

The proposed budget and accounting plan provides that all gross revenues from whatever source shall be included in the budget, with the single exception of the Banco Nacional, which shall be excluded from the budget except for any dividends derived from its operations by the Government. Proceeds from loans would not be included. Proposed expenditures would be shown in the budget in detail for all activities. While proposed expenditures to be met from the proceeds of loans would not be included in the budget, detailed plans of such proposals should be prepared for the fiscal period by the administrative units concerned. Upon the approval of the President, these plans become the authorities for expenditure and would guide the Office of the Comptroller General in the examination of the accounts for these items. The practice of reserving certain funds for specific purposes should be discontinued and all government revenues should go into the general fund of the Treasury to be available for any authorized expenditures, except ~~for~~ the receipts of the National Lottery, which shall be used for general welfare and educational purposes.

The Office of the Comptroller General would make a pre-audit of all expenditure vouchers. The items would be checked as to availability of funds, legality of expenditure, and conformity with the Comptroller General's regulation regarding supporting documents and certificates. No expenditures would be approved until all requirements had been met. For certain government activities detailed accounts would be maintained by the Comptroller General's office, while for others the accounting records would remain decentralized as at present. However, in the latter case, the accounts would be audited in the field by representatives of the Comptroller General's office. The plan also provides that the Comptroller General should determine the forms of accounts and methods of reporting of the municipalities, and should audit their accounts, reporting on them to the President.

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In connection with collection of the revenues, the office of the Comptroller General, under its general authority to determine forms of accounting and reporting, would provide a system of audit which would establish an independent verification of collections against tax levies and other charges and would check generally the conformity of the charges with statutory provisions. Thus, the administration of the budget would be controlled in all its phases.

ACCOUNTING METHODS (A)

One of the primary requisites of every government, as well as of every business organization, is a fundamentally sound system of keeping accounts and making reports. Without such a system there can be no control of government revenues and expenditures, and no guide for administrative officers in conducting the affairs of their several departments. The accounting system is the mechanism by which the finances are controlled in conformity with the budget. For well ordered finances it is necessary that the system be in every respect complete and adequate.

Fundamental Principles and Their Application (B)

No stereotyped accounting system can be devised which will apply uniformly to suit all conditions and circumstances. However, there are two fundamental principles which should be embodied in all government accounting systems, namely, (1) to establish responsibility on the part of fiscal officers, and, (2) to furnish information to those charged with the financial administration of the Government. These are the essential purposes to be served and kept constantly in view. In order to be truly effective in serving these purposes, the accounting and auditing department must have the full and hearty cooperation of all members of the Cabinet and all administrative officers. The system must be kept up fully and accurately in all details, affording constantly a

complete picture of the Government's financial status, Unless this is done the finances of the country will fall into confusion, and the Government may be involved in serious difficulties before the situation is known.

Experience of Panama Government (B)

A few years ago the Republic of Panama developed a very comprehensive system of accounting and auditing and placed it in operation. This system was fundamentally sound in principle. It was well organized and well developed in that it covered not only the general accounts, but also the detail accounts of the several departments of revenues and expenditures. It had the authority of law. A fiscal code assured its application. Theoretically, that original system is still in effect with a few modifications, but unfortunately, some of its provisions have been neglected and fallen into disuse. Such disregard of the laws apparently has not been due to deliberate intent, but rather to gradually increasing laxity, possibly resulting from a feeling that the system of accounts and reports was unnecessarily complicated and strict compliance with it an unimportant formality.

Description of Present Accounting System (B)

It is not our purpose here to analyze the detailed operations of the accounting system. We refrain for two reasons, first, because there is insufficient time within the scope of this study to formulate recommendations with respect to the application of the system to the several branches of government; and, second, because detailed recommendations made at this time might be in conflict with the possible program of reorganization to be adopted later by the proposed office of the Comptroller General. However, it is believed well to include here a rather general description of the system as it now functions; to point out certain weaknesses; and to present recommendations for the establishment of principles which are generally conceded to apply in any system of modern government accounting.

As previously has been stated, the accounting system which is now in effect, or at least theoretically in effect, is based on sound fundamental principles. But in many instances application of these principles can be improved. By the introduction of certain accounts the financial transactions of the several departments may be more adequately controlled. By the introduction of a system of financial reports administrative officers may have laid before them much better information on which to base their operations.

The system is based on double entry ledger accounts which are supported by several registers, by subsidiary ledgers, and by detailed records of the several classes of transactions in connection with the collection and disbursement of government funds. All are well and carefully kept.

General Ledger Procedure. (C)

At the end of each biennial period all general ledger accounts are closed. The balance in the accounts which reflect items that are of a continuing nature such as cash balances, public debt items, outstanding accounts, etc., are carried forward as the opening balances of the new biennial periods. These accounts reflect the cash assets and the liabilities of the Government at the beginning of the new biennium. The amount of available cash in the general fund at the beginning of a fiscal period is included under revenues as a separate item in the budget and the amount of outstanding accounts on the last day of the biennium is brought forward and given preference as a current liability of the new period.

At the end of the first month of the new biennium the actual revenues for the month are taken up from the appropriate register in the general ledger accounts by debiting the bank accounts through which the revenues were collected and by crediting accounts that indicate the nature of the revenue.

The expenditures for the month are posted from the appropriate registers by debiting accounts which show broad general expenditure classifications,

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such as ordinary expenses, expenditures from special funds, public debt expenditures, etc., and by crediting the bank accounts through which the checks were issued.

In order to compare actual revenues and expenditures with the amounts as estimated in the budget the following entries are made:

The estimated revenues for one month are determined by dividing the total estimated revenue for the entire biennial period by twenty-four. This amount is then taken up in the general ledger by debiting an account opened for this purpose and by crediting appropriation accounts for each of the five major departments with one twenty-fourth of their biennial appropriation. The debits and credits to these accounts would balance provided the budget were balanced at the beginning of the year and no outstanding accounts were carried forward. However, in setting up the total estimated revenues to cover the appropriations, there is first deducted the amount of outstanding accounts brought forward, and the remainder is divided by twenty-four. If the amount of outstanding accounts is greater than the amount of available cash brought forward (which has been the case in the last two bienniums) the new biennium will start with an indicated deficit. However, a review of the records indicates that a deficit of this character would ordinarily have been wiped out within a comparatively short time, since revenues have been estimated conservatively. It is found that the actual collections of revenue have usually been greater than were the estimates. It is the voting of supplementary appropriations and additional credits without giving due consideration to the availability of revenue to cover them that causes serious difficulty with respect to overdrafts and deficits.

The expenses for the month are then taken up against the appropriation credits. The offsetting credit entry is made to the expense accounts to which a former debit had already been made. This results in balancing these

expense accounts, so that the only purpose they serve is to give a total figure which represents for statistical purposes the amount of each broad expenditure classification.

The postings to the general ledger are all made from a general journal in which the entries are indicated. These entries are based on information obtained from the registers of revenues and expenditures.

Separate accounts are maintained for each of the several items which make up the public debt, both external and internal. Also separate accounts are included to reflect the expenditures from each of the loan funds which were made for specific purposes.

Subsidiary Records. (C)

As noted above, the general ledger is supported by several registers, by subsidiary ledgers, and by forms, in which a detailed record is made of the government business transactions. Revenues are recorded daily and are classified to show the source or class of revenue and the province from which they are received. Expenditures are also recorded daily and are classified by government departments and by provinces. Each expenditure is also recorded against the appropriate partida in the budget and is carded alphabetically by the name of the payee. This card bears a cross reference to the voucher file. Daily statements are prepared from the registers and are submitted to the Fiscal Agent who verifies their clerical accuracy through a system of internal check. He then prepares a daily statement summarizing all the receipts and expenditures for the day and indicating the balances in each of the banks in which the Government has accounts.

Need for Current Financial Statements (B)

As has previously been stated, one of the primary purposes of any system of accounts is to provide the current information needed by administrative officers to help them direct the affairs of their departments

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efficiently, perform all the public work committed to their offices, and, at the same time, live within their budgets. This means that they should know at all times what amount has been appropriated for their work, for what purposes it is to be expended, how much they have already spent, and how much they have left to carry on their work during the remainder of the current fiscal period. ~~No such system is maintained at the present time.~~

It appears that many of the offices are going ahead with their spending program quite in disregard of the amount of funds still available for expenditure under the several "partidas" (appropriations). Many of the partidas for the current biennium period are already heavily overdrawn and there are nearly four months left before the period closes. How are these overdrafts to be met? They will probably be included in the floating debt that is carried forward from year to year in the form of outstanding accounts. This is a most undesirable practice and should be corrected.

It is quite possible that the budget estimates are too small or that they are not scientifically prepared. This matter of preparation of the budget is covered in another section of this report.

The explanation is made that if regular monthly statements showing the status of the several partidas were prepared and submitted to the different administrative officers, they would be disregarded and overdrafts would continue the same as now. However, if heads of departments and divisions are not furnished with statements, there is always the excuse that they are not kept informed of the status of their partidas and therefore that they do not know that they are overrunning their allotment. If, on the other hand, they are informed currently (say monthly) of the balance in their respective partidas, the responsibility for overdrafts can be fixed definitely, and at the same time the administrative officer can be given the protection of complete financial information regarding his operations. The possession of

this information should be an incentive for him to accomplish as much as possible and at the same time live within his income. It is therefore believed that the system should provide that the head of each principal government department or major subdivision be furnished with a monthly statement which would show in a clear and concise way the status of his several partidas. Summary statements covering all government appropriations should be prepared for the President, the Comptroller General and such other officials ^{have cause} as may ~~be~~ ^{to} be interested.

Improvement for Appropriation Accounts Needed. (B)

The present system of accounts does not provide any means of controlling through the general ledger the amount of the encumbrances which may be incurred against the several appropriations or "Partidas" in the budget. The general accounts are run purely on a cash basis. Consequently, a statement drawn from the general ledger accounts does not reflect the true status of the finances in that no consideration is given to the amounts that are outstanding on account of current expenses; nor is any consideration given to encumbrances which may have been incurred against the several partidas, such as orders placed for goods or articles which have not been delivered and therefore do not at the time represent actual outstanding accounts.

It is true that theoretically the account which is maintained for each partida shows the encumbrances against that particular partida and also shows the amount that actually has been paid. The amount which remains available for further obligations may of course be obtained by calculation from these figures.

It would seem most important in making monthly or other periodical statements that there should be included not only the status of the finances considered from the viewpoint of actual cash but the status of the appropriations in such detail as will show the total amount appropriated, the total

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amount obligated, the total amount paid and the balance available for carrying on the work for the remainder of the biennial period. It would be a comparatively simple matter to include in the general ledger the few accounts that would be necessary to control the transactions which affect the appropriations.

The same principle should also be applied to the revenue side of the accounts, i.e., the total estimated revenue for the biennial period should be taken up in the accounts in the same manner that has been recommended for taking up the total appropriations. The estimated revenue account would then be adjusted monthly on the basis of actual collections.

With these control accounts included in the general ledger, it is believed that a statement can be taken off monthly which will give a very clear picture of the financial status of the government, arranged in such logical order that it can readily be interpreted. This statement should be of great benefit to the President, to the Comptroller General and the Secretary of the Treasury in administering the finances of the nation.

Need for Property Accounting (B)

Under the present system no provision is made for property accounting. In some cases, however, especially in the Department of Public Instruction, property records are maintained but there is no attempt to control property inventories through the general books of account.

It is true that most governments provide rather carefully thought out plans for accounting for all cash funds but until recently only a few have included in their system provision for the strict accounting of property and equipment. It is just as important that the Government should maintain as strict an accountability over its assets other than cash as it does over its actual cash funds, because if they are wasted or lost the necessity immediately arises for the expenditure of more cash to replace them. It is therefore

fundamental that the accounting system provide for an adequate system of property accounts and accountability. It is quite generally conceded that the most effective method of obtaining control over the property is to bring its total value into property control accounts in the general ledger. These control accounts should be supported by a detailed card record of all government property and equipment. The total values on all the cards should be in agreement with the total value of the property as shown in the control account. Physical inventories should be taken periodically to verify the detailed cards and to see that all government property is duly accounted for as well as to place responsibility and accountability for any articles missing. The individual property records could well be kept in the office of the purchasing agent or in some central office which has to do with the approval of requisitions so that the person who approves requisitions for the purchase of equipment will be in position to know what the requisitioning office already has in the way of equipment and thus be better able to judge whether or not additional purchases should be made. It is believed that the installation of a complete set of property accounts and the establishment of property accountability on the part of employees would result in a considerable saving to the Government by preventing unnecessary purchase of equipment.

Control of Receipts and Expenditures from All Funds Required. (B)

In considering the revision of the accounting system the principle should be established that all government revenues or receipts should be cleared through the central accounting office and no expenditures should be approved or made except in accordance with duly authorized budget appropriations. Unless this principle is followed, the accounting system cannot reflect the true situation with respect to receipts and expenditures. Therefore, the system should provide for the recording and auditing of all receipts and expenditures of the Government from whatever source or for whatever purpose, without exception.

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In order to expedite the accounting work and to make for a simpler and more efficient functioning of the accounting office, the number of special funds should be reduced to a minimum. In another section of this Report will be found a description of the special funds and how they operate.

Departmental Accounting (B)

The accounting work done in the several departments ranges all the way from practically nothing to complete systems of accounting such as that found in the Central Road Board. It would be impossible to lay down a rule which could be applied uniformly with respect to what accounts should be kept in the several government departments. Quite naturally such accounts would depend entirely upon the nature of the work performed by the particular department. The Central Road Board, for example, has complete control over the construction of all roads and is responsible for the expenditure of the road funds without respect to the Office of the Fiscal Agent which merely issues the checks. This organization must of course have its own accounting organization and make provision for all administrative appropriation accounting and cost accounting. The same would be true of the Chiriqui Railroad, the Post Office, the Government hospital and other similar departments. However, it is believed that there should be a control and audit of all Government expenditures as well as receipts by a central independent office. (See section on Budgetary Procedure and Accounting Control).

Generally speaking those departments which are charged with the duty, of carrying on public works which are of an engineering, industrial, or commercial character should be required to maintain cost records which should be reduced as far as possible to a unit cost basis. For the purposes of control these records should be audited by the Office of the Comptroller General. The total expenditures as shown by the cost records should be in agreement with the total expenditures for the particular department as shown by the central accounting

office. In the case of hospitals or penal and correctional institutions, cost records should be maintained and reduced to a cost per capita basis.

Cost accounts should be encouraged but care should be taken to see that they are only installed where necessary and that they are made as simple as possible in order to insure that their maintenance will not be more expensive than the results justify. The advice and approval of the Comptroller General should be obtained in connection with the installation of all systems of accounting of whatever nature, including cost accounting, and the Office of the Comptroller General should have not only the authority but the duty of making periodic audits of the accounts kept by any and all departments.

For the average government office the duties of which do not involve engineering, industrial or institutional work, it is only necessary that a blotter record be kept of the balances available for expenditure. At the end of the first month of a biennial period, the administrative officer should receive from the central office a statement showing the status of the partida. Then that officer should record against the free balance, as shown by the statement, the expenditures of the month and compare the remaining balance at the end of the month with the next statement received by the central office. In this way he would know at all times just what available balance he had for operating purposes and he could thus assure himself that he is at all times living within his income.

Summary (B)

In conclusion, it may be stated that, generally speaking, the present accounting system is based on the fundamental principles of sound accounting, is well developed and well worked out, and, if fully applied, would probably prove satisfactory. Certain changes and improvements are, however, needed in order to lighten up the system generally and to make its application to the local situation easier and at the same time more effective.

It is fundamental that a model accounting system should provide for a complete system of financial reporting in order that the President, the Cabinet officers, and the head of each major division may be supplied currently with the financial information required for carrying on the public work efficiently and at the same time enabling them to live within their incomes. The general ledger accounts should be reorganized and reclassified so as to facilitate the preparation of summary statements which will reflect the financial condition of the government as a whole. It is believed that accounts should be provided to control all obligations against appropriations as well as actual expenditures, in order to establish a safeguard against over-spending. It is also believed that the introduction of an adequate property accounting system throughout the government service to be controlled through general ledger accounts would result in a considerable saving. Generally speaking, departmental accounting should be limited to a blotter record of appropriation balances and such cost accounting records as are necessary in each particular department.

The present accounting system has the fundamental features of control for both revenues and expenditures; but unfortunately that control is not exercised. The result is that the Government's accounts tend to become mere historical records of what has happened after all is over and after it is too late to do anything to correct a situation. Unless authority for the enforcement of the control is provided, neither this system nor any other can be anything but a record of historical facts concerning financial transactions.

GOVERNMENT ORGANIZATION AND METHODS (A)

A progressive government, alive to the welfare of the people, gives prime attention to the economy and efficiency with which the ordinary business of government is transacted. The slogan adopted by the present administration - Trabajo, Orden y Economía - indicates its desire to follow modern

methods and to eliminate duplication and overlapping of effort. With a view to assisting it in this laudable effort we wish to point out instances where it is believed considerable improvement can be made; first, in regrouping and reorganizing the duties and functions of the several departments; second, in matters of business administration; and third, in matters that have to do with the personnel of the public service.

Reorganization of the Government Departments. (B)

Our survey of the various government departments and bureaus has indicated that they should be regrouped and reorganized. The present organization ~~is~~ is evidently of more or less fortuitous growth. It is axiomatic that activities should be grouped together for administrative purposes because they have similar duties, have the same general functions, or require for their administration the same general type of professional training or social background. Nevertheless, there are instances in the government of the Republic of Panama of activities totally unrelated to each other having been placed in the same department under the control of a single directing hand. What relation is there, for instance, between the construction of public works and the administration of welfare activities such as the public health? Are there any common administrative problems in the supervision of the judicial system and the construction and operation of the telegraph that are common to each other? And should not those government activities which are more or less independent of any coordinating head except the Chief Executive be placed under one of the Secretaries of State? These and a number of similar questions immediately present themselves to a person who examines the present organization chart of the government (Exhibit A).

A new plan for the grouping of the various government agencies is shown in the attached chart (Exhibit B) which it is believed would provide a sound basis for the economical operation of the government. The most important

PRESENT ORGANIZATION OF THE GOVERNMENT
OF THE
REPUBLIC OF PANAMA

LEGISLATIVE
ASAMBLIA NACIONAL

EXECUTIVE
PRESIDENT

JUDICIAL
1) CORTA SUPREMA
2) JUZGADO SUPERIOR
3) JUZGADOS CIRCUITE

INDEPENDENT OFFICES
1) PUBLIC ROADS
2) CHIRIQUI R.R.
3) LOTTERY
4) BANCO NACIONAL
5) TUBERCULOSIS (IV)

FISCAL AGENT
EL AGENTE FISCAL
1) BOOKKEEPING
2) DISBURSING
3) AUDITING

GOVERNMENT & JUSTICE
1

FOREIGN AFFAIRS
11

TREASURY
111

PUBLIC INSTRUCTION
IV

AGRICULTURE & PUBLIC WORKS
V

- (1) EL SECRETARIO
EL SUBSECRETARIO
ADMINISTRATIVE OFFS.
- (2) PROVINCIAL GOVERNMENTS
(A) GOBERNACIONES
(B) ALCALDIAS
(C) GERREGIDURIAS

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) DIPLOMATIC CORPS
- (3) CONSULAR CORPS

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) CUSTOMS SERVICE
- (A) AVALUADORES Y
LIQUIDADORES
(B) RESGUARDO NOL
(C) SHIP INSPECTION

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) PRIMARY SCHOOLS
- (3) SECONDARY SCHOOLS
- (4) NATIONAL INSTITUTE
- (5) NORMAL SCHOOL
- (6) PROFESSIONAL SCHOOL

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) TECHNICAL SECTION
- (3) AGRICULTURA SECTION
- (4) STATISTICS SECTION (IV)
- (5) PUBLIC HEALTH
(A) CHILD HYGIENE
- (6) HOSPITALS & ASYLUMS
- (7) MISC. SERVICES
MECHANICAL SHOPS

- (3) ADMINISTRATION
OF LAW
(A) COURTS
(B) PROSECUTORIAL OFFICE
1. FISCALIZE
2. DEFENSORES DE
OFICIO

- (3) LIQUOR TAX
- (4) WEIGHING OF CATTLE
- (5) REAL PROPERTY TAX
ADMINISTRATION
- (6) PURCHASING DEPT.
- (7) PUBLIC LANDS ADMINISTRATION
- (8) GOVERNMENT PRINTING

- (4) NOTARIES
- (5) REGISTRO PUBLICO
- (6) REGISTRO CIVIL
- (7) ARCHIVES HOLES
- (8) LAW ENFORCEMENT

- (9) PUBLIC WORKS (To V)
ADMINISTRATION
(A) NOL. THEATRE
(B) PARKS

- (10) DOCKS AND WAREHOUSES
- (11) MISCELLANEOUS SERVICES
LIGHTHOUSES (To V)
ACOGADO
CONSULTER

- (A) POLICE
- (B) COAST GUARD
- (C) ARMY (RETIRED)
- (9) PENAL INSTITUTIONS
(To IV)
(A) COISA (To 11)
(B) LOCAL JAILS
- (10) COMMUNICATIONS (To V)
(A) POST OFFICE
(B) TELEGRAPH
- (11) MISCELLANEOUS
SERVICES
(A) BANK OF THE RE-
PUBLIC
(B) ADMINISTRATION
OF SAN BLAS
INDIANS

NOTES: THE DEPARTMENTS TO WHICH A SERVICE IS TRANSFERRED
IS INDICATED BY THE ROMAN NUMERAL FOLLOWING THE
NAME OF THE SERVICE.
A MARK (7) INDICATES THIS SERVICE OR OFFICE SHOULD
BE ABOLISHED.

PROPOSED ORGANIZATION OF THE GOVERNMENT
OF THE
REPUBLIC OF PANAMA

LEGISLATIVE
ASAMBLIA NACIONAL

EXECUTIVE
PRESIDENT

JUDICIAL
1) COR SUPREMA
2) JUDGE SUPERIOR
3) JUDGE CIRCUITE

INDEPENDENT OFFICES

- 1) PUBLIC ROADS
- 2) CHIRIQUI R.R.
- 3) LOTTERY
- 4) BANCO NACIONAL

COMPTROLLER GENERAL

- 1) COMPTROLLER
ASST. COMPTROLLER
- 2) BOOKKEEPING
- 3) DISBURSING
- 4) AUDITING

GOVERNMENT & JUSTICE
I

- (1) EL SECRETARIO
EL SUBSECRETARIO
ADMINISTRATIVE
OFFICES
- (2) PROVINCIAL GOVTS.
(A) GOBERNACIONES
(B) ALCALDIES
(C) CORREGIDORES
- (3) ADMINISTRATION
OF LAW
(A) ADMⁿ OF COURTS
(B) PROCURADORIA
GENERAL
1. FISCALIES
2. DEFENSORES DE
OFICIO
- (4) NOTARIES
- (5) REGISTRO PUBLICO
- (6) REGISTRO CIVIL
- (7) ARCHIVOS HOLES
- (8) LAW ENFORCEMENT
(A) POLICE
(B) COAST GUARD
(C) ARMY (RETIRED)
- (9) MISC. SERVICES
(A) BAND OF REPUBLIC
(B) ADM. OF SAN BLAS
INDIANS

FOREIGN AFFAIRS
II

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) DIPLOMATIC CORPS
- (3) CONSULAR CORPS

TREASURY
III

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) CUSTOMS SERVICE
(A) AVALUADORES
Y LIQUID^s
(B) R^oGOO NCL.
(C) SHIP IN-
SPECTION
- (3) INTERNAL R^oNUe
(A) LIQUOR TAX
(B) REAL PPTY.
(C) MITS & WHIES
(D) W^o OF CATTLE
(E) MISC. TAXES
- (4) PURCHASING DEPT.
- (5) GOV. PRINT
- (6) P^oLIC LANDS
ADMⁿ TION

P^oLIC INSTRUCTION &
PUBLIC WELFARE
IV

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) SCHOOLS
(A) PRIMARY
(B) SECONDARY
(C) NATL. INST.
(D) NORMAL
(E) PROFESSIONAL
- (3) WELFARE (V)
(A) P^oLIC HLTH &
HYGIENE (V)
(B) HOSPITALS &
ASYLUMS (V)
(C) CHARITIES &
BENEFICⁿIA (V)
(D) PENAL INSTI-
TUTIONA (1)
(E) TUBERCULOSIS
ADM.
- (4) STATISTICAL SET.

AGRICULTURE & P^oLIC WORKS
V

- (1) EL SECRETARIO
EL SUBSECRETARIO
- (2) AGRICULTURE
(A) AGRONOMY
(B) ANIMAL HUSBANDRY
(C) EXPERIMENT FARMS
(D) MOTOROLGY
- (3) P^oLIC WORKS
(A) DESIGN & DRAFTING
(B) INSPECTION
(C) ACCOUNTING
- (4) P^oLIC BLDGS & PARKS
(A) NATIONAL THEATRE
(B) PARKS
- (5) COMMUNICATIONS SERVICE (1)
(A) POST OFFICE (1)
(B) TELEGRAPH (1)
- (6) MISCELLANEOUS SERVICES
(A) MECHANICAL SHOPS

NOTES: THE DEPARTMENTS FROM WHICH A SERVICE OR OFFICE

IS TRANSFERRED IS INDICATED BY ROMAN NUMERAL FOLLOWING THE NAME

OF THE SERVICE OR BUREAU.

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change suggested is the grouping of all engineering projects and those activities which are essentially of a business nature in the Department of Agriculture and Public Works and the transfer to the Department of Public Welfare of those activities of a social and altruistic nature. Under the plan proposed it should be possible to secure a man who is capable and qualified to administer all of the services assigned to a particular department. For instance, an engineer at the head of the Department of Agriculture and Public Works would be able to understand the technical problems connected with the administration of the telegraph system better than would the Secretary of Government and Justice who should be trained primarily in the administration and enforcement of the law. Similarly, an educator or physician at the head of the Department of Public Instruction and Public Welfare would be more likely to have the background necessary to coordinate the child hygiene and general health activities of the nation than would an engineer or business man at the head of the Department of Agriculture and Public Works.

The Postal Service has been placed in the Department of Agriculture and Public Works, first, because it is essentially a business, and secondly, because it is intimately connected with the development of roads. The care of the roads now comes under the direction of the Central Road Board (Junta Central de Caminos) and on this board the Secretary of Agriculture and Public Works is represented. Being primarily a business enterprise the Postal Service should be administered by a man schooled in the ways of business.

It is our opinion that a regrouping of the agencies of government along the lines suggested will eliminate duplication and overlapping of effort, expedite the public business, and result in important savings of time and money.

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General Business Administration (B)

Office Procedure and Equipment (C)

In our survey of the several government departments we have noted that in many instances a great deal of thought has been given to ways and means of expediting the work of the office and eliminating unnecessary operations. Further progress along these lines, however, seems possible. In certain offices records and statements are being copied by hand when they might be more expeditiously copied with the help of typewriters. There is a lack of modern labor-saving devices in several departments, particularly in the Post Office. Indexes of records, employees and accounts are frequently kept in bound books instead of on cards as is the usual modern practice. The arrangement of the files and furniture in some of the offices, particularly in the Department of Public Instruction, is excellent; in other cases efficiency and economy could be promoted by a general housecleaning. Perhaps this can best be accomplished by thorough inspection of the offices on the part of a representative of the chief executive.

Rent of Buildings (C)

The Government is spending a considerable sum of money annually for the rent of buildings. It rents offices in the city of Panama and it rents offices for the governors of the provinces and for the alcaldes, corregidores, and court officers of the municipalities. It rents quarters for police stations, for post offices and for schools. In some instances the renting of these offices and quarters is necessary but from the information which was furnished to us it would seem that in some cases this rent money is disbursed chiefly for the purpose of increasing the compensation of the officer who is entitled to the use of the office. We recommend a review of all leases by a competent person.

It is believed that if there would be no necessity for renting

quarters, if every effort were made to utilize space in existing public buildings. A judicious rearrangement of the Post Office in Panama City, for instance, ought to provide space for housing the parcel post office (encomiendas postales) which now occupies space in a rented building opposite the Post Office.

The obvious remedy for the entire rent situation is, of course, to provide as rapidly as possible government-owned buildings wherever permanent quarters are needed and do not exist. Without waiting for this, however, much can be accomplished towards conserving the public funds by the adoption of the new policies in the matter of rents; first, by refusing to allow rent to government officers who have their offices located in their homes; and, second, by renting quarters only upon the execution of a formal lease or agreement on the basis of the space used, this lease to be entered into only after public bids have been solicited, to run for only one year, and to be approved by the Executive Power or the Fiscal Agent.

Purchase of Supplies (C)

- In the main, the Republic of Panama has the fundamental feature of a sound system for the economical purchase of supplies and materials needed by the Government. In theory all of the purchases are made by the Purchasing Office (Seccion de Compras y Materiales) which receives requisitions for supplies from the several offices, solicits prices and makes the purchases. It also buys some materials for its own stores and issues them to the several departments on requisition.

There are, however, many ways in which the present purchasing practices could be improved. While in theory the purchasing is done centrally, the fact is that many of the government departments are making direct purchases of supplies without reference to the Purchasing Office. Many reasons, some of them good, are given for a departure from the general rule, but often the reason is

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the desire to avoid the restrictions which surround the making of purchases. Very few such purchases are made on competitive bids or after soliciting prices from a number of merchants. There are no standing contracts for supplying commonly used articles or for purchasing them in definite quantities. Much purchasing is done in small quantities from local retail merchants. Adequate specifications or descriptions of the quality, size, color, or other characteristics of the article to be purchased are ~~not given~~ seldom given. It follows from this ~~xxxx~~ that there ^{may be inadequate} ~~xxxx~~ inspection of the goods to see that they are of the size, quality and character ordered. There are certain other minor defects in the purchasing system.

In any system of public purchasing it is of fundamental importance that there be definite standards or specifications for each article or supply purchased. These specifications or descriptions of the quality, size, color, type and so on of the articles to be purchased should then be sent to all of the firms which handle such articles with the request that the latter indicate the lowest price at which these can be furnished.

One of the difficulties with this scheme, however, was the amount of paper work and delay which it caused. To avoid this delay and extra work a schedule or catalogue of all commonly used articles should be prepared annually or semi-annually and the merchants asked to indicate the prices at which they will supply these articles during the ensuing year. An estimate should of course be given at the time bids are solicited, of the approximate quantity of the supplies which will be needed. Contracts should then be made with the lowest bidder for supplying the articles upon a properly approved order.

It would be neither difficult nor expensive to prepare such a schedule of supplies for the use of the Republic of Panama. The advantages of having such a schedule are many. This schedule would not need to be large or