached bills. Then the question arises as to whether time would be available for the sending of the voucher back to the utility for signature.

A little patient education might prevail upon the utility offices to prepare the "Invoice-Voucher" each month in recapitulation form and submit it signed with the supporting bills attached. That course would seem to present a rather ideal solution. It would be desirable to have two sets of the bills for attachment. One set would be attached to the original of the voucher which is filed in the treasury, while a second or duplicate set would be attached to Copy 5 of the voucher which the liquidator retains. The bills would be visaed by the liquidator 11-1-57
while the voucher would be approved by the ordonnateur or his
delegate. The liquidator should make an earnest effort to in-
clude all the bills from the same company for the same billing
period on one voucher. The only exception would be the bills
for services furnished free by the Government to the homes of
certain employees. It would be a good idea to prepare a sep-

erate voucher for these.

The "Contractual Service Voucher" would be processed the
same as explained above for the "Invoice-Voucher" but it would
mean another special purpose form. About the only difference
would be in name to indicate that no "Purchase Order" nor a
"Receiving Report" is required. Although seeming to simplify
matters in that respect, it creates at the same time the com-
plication of employees (and vendors, too, perhaps) having to
decide when to use the "Invoice-Voucher" and when to use the
"Contractual Service Voucher". The different form title would
have this definite advantage. It would be a signal to both
liquidator and central accounting that this was a primary obliga-
tion document not previously encumbered.

Imprest Cash Funds are often used for recurring expenditures,
such as utility bills, post office box rental, etc. It might be
of sufficient interest to mention that the various departments
in the State of Michigan process such expenditures through either
an imprest cash fund or an imprest fund bank account. For the
latter an "Imprest Cash Purchase Order" form which is a combina-

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tion purchase order, vendor's invoice, and receiving report is used in combination with an imprest cash cheque. One reason for handling payments through an imprest cash fund or imprest fund bank account is that in America utility companies often charge a penalty to users of service who fail to pay their bills within a relatively short time, usually 10 days.

For outlying offices in Viet-Nam which are furnished recurring services, local utility and otherwise, it seems that expediency would demand payment out of an imprest cash fund. If the utility operates on a National scale, then bills for services rendered to outlying offices could be included on the same departmental voucher as the bills for services in Saigon.

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G. RECEIVING REPORT

The "Receiving Report" will be prepared by the liquidator of the department concerned from the tally sheet of the receiving clerk or storekeeper. The four copies in the set are distributed as follows:

Copy No. 1 for the treasury - sent by central accounting direction with "Invoice-Voucher".

Copy No. 2 for the central accounting direction.

Copy No. 3 for the purchasing office.

Copy No. 4 for the liquidator

The storekeeper or receiving clerk certifies all four copies. The ordonnateur approves copy 1, authorizing payment of vouchers covering the items listed, returns it to the liquidator who sends copies 1 and 2 to the central accounting direction, copy 3 to the purchase office.

1. Central Accounting Direction

Upon receipt of the No. 1 and No. 2 copies of the "Receiving Report", the central accounting direction is prepared to complete its pre-audit of the "Invoice-Voucher". The "Receiving Report" is matched with the corresponding "Invoice-Voucher" and "Purchase Order" for completion of the pre-audit which is carried out as outlined under Section F (p.F-1) above with the additional process of checking and comparing the items on the "Receiving Report" with those on the "Invoice-Voucher".

2. Department

The purchasing office and liquidator file their copies of the "Receiving Report" with their copies of the "Purchase Order".

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H. DISBURSEMENTS

The subject of disbursement procedures actually pertains to the treasury and is somewhat beyond the realm of budgetary control accounting. Nevertheless, the central accounting direction is involved to quite an extent. So, to round out the cycle, a brief description of procedures advocated for the payment process is outlined in this section.
1. **Treasury and Central Accounting Direction**

   After completion of pre-audit, central accounting transmits copies 1, 2, and 3 of the voucher and copy 1 of the "Receiving Report" (when applicable), to the treasury for completion of payment.

   The treasury compares all the documents for agreement as to detail and then visas the three copies of the voucher. At this time, if there is any opposition to payment on file, a "Deduction Order" shall be prepared and joined with the voucher. The number of the voucher will be entered on the "Deduction Order." (Consideration should be given to the preparation of the "Deduction Order" in advance so there will be no delay in payment of the voucher when it reaches the treasury.) The net amount of the voucher is entered on the "Deduction Order" and the amount of the deduction is subtracted to obtain the net amount to be paid. Six copies of the "Deduction Order" are prepared:

   Copy No. 1 for the payee
   " " 2 " " central accounting direction
   " " 3 " " treasury
   " " 4 " " central accounting direction
   " " 5 " " treasury
   " " 6 " " creditor

   The last three copies are titled "Transmittal of Collection for Benefit of Creditor." The amount of the voucher is not shown on these copies. They are held until payment is completed of the voucher against which the deduction was made. Then a warrant or cheque is prepared in favor of the creditor

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for the amount of the deduction (less taxes and charges, if any), and sent to him by the treasury with Copy 6 of the "Transmittal of Collection for Benefit of Creditor". All three copies, 4, 5, and 6, are validated by the treasury and show date and number of warrant or cheque number. In case of attachment in which the court decision is still pending, the amount of the deduction order will be transferred to the bureau of consignment. When the court has made its decision, the full amount will be transferred back to National Budget Funds and the appropriate warrant(s) or cheque(s) will be issued in accordance with the court decision. In this case, copies 4, 5, and 6 will be held until final payment is made.

But returning to the payment of the voucher, the treasury prepares the warrant or cheque for the net amount to be paid. The checks could be prenumbered and released to the treasury in controlled batches by central accounting. If central accounting is informed in advance of the amount of the "Deduction Order", central accounting could prepare the check and present it for treasury signature along with the voucher. The warrant or cheque number is entered on all three copies of the voucher. In the treasury the voucher is validated for its full amount and the "Deduction Order", if any, is given a contra-validation for its amount, so that the difference between the validation and the contra-validation will equal the amount of the warrant or cheque.

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Copy 3 of the voucher, and Copy 1 of the "Deduction Order", if any, are sent with the warrant or cheque to the vendor. Copy 2 of the voucher and Copy 2 of the "Deduction Order" are sent to central accounting. Copy 1 of the voucher and Copy 3 of the "Deduction Order" are filed in the treasury.

Central accounting compares Copies 2 and 4 of the voucher, enters the warrant or cheque number and date of validation on Copy 4, then sends it to the liquidator. Central accounting posts from its validated No. 2 copy of the voucher to the budgetary control register, liquidating the "Purchase Order" encumbrance, recording the expenditure by voucher number and amount of payment. The difference, if any, cash discount or trade-in allowance for example, is reflected in the "Unencumbered Allotment Balance" column. If there is a "Deduction Order", the amount thereof is entered in favor of the third party in the special journal and in the accounts payable subsidiary ledger. Copy 2 of the voucher is then filed numerically by central accounting voucher number.

When copy 4 of the "Transmittal of Collection for Benefit of Creditor" is received, central accounting makes entry in special journal and in the accounts payable subsidiary ledger.

Instead of handling "Invoice-Vouchers" and other vouchers individually between central accounting and the treasury, it will probably be advantageous to use a voucher transmittal form, prepared in duplicate, on which the vouchers are listed and to
which they are attached. Many of these forms will be prepared daily by central accounting and sent to the treasury as promptly as completed. For example, if 400 vouchers are processed in a day and 20 vouchers can be listed on one transmittal form, then there will be 20 transmittals for that day. The advantage is in being able to control vouchers in registered batches rather than as individual documents.

In addition to columns for identifying the vouchers by name of payee, voucher number, account classification number and amount, there is a column for the warrant or cheque number. It would be advisable to have three amount columns, one for the voucher, one for the "Deduction Order", one for net. It may be necessary to omit the account classification number to provide space. The warrant or cheque numbers would be entered by the treasury on both copies of the voucher transmittal, then one copy of the voucher transmittal is returned to central accounting along with the validated copies of the vouchers. Each voucher transmittal would be consecutively numbered and dated for ready accountability and identification and would serve as a batch sheet for accounting entry purposes.
2. Alternative Procedures

The procedure could be simplified by making provision for the subtraction of the amount of the "Deduction Order" on the face of the voucher. If this practice is preferred, then Copy 2 of the "Deduction Order" should be sent in advance to central accounting in order that the subtraction could be made by central accounting and the credit account number entered. Under this practice there need be no change in the processing of the payment to the creditor, the "Transmittal of Collection for Benefit of Creditor". This alternative procedure would permit central accounting to prepare the warrants or cheques and submit them attached to the voucher for treasury signature.

In some cases the "Deduction Order" will be in favor of the National Government rather than a third party. Then there will be no processing of the "Transmittal of Collection for Benefit of Creditor". Rather than accounts payable, central accounting will credit the particular account affected. A "Deduction Order" in favor of a governmental unit other than the National Government, such as a province, city, etc., should be processed the same as for private third parties. In the event, however, that such unit is in debt to the National Government, the account recording the indebtedness would be credited rather than a reimbursement payment made.

If the procedure is followed as recommended by Mr. Shepard (see p.88, "Report on the Budget Process in the Government 11-1-57"
of Viet-Nam", dated August, 1956) of placing the burden of the "Deduction Order" on the department concerned, rather than on the treasury, then the subtraction and the account classification number would be entered by the liquidator at still an earlier step in the processing of the voucher.

It can readily be seen, however, that at best the processing of a claim by use of an offsetting deduction is awkward and cumbersome. A much simpler and cleaner way would be for the treasury to notify the intended payee that a warrant or cheque in a stated amount is being prepared to his order, that a legal claim in a stated amount has been filed against it, that as soon as the intended payee will make payment of the claim to the treasury, the treasury will make haste to deliver said warrant or cheque. This last alternative is strongly recommended. Upon receipt of the amount of the claim, the treasury would prepare a "Non-Revenue Receipt Voucher", with a copy to central accounting. Central accounting would then originate a voucher authorizing payment in case claimant was a third party.
3. Warrants vs. Cheques

It will be noted that throughout the manual no reference has been made to the use of the "Mandat" or "Bon de Caisse". The payment medium has always been referred to as a warrant or cheque. The use of a "Bon de Caisse" is not recommended because it is a cumbersome, unwieldy document unsuited for the purpose of facilitating payment. It is advocated that the use of these documents be promptly discontinued in favor of either a warrant or a cheque as the paying medium. Either a cheque or a warrant is negotiable by endorsement. It is a simple, much smaller document that facilitates its handling at all times.

The difference between a warrant and a cheque is that the warrant is an order on the issuer (the National Government) to make payment (like a draft) while a cheque is an order on a bank to make payment for the drawer's (the National Government) account. In the first case the treasury makes the payment and in the second case a bank makes payment from funds deposited there by the treasury. In that respect the warrant is like a "Bon de Caisse" but in that respect only. The freedom of circulation of a warrant should in time, though not at the outset, be about equal to that of a cheque. As a matter of fact, the warrant can be directed for payment to a certain banking institution similar to a draft, by printing the name of the bank that will honor the warrant on the face of the warrant. In such a case, however, the document then technically becomes a draft rather than a warrant.

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Of the two, the first preference is for a bank cheque, to be used as the liquidating medium for National Government obligations.

The advantage in the use of a bank cheque is broadly two-fold:

1. Convenience, expediency, and added safety. The actual paying is turned over to the Country's banking system which, as a general rule, is better equipped and organized for this purpose. Money is not so easily misappropriated after it has been deposited in a bank.

2. It will encourage the use, hence the development, of the Country's banking system. The development of the banking system will in turn foster and promote commercial enterprise, due to the facility of making and receiving payments for goods and services.

The warrant will be a great improvement over the "Bon de Caisse" in that it will be a simpler and smaller document to handle. The National Government should permit its negotiability by means of endorsement but perhaps limiting the number therein to two or three. This would enable the payee to obtain payment from a bank, or even from a merchant in exchange for goods, or part goods and part piastres. This arrangement would be particularly beneficial to payees in the hinterlands where treasury facilities would not always be near at hand.

With the adoption of the warrant it would be necessary to maintain the same treasury facilities as now exist (in lieu of using banks and banking agencies) for the payment of the "Bon de Caisse". It would not be necessary, however, and this is important, to maintain complete duplicate processing staffs at points outside of Saigon, such as Hue, Dalat, and Banmethuot. All processing could be done efficiently and readily, according to the procedures.
herein outlined, in Saigon. Offices in the hinterlands would operate the same as offices in Saigon, submitting special vouchers and "Purchase Requisitions" for all supplies except of a perishable or emergency nature. Only purchases of such nature, and in specified limited amounts, would be permitted out of an imprest cash fund (caisse de régie), which would be reimbursed from Saigon, by cheque or warrant cashable at a bank or treasury agency, after submission of an "Imprest Cash Voucher" with proper receipts attached, as further explained under Exhibits IX and X.
I. SIGNATURE AUTHORIZATION

Authorization of specific document signers (including visa and approval) is an important control feature which can be streamlined to some extent without losing the essential inherent responsibility. This is done by means of signature verification cards on which the authorized signatures appear with the approval signature of the appointing authority, usually the department head. The form of the card could be as follows:

<table>
<thead>
<tr>
<th>Name (type or print)</th>
<th>Title</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Those named above are authorized to sign the listed documents that have not been struck out:
- Purchase Orders
- Invoice-Vouchers
- Receiving Reports
- Payrolls
- Imprest Cash
- Travel Vouchers

(space for adding others)

for the __________________________ Name of Department

__________________________ Date

__________________________ Signature of Department Head

(Rule out items nor applicable. Expenses incurred by authorized agent must be approved by supervisor.)

The cards will be needed mostly by the central accounting direction and by the treasury as they will have a set of cards.
for each department. Drawer files the size of the cards should be obtained to provide quick and easy reference. Prepare as many cards as are necessary. Frequently only one name can appear on a card. In other cases as many as three names can appear on one card. In some cases an employee will be authorized to sign on only one document, such as, storekeeper or receiving clerk. On his signature card the names of all documents will be struck out (Purchase-Orders) except "Receiving Reports."

Due to illness, and other absences, it is always well to have alternate signers authorized, so additional cards are prepared accordingly. In practice it will obviously not be necessary for a signature to be verified each time, only when there is any doubt on the part of the auditor or other verifier, as when an unfamiliar signature appears.

Back of Card

Please cancel the following names for the documents indicated.

Name (type or print): (Signatures not required)

________________________
________________________

Purchase Orders, Invoice-Vouchers, Receiving Reports, Payrolls, Imprest Cash, Travel Vouchers (others) (Rule out items not applicable.)

Instructions: Head of department must approve by signature the authorization for documents indicated. Signatures must be exactly as they will appear on documents. When submitting new signature cards you must fill in cancellation of previous signature, as provided above, except when alternate signatures are being added.
J. BUDGET REPORTS

Budget reports should be prepared monthly by the liquidator provided with as many copies as are necessary for informative and management purposes. As a minimum, the reports should be supplied to the department head, the budget direction, the central accounting direction, and the liquidator. A fifth copy should be divided and distributed to the various directions of the department according to responsibilities.

In addition to showing total figures for the year to date, figures for the current quarter are frequently shown as well. Too much detail is likely to be confusing so it is better to err on the simple side. It is important, of course, for the central accounting direction to receive sufficient detail for reconciling purposes, the burden of which should be placed on the liquidator as soon as circumstances permit.

One set of monthly budget reports seems adequate, that is, it should not be necessary for the central accounting direction to prepare similar reports. If there are discrepancies in the departmental reports, these can be pointed out for correction to be given effect the following month. If of sufficient consequence, and for year-end reports, the central accounting direction should request the liquidator to immediately prepare corrected reports. Since there is usually a delay in year-end closings, a tentative report should be issued, then a final report.