

PACS

“Armorclad”

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PRESIDENT'S OFFICE

PACS

PLANNING AND CONTROL SYSTEM

1976

Date 12/28/76

REFERRED FOR ATTENTION
TO MR. Puckett

This copy for information of Copies have been sent to

- Mr. Volcker
- Mr. Timlen
- Mr. A. R. Holmes
- Mr. Guy
- Mr. Piderit
- Mr. Sloane
- Mr. Bakstansky
- Mr. Braun
- Mr. Cooper
- Mr. Corrigan
- Mr. Davis
- Mr. Ege
- Mr. Feldberg
- Mr. Fousek
- Mr. Gray
- Mr. Henderson
- Mr. Lloyd
- Mr. Meek
- Mr. Oltman
- Mr. Pardee
- Mr. Puckett
- Mr. Schadrack
- Mr. Smedley
- Mr. Sternlight
- Mr. Willey
- Mr. Keane
- Mr. Thieke
- Mr. Coopersmith
- Miss Cutler
- Mr. Oppenheimer
- Mr. Flanagan
- Correspondence Files
- Ms. Detra



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

B580

DIVISION OF FEDERAL RESERVE BANK
EXAMINATIONS AND BUDGETS

December 23, 1976

Mr. Paul A. Volcker
President
Federal Reserve Bank of New York
New York, New York 10045

Dear Mr. Volcker:

The new planning and control expense accounting system (PACS) will become effective January 1, 1977. We are currently developing a program to ensure that expenses and statistics are properly reported and interpretations or changes to accounting instructions can be made as required. While the overall program will be managed by the Division of Federal Reserve Bank Examinations and Budgets, the active involvement of the Conferences and the individual Reserve Banks will be necessary to ensure the success of the system.

An on-site review at each head office will be employed to monitor the proper reporting of expenses and statistics. Initially, these reviews, to be conducted by a Division monitoring group, will be accomplished within the first eighteen months that PACS is in effect. We believe that this schedule will provide sufficient flexibility to respond to the needs of individual Reserve Banks. A tentative schedule for these reviews will be published during the first quarter of 1977.

After the initial review period, the schedule will be designed to allow for at least one annual review for each District. The necessity for an annual review will be based on results of previous reviews, analysis of quarterly

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DEC 28 1976

P. A. V.

To be listed on Schedule A
for directors of

1/16/77
For secretary

ANSWERED.....

Mr. Paul A. Volcker

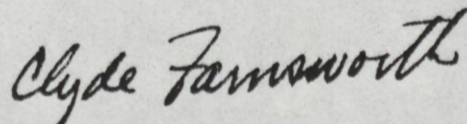
- 2 -

data received, financial examination and operations review results, and the extent of changes to PACS accounting instructions. If such factors do not dictate a need for an annual review in a District, the schedule will be altered accordingly.

The success of the new expense accounting system will require a clearly defined channel of communications between the Board staff and the Banks. We are, therefore, requesting that you designate an official from your staff to serve as the District contact for all maintenance and monitoring actions. This official would be responsible for disseminating PACS information to each office in the District and coordinating requests for interpretations or changes from the Bank to the Board staff. We believe that this process will foster consistent applications of current PACS procedures.

We look forward to working with you and your staff in monitoring and maintaining the new accounting system.

Sincerely yours,



Clyde H. Farnsworth, Jr.
Assistant Director

Date 12/3/76

REFERRED FOR ATTENTION
TO MR. Puckett

<u>This copy for</u> <u>information of</u>	<u>Copies have been</u> <u>sent to</u>
✓ Mr. Volcker	✓
Mr. Timlen	✓
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Mr. Guy	
Mr. Piderit	
Mr. Sloane	✓
Mr. Bakstansky	
Mr. Braun	
Mr. Cooper	
Mr. Corrigan	✓
Mr. Davis	
Mr. Ege	
Mr. Feldberg	
Mr. Fousek	
Mr. Gray	
Mr. Henderson	✓
Mr. Lloyd	
Mr. Meek	
Mr. Oltman	
Mr. Pardee	
Mr. Puckett	✓
Mr. Schadrack	
Mr. Smedley	
Mr. Sternlight	
Mr. Willey	
Mr. Keane	
Mr. Thieke	✓
Mr. Coopersmith	
Miss Cutler	
Mr. Oppenheimer	✓
Mr. Flanagan	
Correspondence Files	✓
Mrs. Minehan	✓

10/76

FRB

'76



Federal Reserve Bank of Philadelphia

Philadelphia, Pennsylvania 19105

OFFICE OF THE
FIRST VICE PRESIDENT

December 2, 1976

TO: MEMBERS OF THE CONFERENCE

FROM: Mark H. Willes, Chairman
Committee on Management Systems
and Support Services

Enclosed for your information is a copy of the summary recommendations from various Districts concerning the program for maintaining and monitoring PACS, which was distributed to you for comment on November 5. My Committee will work with the Subcommittee on Accounting Systems, Budgets and Expenditures and the Board's staff to achieve resolution of these recommendations as we approach the PACS cutover date.

Enclosures

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DEC 03 1976

ANSWERED.....
ATTENDED TO.....
THOMAS M. TIMLEN

DISTRICT COMMENTS ON PROGRAM FOR
MAINTAINING AND MONITORING PACS

Comments received concerning the program indicate that some Districts have no substantive comments to offer and regard the program as adequate or acceptable at this time. The other Districts also basically accept the program, but offer recommendations centering on two broad subjects -- the role of the Board's staff and the importance of communication to all Districts.

Recommendations concerning the role of the Board staff include:

1. Following Conference approval of the program as stated, the Conference should request a more definitive implementation plan to be prepared by the Division of Federal Reserve Bank Examination and Budgets and distributed for comment to the Conference. The plan would spell out in more detail how the Division's responsibilities will be carried out in terms of organization, staffing and frequency of on-site visits.
2. The Board staff should eliminate, or include with regular transmission of appropriate data, the comparisons of actual expenses, manpower and key measurements with budgets and operating plans. The Board staff does not have information available to it to make necessary changes to the pro-rated budget and an attempt to analyze such comparisons seems to go beyond the roles of monitoring proper reporting and of supplying inter-District comparative and summary information.
3. With regard to such matters as appropriate definitions for activities, performance measures and environmental statistics, the Conference should assure that the Board staff will seek the concurrence of the relevant Conference Subcommittee as well as SASBE before adding, deleting or modifying any of the PACS definitions. (For SASBE communication to the Conference, note Attachment A, the November 5 letter from the CMSSS Chairman to the SASBE Chairman.)

4. The Conference should update and reaffirm the guidelines for handling accounting matters between the Board's Division of Federal Reserve Bank Examinations and Budgets and SASBE, approved by the Conference at its meeting of November, 1969.
(Appendix B presents a proposed updated version.)
5. SASBE should provide to the Board's staff a definitive statement of past task force, subcommittee and Conference decisions and interpretations as a common basis from which to proceed.

Recommendations concerning the importance of communication by the Board's staff to all Districts include:

1. The Board's staff should publish the details of the comprehensive edit checks referenced in point I.A.1. so that each District can incorporate such tests in its own internal edit program, in order to assure quality reporting from the source.
2. The Board's staff should formally document and circulate to all Districts all inquiries and interpretations, written and verbal, to promote uniformity of reporting and to avoid unknowing misinterpretation of the accounting manual provisions.
3. The inspection team should perform an early round of on-site inspections at all of the head offices to identify and correct as soon as possible the honest differences of classification and interpretation that may have resulted from the many local decisions involved in the installation phase. In order to minimize the impact of such differences on the short-term inter-bank comparisons, interpretations and conceptual resolutions should be communicated immediately to all Districts so that any other office can adjust its practices upon receipt of notice, prior to its visit by the inspection team.
4. SASBE should schedule a conference of District PACS representatives following the first year of operation, but leave open the frequency of future meetings, with biennial meetings perhaps being an objective.

FRB PHILADELPHIA - December 1, 1976

November 5, 1976

Mr. Thomas E. Ormiston, Jr., Chairman
Subcommittee on Accounting Systems,
Budgets and Expenditures
Federal Reserve Bank of Cleveland
Cleveland, OH 44101

Dear Tom:

At its October 26 meeting in Charlotte, the Committee on Management Systems and Support Services reviewed the program for maintaining and monitoring PACS, which has been agreed to by SASBE and the Board of Governors' staff.

Section II.A.3.a. of the program indicates that the Board's maintenance group will consult with SASBE in cases where there is an inquiry for interpretation to which the Board's group does not see a straightforward response. If any "policy" change is suggested by such an inquiry, our Committee is assuming that SASBE will alert us prior to responding to the Board group's request for consultation. By this alert, we can try to avoid difficulties following release of an interpretation which is totally acceptable from an accounting standpoint, but may have some complications from a Conference view.

Thanks for all your help Tom. I sure appreciate the way you keep things on track.

Sincerely,

Mark H. Willes, Chairman
Committee on Management
Systems and Support
Services

cc: Messrs. Boysen
Williams

PROPOSED UPDATE

Guidelines for handling accounting matters between the Board's Division of Federal Reserve Bank Examinations and Budgets and SASBE, initially approved by the Conference at its meeting of November 5, 1969.

Proposed changes reflect only the current Division, Committee and Subcommittee titles.

1. Normally the Division of Federal Reserve Bank Examinations and Budgets will contact the Subcommittee on Accounting Systems, Budgets, and Expenditures.
2. The Chairman of the Subcommittee will inform the Chairman of the Committee on Management Systems and Support Services of all topics discussed with the Subcommittee by the Division.
3. When, in the opinion of the Division, a matter is of a minor nature, the advice and counsel of the Subcommittee will be sought on an informal basis.
4. When, in the opinion of the Division, a matter is of a major nature, the Division will directly inform the Chairman of the Committee on Management Systems and Support Services regarding the matter that it is taking up with the Subcommittee.
5. Whenever the Committee on Management Systems and Support Services, or its Chairman, considers a matter taken up by the Division with the Subcommittee to be of a major nature, the Chairman of the Committee will request the Subcommittee to follow the prescribed reporting procedures applicable to matters which should receive the attention of the Conference of First Vice Presidents.

Date 12/3/76

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information of

Copies have been
sent to

Mr. Volcker ✓
 Mr. Timlen ✓
Mr. A. R. Holmes
Mr. Guy
Mr. Piderit
Mr. Sloane ✓
Mr. Bakstansky
Mr. Braun
Mr. Cooper ✓
Mr. Corrigan
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Mr. Fousek
Mr. Gray
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Mr. Lloyd
Mr. Meek
Mr. Oltman
Mr. Pardee
Mr. Puckett ✓
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Miss Cutler
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Mrs. Minehan ✓

10/76

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212 791-5268

A. MARSHALL PUCKETT
VICE PRESIDENT

December 2, 1976

MEMBERS OF THE CONFERENCE OF FIRST VICE PRESIDENTS:

Enclosed are copies of the letters from Mr. Thomas C. Sloane, Chairman of the Subcommittee on Fiscal Agency Operations informing the Governmental departments and agencies for whom the Reserve Banks act as fiscal agents of the adoption of PACS by the Federal Reserve System as the new budgeting, expense accounting and reporting systems effective January 1, 1977.

For those agencies where our function is to issue, service, and redeem securities, process coupons, and handle closely related matters, our reimbursement claims will reflect each agency's pro-rata share of the costs of the appropriate PACS activities based on the ratio of their volume to the total volume processed in the activities. In all other instances, the agencies will be billed on an actual cost basis.

A. Marshall Puckett
A. Marshall Puckett
Project Director
PACS Phase III Task Force

Enclosures

RECEIVED

DEC 03 1976

ANSWERED.....
ATTENDED TO.....
THOMAS M. TIMLEN

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212-791-5000

November 10, 1976

✓ PACS
Reim

Effective January 1, 1977, the Federal Reserve Banks will implement new budgeting, expense accounting and reporting systems, known as PACS, an acronym for the Federal Reserve Planning and Control System. These systems will replace the current accounting procedures used by the Federal Reserve Banks in claiming reimbursement for fiscal agency work. Accordingly, as chairman of the Federal Reserve System Subcommittee on Fiscal Agency Operations, I am writing each Government, Government-sponsored and international agency for which one or more Reserve Banks perform operations and from which they claim, or have authority to claim, reimbursement, to inform them, in advance, of this pending change and the procedures that will be used in calculating reimbursable amounts under PACS.

Enclosed for your information is a brief memorandum summarizing the essentials of PACS. You will note that under the new system, all expenses are classified by the specific output of the Federal Reserve System to which they are related, and are shown at three levels of aggregation: activity, service, and service line. Two of the service lines, entitled "Services to the United States Treasury and Government Agencies" and "Services to Financial Institutions and the Public" contain activities and services which include all the fiscal and depository operations that are performed by the Reserve Banks for Government agencies. The PACS activities for which reimbursement will be claimed are consistent with the current agreement(s) between the Reserve Banks and your agency. A description of the service structure is enclosed for your information.

The major difference between PACS and the accounting system currently used by the Federal Reserve Banks involves the cost accounting techniques used in arriving at the expenses shown at the activity, service and service line levels. Under PACS, the activity level reflects the incremental cost of performing the operations defined within the activity, that is, the costs that are directly associated with the activity and that would not be incurred if the activity were not performed. At the service and service line levels full costs, including prorations of all overhead, are shown. The agencies are currently billed under the present accounting system for amounts that represent incremental costs, but the definitions used in determining these costs differ between the two systems. Thus PACS claims will include a somewhat different set of costs for reimbursement than are shown on current claims.

The PACS system is based on generally accepted principles of cost accounting and is more internally consistent than the procedures used currently. The Treasury Fiscal Service has agreed to the use of PACS activity data as the accounting base for its reimbursement claims. We have thoroughly reviewed the effect that the change to PACS will have on claims made to the Bureau of the Public Debt, the division of the Treasury Fiscal Service for which the Banks perform the majority of their fiscal agency work. In this regard, we found that the change to PACS will not have a material annual impact on total claims on the Treasury, and we fully expect this to be true of claims made on all other agencies.

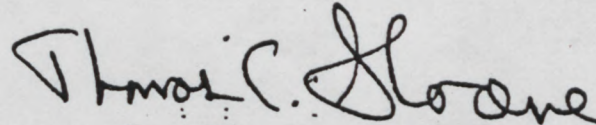
The activities performed for Government and international agencies have been defined generally as Issuing, Servicing and Redeeming securities, Safekeeping, Coupon Processing, and Treasurer's General and Government Agency Account Processing. Descriptions of all of these activities are enclosed although not every activity may be performed for your agency. As noted above, the Banks accumulate their costs by activity. However, there are no separate subcategories under the activities relating to each agency. Rather, under PACS, the Banks will bill each agency its pro-rata share of the total costs of the appropriate activities, based on the relationship of the number of transactions processed for your agency to the total number of transactions processed for all agencies. Of course, each agency will be billed only for the activities performed for it.

Under the new system, it will not be possible for the Banks to provide a breakdown of expenses by type of security handled for a particular agency as is presently done for several agencies. That is, the Reserve Banks will not segregate transactions processed within an activity by type of security, but only by the agency which issued the security as stated above.

PACS claims will provide a breakdown of costs within an activity by type of expense and will also show the total transactions for the activity, the number of transactions processed for your agency, and the pro-rata share of total activity costs that is being claimed. A sample format of a PACS agency claim for the Issuing activity is enclosed. (The form of the claim may vary from Bank to Bank, but the content will be the same.)

If you have any questions, please contact the PACS Project Director, Mr. A. Marshall Puckett, Vice President, Accounting Control Function, Federal Reserve Bank of New York.

Sincerely,



Thomas C. Sloane, Chairman
Subcommittee on Fiscal
Agency Operations

Enclosures

Similar Letters Were Sent to the Following Agencies

Mr. Wolf Preuss
Treasurer
Asian Development Bank
Commercial Center
P O Box 126
Manila, Philippines

Mr. H. Gold
Deputy Director
Department of Housing
and Urban Development
Insurance Benefits
451 7th Street, S. W.
Washington, D. C. 20410

Mr. H. T. Keith
Secretary
District of Columbia
Armory Board
2001 East Capital Street
Washington, D. C. 20003

Mr. Warren W. Glick
Senior Vice President
Financing
Export-Import Bank of
the United States
Washington, D. C. 20571

Mr. M. J. LaVerghetta
Director
Finance Division
Farm Credit Administration
Banks for Cooperatives
490 L'Enfant Plaza, S. W.
Washington, D. C. 20578

Mr. M. J. LaVerghetta
Director
Finance Division
Farm Credit Administration
Federal Intermediate Credit
Banks
490 L'Enfant Plaza, S. W.
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Mr. M. J. LaVerghetta
Director
Finance Division
Farm Credit Administration
Federal Land Banks
490 L'Enfant Plaza, S. W.
Washington, D. C. 20578

Mr. Arthur C. Harman, Jr.
Deputy Administrator
Office of the Administrator
United States Department of
Agriculture
Farmers Home Administration
Washington, D. C. 20250

Mr. Michael Mickett
Acting Director
Office of Finance
Federal Home Loan Bank Board
320 First Street, N. W.
Washington, D. C. 20552

Mr. Ronald Struck
Assistant Vice President
Marketing
Federal Home Loan Mortgage
Corporation
311 First Street, N. W.
Washington, D. C. 20001

Mr. Robert J. Mahn, Jr.
Vice President and Controller
Federal National Mortgage
Association
1133 Fifteenth Street, N. W.
Washington, D. C. 20005

Mr. V. N. Nelson
Assistant Treasurer
Government National Mortgage
Association
451 7th Street, S. W.
Washington, D. C. 20414

Mr. Pedro Iraneta
Treasurer
Inter-American Development
Bank
Washington, D. C. 20577

Ms. Patricia Sestito
Assistant Treasurer
Washington Metropolitan
Transit Authority
950 L'Enfant Plaza
Washington, D. C. 20024

Mr. Jervis Langdon, Jr.
The Trustee of the Property of
Penn Central Transportation
Company
Six Penn Center Plaza
Room 1863
Philadelphia, PA 19104

Mr. David A. Wollard
Associate Administrator for
Finance and Investment
Office of the Administrator
Small Business Administration
Washington, D. C. 20416

Mr. Loren Carlson
Student Loan Marketing
Association
1750 K Street, N. W.
Washington, D. C. 20006

Mr. J. Durell, Chief
Finance Planning Staff
Tennessee Valley Authority
838 Power Building
Chattanooga, Tennessee 37401

Mr. Eugene H. Rotberg
Treasurer
The World Bank
1818 H Street, N. W.
Washington, D. C. 20433

Mr. Philip Harding
United States Postal Service
Office of the Treasurer
Room 5426
Washington, D. C. 20260

Summary of PACS Essentials

Effective January 1, 1977, the Reserve Banks will implement new budgeting, expense accounting and reporting systems known as PACS, an acronym for the Federal Reserve Planning and Control System. This paper focuses on the main elements of the new systems and is an introduction to the systems for those who will be using them.

PACS incorporates generally accepted principles of cost accounting and is designed to facilitate planning for and controlling expenses at the Reserve Banks. In general, expenses associated with the purchase of goods and services are recognized only when the goods and services are used by the Reserve Banks in its operations. All buildings, fixed assets, furniture, fixtures and operating equipment are capitalized and depreciated, with rates of depreciation and salvage values based on existing IRS regulation. Provision is also made for the accrual of other significant expenses to reflect amounts used in the accounting period. As in any other cost accounting system, expenses are classified in two ways: by type of expense (object) and by the reason for the expense (activity). Within the classification by type, there are three levels of aggregation: detailed object, object and summary object. Summary objects are the highest level of aggregation and are used to report the direct expenses involved in each activity to the Board of Governors. Objects, for the most part, provide historical continuity with the existing expense system, while detailed objects provide more specific

identification of expenses. The hierarchy of detailed objects, objects and summary objects is known as the PACS Chart of Accounts.

The activity classification of expenses focuses on the specific output of the Federal Reserve System to which expenses are related. There are three levels of aggregation: activity, service and service line. Service lines are the highest level of aggregation and represent the ongoing responsibilities of the Federal Reserve System. Services are programs instituted to fulfill these responsibilities, while activities represent the basic operations of the Reserve Banks. The hierarchy of activities, services and service lines is known as the PACS service structure.

The service structure is divided into two parts: 1) five output service lines, services and activities; and 2) two internal service lines, services and activities. The output service lines focus on operations directly involved in the production of external services provided by the Federal Reserve System and include the following: Monetary and Economic Policy; Services to the U.S. Treasury and Government Agencies; Services to Financial Institutions and the Public; and Supervision and Regulations. The internal service lines include all the support and overhead operations of the Reserve Banks. Support operations are defined as those operations necessary for the ongoing production of services by the Reserve Banks, and include: computer operations, data systems support, motor vehicles, building operations, housekeeping, stock of supplies, printing and duplicating, graphics, planning and District projects. Overhead operations are defined as those operations not involved in production but necessary to operate the Federal Reserve Banks, and include: Bank and System Administration, System projects, mail, legal,

budget and expense control, general books, files and records storage, personnel, medical, food service, purchasing, protection, office equipment maintenance, emergency preparedness, library, telephone and telegraph operations, and audit.

PACS provides different cost information at the different levels of aggregation of the service structure to facilitate the use of the new systems by different levels of management within the Federal Reserve System and other users of PACS. At the activity level, what could be termed incremental, controllable costs are provided, basically for use by the managers of activities within the Banks in comparing their progress against plans and against the performance of other Reserve Banks in the activity. At the output service level, full costs are provided for use by more senior Bank and System management, while the service line level provides a consolidated overview of System costs using the five output service lines.

The process of showing costs at different levels of aggregation is accomplished in four steps. First, all expenses are identified by detailed object and are distributed to activities. Generally speaking, activities can be charged with any and all types of expense. Second, support activity costs are redistributed directly to using activities on the basis of actual or standard costs. Third, overhead activity costs are allocated to output services on the basis of actual usage or personnel or dollar ratios, depending on the nature of the overhead charge. Finally, output services are aggregated into output service lines, which, after the full-costing process is complete, reflect all direct, support and overhead costs separated into the five major responsibilities of the Federal Reserve System.

Expense reports on a PACS basis will be published quarterly by the Board of Governors. Two types of reports will be furnished: 1) a detailed activity report showing cost information by summary object and support area for each activity within each office of every District; and 2) an executive summary focusing on fully-costed services and service lines and other aggregated cost information by District. The detailed activity report will also include statistics which should facilitate the evaluation of performance at any Reserve Office against its own plan or against the performance of other offices. Two types of statistics are provided. All activities have manhours and the average number of personnel calculations associated with them. In addition, each activity whose output is considered measurable has a volume statistic, and unit cost and unit productivity measures. In combination, manhours, average number of personnel, volume, unit cost and unit productivity are referred to as the productivity measures of an activity.

The second type of statistic is known as environmental. These measures are intended to provide additional information about the environment in which the activity is taking place in order to facilitate analysis of the activity. For example, if a drop in productivity is noted in the activity Verifying Currency Deposits, it is helpful to know whether the number of depositor errors has increased per deposit thereby increasing the work necessary to process each deposit. The environmental statistics for this activity give this information and help to tell a more complete story about the activity than is obtainable simply from an analysis of the productivity statistics. Environmental measures can also provide information on changing levels of quality of Reserve Bank output and changing policy direction.

While the description above focused on PACS as an expense accounting and reporting tool, the new systems will integrate the planning and control processes at each Reserve Bank. The PACS framework will thus also be used in the annual budget and in preparing multi-year plans. The design of the annual budget mirrors PACS reports in that summary information at the fully costed service and service line level is required in Part I of the budget, and more detailed information at the activity level is required in Part II. While there will not be a published report comparing PACS expenses against the budget, such reporting will be facilitated at each Bank and the Board of Governors because of this aspect of PACS.

SERVICE STRUCTURE

Introduction

The hierarchy of activities, services and service lines is used to group expenses into meaningful categories for analysis and reporting. Service lines represent the ongoing responsibilities of the Federal Reserve System expressed in terms of the broad categories of output generated by the System; services represent the basic programs instituted to fulfill these ongoing responsibilities; and activities reflect the basic operations or processes within each service.

There are three types of activities: output, support and overhead. Output activities represent processing or analytical operations which make possible the direct production of services provided by the Federal Reserve System. Support activities represent operations which are necessary to continue or improve production but may not be involved in the actual production process. Overhead activities represent operations that are necessary to ensure the continuity and/or efficient operation of the Reserve office but are not directly connected with production.

Activity definitions have been written to facilitate uniform expense aggregation among the Banks and branches. These activity definitions indicate the responsibilities covered by the activity and, where appropriate, the beginning and end of the processes to be included in the activity. A list of specific operations is also given for each activity. These operations are meant to define the activity further and should not be considered all-inclusive. In particular, words such as processing, preparing, analyzing, etc., are meant to encompass all related operational actions even if these are not specifically identified. Each activity is also assumed to include all related clerical and administrative operations and these operations are not specifically identified in the activity definition. In addition, activities describe responsibilities without regard to organization structure; expenses directly related to an activity as described by the activity definition should be shown in that activity regardless of where performed. Finally, although the responsibilities and operations listed for each activity in general reflect only direct charges into the activity, distributions from support activities and any recoveries received to offset activity expense are also to be included in the activity as described in Sections 5 and 9 of this Manual, respectively.

Two types of statistical measures can be associated with a given activity: productivity measures and environmental statistics. While the activity definitions indicate the statistics to be reported for each activity, this listing is intended only as a cross-reference to Section 6 of this Manual which explains the two types of measures and provides other information on statistics. The remainder of this Section contains a description of the coding scheme used to identify service lines, services and activities; the names and structure of the service lines, services and activities, together with their respective codes; and the activity definitions and associated statistical lists.

SERVICE STRUCTURE CODING

Coding for the service structure makes use of a structured number scheme which identifies data elements by indicating the placement of the data element in its hierarchy. The chart of service structure accounts classifies services at three levels: service lines, services and activities. Codes are assigned to activities which indicate both the service and service line to which the activity relates. The code for activities includes enough digits to accommodate the maximum foreseeable number of service lines, services and activities, and allows for code insertion. This code takes the following form:

ABBC

A represents the service line (digits 1-8 are available; 9 is reserved for project identification); BB represents the service; and C represents the activity. Zeroes denote summarization and have not been used to code specific information at any level in the service structure. The following is a sample application of the service structure coding.

Sample PACS Service Structure Coding

<u>Code</u>	<u>Service Line</u>	<u>Service</u>	<u>Activity</u>
1000	Monetary and Economic Policy	-	-
1300	Monetary and Economic Policy	Economic Policy Determination	-
1302	Monetary and Economic Policy	Economic Policy Determination	Current Economic Analysis
1304	Monetary and Economic Policy	Economic Policy Determination	Long-Range Economic Analysis
1306	Monetary and Economic Policy	Economic Policy Determination	System-Initiated Data Reporting
1308	Monetary and Economic Policy	Economic Policy Determination	Bank-Initiated Data Reporting
1600	Monetary and Economic Policy	Open Market Trading	
1604	Monetary and Economic Policy	Open Market Trading	Open Market Trading

Note: Numerical codes not presently assigned are reserved for future System-wide use, and therefore should not be used or assigned by individual Reserve Banks.

SERVICE STRUCTURE

Output Service Lines

(4-1-76)

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>		
Monetary and Economic Policy	1000	Economic Policy Determination	1300	Current Economic Analysis	1302		
				Long Range Economic Research	1304		
				Data Reporting	1306		
		Open Market Trading	1600	Open Market Trading	1604		
Services to the U.S. Treasury and Government Agencies	2000	Savings Bonds	2100	Original Issue	2101		
				Accounting for Stock	2103		
				Reissues and Replacements	2104		
				Direct Redemptions	2106		
				Processing Retired Bonds	2108		
		Other Treasury Issues	2200			Original Issue	2202
						Servicing	2205
						Redeeming	2208
		Government Agency Issues	2300			Issuing	2302
						Servicing	2305
Redeeming	2308						
Other Treasury and Government Agency Services	2400			Other Treasury and Government Agency Services	2404		
				Collecting and Processing Statistical Data	2408		
Treasury and Government Agency Coupons	2500			Coupon Processing	2504		
Food Coupons	2600			Processing	2604		
				Destruction	2608		
Government Accounts	2700			T.T. & L. Accounting	2704		
				Treasurer's General and Government Agency Account Processing	2708		

3-3

(4-1-76)

3-4

Service Lines

Code

Services

Code

Activities

Code

Services to Financial
Institutions and
the Public

3000

Federal Taxes

2800

Federal Tax Processing

2804

Currency Verification and
Destruction

2900

Verification
Destruction

2904
2908

Currency

3090

Paying and Receiving
Verifying Deposits
Cancellation
Federal Reserve Note Issue

3092
3094
3096
3098

Coin

3180

Paying and Receiving
Verifying Deposits
Wrapping

3182
3185
3188

Electronic Funds
Transfers

3270

Transfer of Reserve Account
Balances
Automated Clearing House
Operations

3274
3278

Commercial Checks

3360

Processing
Adjustments
Return Items
Interdistrict Transportation
System

3362
3364
3366
3368

Other Checks

3450

Government Check Processing
Postal Money Order Processing

3454
3458

Securities

3540

Purchase and Sale
Safekeeping
Clearing

3542
3545
3548

Loans to Members and
Others

3630

Loans to Members and Others

3632

Reserve Accounts

3720

Member Bank Accounting
Monitoring Reserve Accounts

3724
3728

(4-1-76)

3-5

Service Lines

Services

Activities

Code

Code

Code

Non-Cash Collection

3810

Non-Cash Collection

3814

Bank and Public Relations

3900

Bank Visits and Programs for Bankers
Publications
Public Programs
Functional Cost Analysis

3902
3904
3906
3908

Other

3980

Services to Other Central Banks
Services Rendered Others

3984
3988

Supervision and Regulations

4000

Examination and Monitoring of District Financial Institutions

4300

Member Bank Examinations
International Banking Organization Examinations
Banking Holding Company Examinations and Inspections
Processing and Analyzing Examination Reports

4302
4305
4306
4308

Administration of Laws and Regulations Related to Banking

4600

Processing Member Bank and International Banking Organization Applications
Processing Holding Company Applications
Collecting and Processing Condition and Other Statistical Reports
Administration and Monitoring of Regulations

4601
4602
4604
4606

Banking and Financial Market Structure Studies

4900

Market Structure and Supervisory and Regulatory Policy Studies

4904

(4-1-76)

3-6

SERVICE STRUCTURE

Internal Service Lines

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>
Support Services	6000	Data Processing	6100	Computer Operations	6104
				Data Systems Support	6108
		Motor Vehicles	6300	Motor Vehicles	6304
		Occupancy	6400	Building Operation	6404
				Housekeeping	6408
		Printing and Supplies	6500	Stock of Supplies	6502
				Printing and Duplicating	6504
			Graphics	6508	
		Planning	6700	Planning	6704
		District Projects	6900	District Projects	6904
Overhead Services	8000	Administration	8100	Bank Administration	8104
				System Administration	8108
		System Projects	8150	System Projects	8154
		Mail	8200	Mail	8204
		Legal	8250	Legal	8254
		Budget and Expense Control	8300	Expense Accounting	8304
				Budget Preparation and Control	8308
		General Books	8350	General Ledger and Capital Stock	8354
Files and Records Storage	8400	Files and Records Storage	8404		

(4-1-76)

3-7

Service Lines

Code

Services

Code

Activities

Code

Personnel

8450

Recruitment and Placement
Compensation
Training and Education
Administration and Employee
Relations

8452
8454
8456
8458

Medical

8500

Medical Services

8504

Food Service

8550

Food and Canteen Services

8554

Purchasing

8600

Purchasing
Stockroom and Warehouse
System Purchasing Service

8602
8604
8608

Protection

8650

Protection

8654

Office Equipment
Maintenance

8700

Office Equipment Maintenance

8704

Emergency Preparedness

8750

Emergency Preparedness

8754

Library

8800

Library

8804

Telephone and Telegraph
Operations

8850

Telephone
Telegraph

8854
8858

Audit

8900

Data Systems Auditing
Financial Auditing
Operational/Procedural Auditing
Examination Support

8902
8904
8906
8908

Formula for Determining
Reimbursement Claim
Issuing Securities
XYZ Agency

ACTIVITY EXPENSES

Personnel		\$ _____
Equipment		_____
Travel		_____
Communications		_____
Other		_____
Shipping		_____

Support Costs (if any)

a) Computer Operations	_____
b) Data Systems Support	_____
c) Motor Vehicles	_____
d) Occupancy	_____
e) Stock of Supplies	_____
f) Printing and Duplicating	_____
g) Graphics	_____
h) Planning	_____
i) District Projects	_____

Total Support Costs _____

Total Issuing Activity Expenses \$ _____ (A)

Total number of transactions
(all agencies) _____ (B)

Total number of transactions
(XYZ Agency) _____ (C)

Percentage share of XYZ Agency
of total expenses (C ÷ B) _____ % (D)

XYZ Agency's pro-rata share of
total expenses (A x D) \$ _____

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212-791-5000

November 16, 1976

Effective January 1, 1977, the Federal Reserve Banks will implement new budgeting, expense accounting and reporting systems, known as PACS, an acronym for the Federal Reserve Planning and Control System. These systems will replace the current accounting procedures used by the Federal Reserve Banks in claiming reimbursement for fiscal agency work. Accordingly, as chairman of the Federal Reserve System Subcommittee on Fiscal Agency Operations, I am writing each Government, Government-sponsored and international agency for which one or more Reserve Banks perform operations and from which they claim, or have authority to claim, reimbursement, to inform them, in advance, of this pending change and the procedures that will be used in calculating reimbursable amounts under PACS.

Enclosed for your information is a brief memorandum summarizing the essentials of PACS. You will note that under the new system, all expenses are classified by the specific output of the Federal Reserve System to which they are related, and are shown at three levels of aggregation: activity, service, and service line. One of the service lines, entitled "Services to the United States Treasury and Government Agencies" contains activities and services which include the fiscal and depository operations that are performed by the Reserve Banks for Government agencies. A description of the service structure is enclosed for your information.

The major difference between PACS and the accounting system currently used by the Federal Reserve Banks involves the cost accounting techniques used in arriving at the expenses shown at the activity, service and service line levels. Under PACS, the activity level reflects the incremental cost of performing the operations defined within the activity, that is,

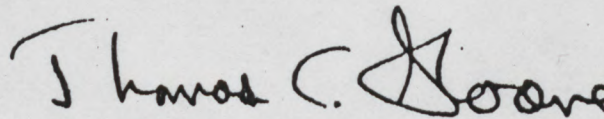
the costs that are directly associated with the activity and that would not be incurred if the activity were not performed. At the service and service line levels full costs, including prorations of all overhead, are shown. The agencies are currently billed under the present accounting system for amounts that represent incremental costs, but the definitions used in determining these costs differ between the two systems. Thus PACS claims will include a somewhat different set of costs for reimbursement than are shown on current claims.

The PACS system is based on generally accepted principles of cost accounting and is more internally consistent than the procedures used currently. The Treasury Fiscal Service has agreed to the use of PACS activity data as the accounting base for its reimbursement claims. We have thoroughly reviewed the effect that the change to PACS will have on claims made to the Bureau of the Public Debt, the division of the Treasury Fiscal Service for which the Banks perform the majority of their fiscal agency work. In this regard, we found that the change to PACS will not have a material annual impact on total claims on the Treasury, and we fully expect this to be true of claims made on all other agencies.

One activity performed for Government agencies has been defined as "Other Treasury and Government Agency Services" and contains many miscellaneous activities. The services performed for your agency are included in this activity. The Reserve Banks will continue to follow their current practice of maintaining actual cost records on the services performed under this activity for each agency. These cost records will be based on PACS accounting procedures and will include the breakdown of costs shown on the sample claim enclosed.

If you have any questions, please contact the PACS Project Director, Mr. A. Marshall Puckett, Vice President, Accounting Control Function, Federal Reserve Bank of New York.

Sincerely,



Thomas C. Sloane, Chairman
Subcommittee on Fiscal
Agency Operations

Enclosures

Similar Letters Were Sent to the Following Agencies

Mr. R. Gibbs, Treasurer
Commodity Credit Corporation
Washington, D. C. 20250

Mr. Allan N. Vinick, Secretary
Emergency Loan Guarantee Board
C/O Secretary of the Treasury, Chairman
Washington, D. C. 20220

Mr. Stanley Sommerfield
Foreign Assets Control
Treasury Department
Washington, D. C. 20226

Mr. George Contos
General Services Administration
Office of Finance
18th and F Streets, N. W. BCFF, 6-143
Washington, D. C. 20405

Contract Financing Division
Office of the Comptroller of the Army
Room 2B 665
The Pentagon
Washington, D. C. 20310

Director of Banking Contract Financing
Code NCD4
Office of the Comptroller
Department of the Navy
Washington, D. C. 20350

Mr. Robert Brown, Director
Office of Data Service International Affairs
Room 5127
Department of the Treasury
Washington, D. C. 20220

Federal Reserve District

Reimbursement Claim
Other Treasury and Government Agency Services
XYZ Agency

ACTIVITY EXPENSES

Personnel	\$ _____
Equipment	_____
Travel	_____
Communications	_____
Other	_____
Shipping	_____

Support Costs (if any)

a) Computer Operations	_____
b) Data Systems Support	_____
c) Motor Vehicles	_____
d) Occupancy	_____
e) Stock of Supplies	_____
f) Printing and Duplicating	_____
g) Graphics	_____
h) Planning	_____
i) District Projects	_____

Total Support Costs _____

Total Activity Expenses for XYZ Agency \$ _____

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212-791-5000

November 18, 1976

Effective January 1, 1977, the Federal Reserve Banks will implement new budgeting, expense accounting and reporting systems, known as PACS, an acronym for the Federal Reserve Planning and Control System. These systems will replace the current accounting procedures used by the Federal Reserve Banks in claiming reimbursement for fiscal agency work. Accordingly, as chairman of the Federal Reserve System Subcommittee on Fiscal Agency Operations, I am writing each Government, Government-sponsored and international agency for which one or more Reserve Banks perform operations and from which they claim, or have authority to claim, reimbursement, to inform them, in advance, of this pending change and the procedures that will be used in calculating reimbursable amounts under PACS.

Enclosed for your information is a brief memorandum summarizing the essentials of PACS. You will note that under the new system, all expenses are classified by the specific output of the Federal Reserve System to which they are related, and are shown at three levels of aggregation: activity, service, and service line. One of the service lines, entitled "Services to Financial Institutions and the Public" contains activities and services which include some of the fiscal and depository operations that are performed by the Reserve Banks for Government agencies. A description of the service structure is enclosed for your information.

The major difference between PACS and the accounting system currently used by the Federal Reserve Banks involves the cost accounting techniques used in arriving at the expenses shown at the activity, service and service line levels. Under PACS, the activity level reflects the incremental cost of performing the operations defined within the activity, that is,

the costs that are directly associated with the activity and that would not be incurred if the activity were not performed. At the service and service line levels full costs, including prorations of all overhead, are shown. The agencies are currently billed under the present accounting system for amounts that represent incremental costs, but the definitions used in determining these costs differ between the two systems. Thus PACS claims will include a somewhat different set of costs for reimbursement than are shown on current claims.

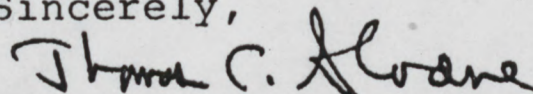
The PACS system is based on generally accepted principles of cost accounting and is more internally consistent than the procedures used currently. The Treasury Fiscal Service has agreed to the use of PACS activity data as the accounting base for its reimbursement claims. We have thoroughly reviewed the effect that the change to PACS will have on claims made to the Bureau of the Public Debt, the division of the Treasury Fiscal Service for which the Banks perform the majority of their fiscal agency work. In this regard, we found that the change to PACS will not have a material annual impact on total claims on the Treasury, and we fully expect this to be true of claims made on all other agencies.

One activity performed for Government agencies has been defined as Safekeeping of securities, an activity performed by some Reserve Banks for your agency. A description of this activity is enclosed. As noted above, the Banks will accumulate their costs by activity. However, there are no separate sub-categories under the activities relating to each agency. Rather, under PACS, the Banks will bill each agency its pro-rata share of the total costs of this activity, based on the relationship of the number of transactions processed for your agency to the total number of transactions processed.

The PACS claim will provide a breakdown of costs within an activity by type of expense and will also show the total transactions for the activity, the number of transactions processed for your agency, and the pro-rata share of total activity costs that is being claimed. A sample format of a PACS agency claim for the Safekeeping activity is enclosed. (The form of the claim may vary from Bank to Bank, but the content will be the same.)

If you have any questions, please contact the PACS Project Director, Mr. A. Marshall Puckett, Vice President, Accounting Control Function, Federal Reserve Bank of New York.

Sincerely,



Thomas C. Sloane, Chairman
Subcommittee on Fiscal
Agency Operations

Enclosures

Similar Letters Were Sent to the Following Agencies

Program Accounting Division
Department of Housing and Urban
Development
Division of Finance and Accounts
Office of the Secretary
451 7th Street, S. W.
Washington, D. C. 20410

Economic Development Administration
Accounting Division
Room 7219
United States Department of
Commerce
Washington, D. C. 20230

Formula for Determining
Reimbursement Claim
Safekeeping Securities
XYZ Agency

ACTIVITY EXPENSES

Personnel	\$ _____
Equipment	_____
Travel	_____
Communications	_____
Other	_____
Shipping	_____

Support Costs (if any)

a) Computer Operations	_____
b) Data Systems Support	_____
c) Motor Vehicles	_____
d) Occupancy	_____
e) Stock of Supplies	_____
f) Printing and Duplicating	_____
g) Graphics	_____
h) Planning	_____
i) District Projects	_____

Total Support Costs _____

Total Safekeeping Activity Expenses \$ _____ (A)

Total number of transactions
(all agencies) _____ (B)

Total number of transactions
(XYZ Agency) _____ (C)

Percentage share of XYZ Agency
of total expenses (C ÷ B) _____ % (D)

XYZ Agency's pro-rata share of
total expenses (A x D) \$ _____

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212-791-5000

November 18, 1976

Mr. Sumner Cohen
United States Treasury
ESF Fiscal
Thomas Edison Building
Room 640
Washington, D. C. 20220

Dear Mr. Cohen:

Effective January 1, 1977, the Federal Reserve Banks will implement new budgeting, expense accounting and reporting systems, known as PACS, an acronym for the Federal Reserve Planning and Control System. These systems will replace the current accounting procedures used by the Federal Reserve Banks in claiming reimbursement for fiscal agency work. Accordingly, as chairman of the Federal Reserve System Subcommittee on Fiscal Agency Operations, I am writing each Government, Government-sponsored and international agency for which one or more Reserve Banks perform operations and from which they claim, or have authority to claim, reimbursement, to inform them, in advance, of this pending change and the procedures that will be used in calculating reimbursable amounts under PACS.

Enclosed for your information is a brief memorandum summarizing the essentials of PACS. You will note that under the new system, all expenses are classified by the specific output of the Federal Reserve System to which they are related, and are shown at three levels of aggregation: activity, service, and service line. One of the service lines, entitled "Monetary and Economic Policy" contains activities and services which include some of the fiscal and depositary operations that are performed by the Reserve Banks for Government and international agencies. A description of the service structure is enclosed for your information.

The major difference between PACS and the accounting system currently used by the Federal Reserve Banks involves the cost accounting techniques used in arriving at the expenses shown at the activity, service and service line levels. Under PACS, the activity level reflects the incremental cost of performing the operations defined within the activity, that is, the costs that are directly associated with the activity and that would not be incurred if the activity were not performed.

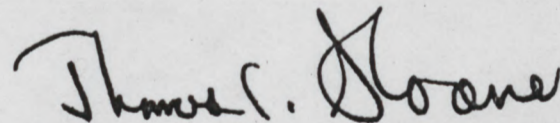
At the service and service line levels full costs, including prorations of all overhead, are shown. The agencies are currently billed under the present accounting system for amounts that represent incremental costs, but the definitions used in determining these costs differ between the two systems. Thus PACS claims will include a somewhat different set of costs for reimbursement than are shown on current claims.

The PACS system is based on generally accepted principles of cost accounting and is more internally consistent than the procedures used currently. The Treasury Fiscal Service has agreed to the use of PACS activity data as the accounting base for its reimbursement claims. We have thoroughly reviewed the effect that the change to PACS will have on claims made to the Bureau of the Public Debt, the division of the Treasury Fiscal Service for which the Banks perform the majority of their fiscal agency work. In this regard, we found that the change to PACS will not have a material annual impact on total claims on the Treasury, and we fully expect this to be true of claims made on all other agencies.

One activity under the service line "Monetary and Economic Policy" has been defined as Open Market Trading and encompasses the services provided to you by this Bank. A description of this activity is enclosed. This Bank will continue to follow its current practice of maintaining actual cost records on the services provided under this activity for the Treasury. These cost records will be based on PACS accounting procedures and will include the breakdown of costs shown on the sample claim enclosed.

If you have any questions, please contact the PACS Project Director, Mr. A. Marshall Puckett, Vice President, Accounting Control Function, Federal Reserve Bank of New York.

Sincerely,



Thomas C. Sloane, Chairman
Subcommittee on Fiscal
Agency Operations

Enclosures

Federal Reserve District

Reimbursement Claim
Open Market Trading
Treasury Department

ACTIVITY EXPENSES

Personnel
Equipment
Travel
Communications
Other
Shipping

\$ _____

Support Costs (if any)

- a) Computer Operations _____
- b) Data Systems Support _____
- c) Motor Vehicles _____
- d) Occupancy _____
- e) Stock of Supplies _____
- f) Printing and Duplicating _____
- g) Graphics _____
- h) Planning _____
- i) District Projects _____

Total Support Costs _____

Total Activity Expenses for
Treasury Department

\$ _____

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212-791-5000

November 19, 1976

Mr. Edward F. Phelps, Jr.
Controller
Federal Deposit Insurance
Corporation
550 Seventeenth Street, N.W.
Washington, D. C. 20429

Dear Mr. Phelps:

Effective January 1, 1977, the Federal Reserve Banks will implement new budgeting, expense accounting and reporting systems, known as PACS, an acronym for the Federal Reserve Planning and Control System. These systems will replace the current accounting procedures used by the Federal Reserve Banks in claiming reimbursement for fiscal agency work. Accordingly, as chairman of the Federal Reserve System Subcommittee on Fiscal Agency Operations, I am writing each Government, Government-sponsored and international agency for which one or more Reserve Banks perform operations and from which they claim, or have authority to claim, reimbursement, to inform them, in advance, of this pending change and the procedures that will be used in calculating reimbursable amounts under PACS.

Enclosed for your information is a brief memorandum summarizing the essentials of PACS. You will note that under the new system, all expenses are classified by the specific output of the Federal Reserve System to which they are related, and are shown at three levels of aggregation: activity, service, and service line. Two of the service lines, entitled "Services to the United States Treasury and Government Agencies" and "Services to Financial Institutions and the Public" contain activities and services which include all the fiscal and depository operations that are performed by the Reserve Banks for Government agencies. A description of the service structure is enclosed for your information.

The major difference between PACS and the accounting system currently used by the Federal Reserve Banks involves the cost accounting techniques used in arriving at the expenses shown at the activity, service and service line levels. Under PACS, the activity level reflects the incremental cost of performing the operations defined within the activity, that is, the costs that are directly associated with the activity and that would not be incurred if the activity were not performed. At the service and service line levels full costs, including prorations of all overhead, are shown. The agencies are currently billed under the present accounting system for amounts that represent incremental costs, but the definitions used in determining these costs differ between the two systems. Thus PACS claims will include a somewhat different set of costs for reimbursement than are shown on current claims.

The PACS system is based on generally accepted principles of cost accounting and is more internally consistent than the procedures used currently. The Treasury Fiscal Service has agreed to the use of PACS activity data as the accounting base for its reimbursement claims. We have thoroughly reviewed the effect that the change to PACS will have on claims made to the Bureau of the Public Debt, the division of the Treasury Fiscal Service for which the Banks perform the majority of their fiscal agency work. In this regard, we found that the change to PACS will not have a material annual impact on total claims on the Treasury, and we fully expect this to be true of claims made on all other agencies.

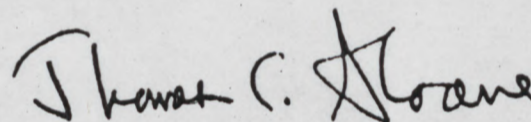
Two activities performed for Government agencies have been defined as Safekeeping and Other Treasury and Government Agency Services. Descriptions of these activities, which includes the services provided to you, are enclosed. As noted above, the Banks accumulate their costs by activity. Under the Safekeeping activity, there are no separate subcategories relating to each agency for which we perform that activity. Rather, under PACS, the Banks will bill each agency its pro-rata share of the total costs of the activity, based on the relationship of the number of transactions processed for your agency to the total number of transactions processed for all agencies.

The PACS claims will provide a breakdown of costs within an activity by type of expense and will also show the total transactions for the activity, the number of transactions processed for your agency, and the pro-rata share of total activity costs that is being claimed. A sample format of a PACS agency claim for the Safekeeping activity is enclosed. (The form of the claim may vary from Bank to Bank, but the content will be the same.)

A separate method of billing under PACS will be used for the activity "Other Treasury and Government Agency Services" which contains many miscellaneous operations performed for the Treasury and Government agencies. Since the operations performed in this activity are so diverse, a billing based on volume would not be appropriate. Accordingly, the Reserve Banks will continue to follow their current practice of maintaining actual cost records on the services performed under this activity for each agency. These cost records will of course be based on PACS accounting procedures and will include the same breakdown of costs shown on the sample Safekeeping claim enclosed but there will be no volume data.

If you have any questions, please contact the PACS Project Director, Mr. A. Marshall Puckett, Vice President, Accounting Control Function, Federal Reserve Bank of New York.

Sincerely,



Thomas C. Sloane, Chairman
Subcommittee on Fiscal
Agency Operations

Enclosures

AMP

FEDERAL RESERVE BANK
OF NEW YORK

COPY OF TELEGRAM
PRIVATE WIRE-OUTGOING

SEND TO
CORRESPONDENCE FILES DIVISION

SENT BY
ACCOUNTING CONTROL FUNCTION

NOV 15

4 43 PM '76
631

November 15, 1976

FEDERAL RESERVE BANK
OF NEW YORK

*Copies to Messrs. Volcher
Carrigan
Puchett
Mrs. Minahan
Mr. Thicke
Com. Files*

MARK WILLES--FRB PHILADELPHIA

We have reviewed the material you sent November 5 concerning the maintenance and monitoring of PACS. The program as it relates to monitoring Reserve Bank compliance with PACS instructions appears satisfactory, since the Board Staff is unquestionably in the best position to do that. With regard to the maintenance of PACS, however, we do have some reservations about the pivotal role to be played by the Board Staff. The Staff, I feel, does not have the kind of expertise in Reserve Bank operations to deal adequately with such matters as appropriate definitions for activities, performance measures and environmental statistics. Thus, I would prefer that the Reserve Banks be given a stronger role in these matters. However, I am prepared to give the proposed arrangement a try on the assumption that the Board staff will not use its authority to change the system unwisely. I assume that before adding, deleting or modifying any of the PACS definitions, the Board Staff will seek the concurrence of the relevant Conference Subcommittee as well as SASBE, and that SASBE will keep the Conference informed of any substantive PACS changes that are made without approval of affected Reserve Bank personnel.

TIMLEN--NEW YORK

Date 11/8/76

REFERRED FOR ATTENTION
TO MR. Puckett

This copy for
information of

Copies have been
sent to

✓ Mr. Volcker	✓
Mr. Timlen	✓
Mr. A. R. Holmes	
Mr. Guy	
Mr. Piderit	
Mr. Sloane	✓
Mr. Bakstansky	
Mr. Braun	
Mr. Cooper	
Mr. Corrigan	
Mr. Davis	
Mr. Ege	
Mr. Feldberg	
Mr. Fousek	
Mr. Gray	
Mr. Henderson	✓
Mr. Lloyd	
Mr. Meek	
Mr. Oltman	
Mr. Pardee	
Mr. Puckett	✓
Mr. Schadrack	
Mr. Smedley	
Mr. Sternlight	
Mr. Willey	
Mr. Keane	
Mr. Thieke	✓
Mr. Coopersmith	
Miss Cutler	
Mr. Oppenheimer	✓
Mr. Flanagan	
Correspondence Files	✓
Mrs. Minehan	✓

10/76

FRB

'76



Federal Reserve Bank of Philadelphia

Philadelphia, Pennsylvania 19105

OFFICE OF THE
FIRST VICE PRESIDENT

November 5, 1976

TO: MEMBERS OF THE CONFERENCE

FROM: Mark H. Willes, Chairman
Committee on Management Systems
and Support Services

Enclosed for your review is a copy of the program for maintaining and monitoring PACS, which was discussed by the Committee on Management Systems and Support Services at its meeting in Charlotte on October 26. Because members of the Conference have expressed concern over the maintenance of this system, the Committee would appreciate your sending any substantive comments or suggestions to me by November 16 so that we may be assured of achieving full Conference understanding and support well ahead of the cutover date.

The enclosed procedure was agreed to by the Subcommittee on Accounting Systems, Budgets and Expenditures and by the Board of Governors' staff in mid-August. It has been distributed to all Banks.

Enclosure

RECEIVED

NOV 08 1976

ANSWERED.....
ATTENDED TO.....
THOMAS M. TIMLEN

RECEIVED

OCT 18 1976

October 15, 1976

To: ^{Office of the} ~~First Vice President~~ Committee on Management Systems and Support Services

✓ Mark H. Willes, Chairman
John T. Boysen
John B. Williams

From: Thomas E. Ormiston, Jr., Chairman *← om*
Subcommittee on Accounting Systems, Budgets, and Expenditures

Subject: Monitoring and Maintaining PACS

Mark Willes requested that I forward the enclosed copy of the program for monitoring and maintaining PACS for your Committee's review at its meeting in Charlotte, North Carolina, on October 26-27, 1976.

The enclosed procedure was agreed to by the Subcommittee and the Board of Governors' staff at its August 17-18, 1976 meeting. It has been distributed to all Reserve banks. Hopefully, the pages for inclusion in the PACS manual will be mailed from the Federal Reserve Bank of Chicago next week.

PROGRAM FOR MONITORING AND MAINTAINING
THE FEDERAL RESERVE EXPENSE ACCOUNTING SYSTEM

Introduction

The primary objectives in establishing a program to monitor and maintain the Federal Reserve Expense Accounting System are to assure that this accounting system continually provides an effective recording and reporting mechanism for the financial (expense) and statistical results of operations in the System; that the System retains its vitality through well-planned progressive changes that reflect the needs of both the Reserve banks and the Board of Governors; and that the System continues to provide an effective tool to assist Reserve bank and Board management in evaluating operational efficiency and planning for and allocating Reserve bank and System resources. These objectives can best be achieved by establishing a monitoring mechanism which ensures that expenses and statistical data are recorded and reported in a timely and accurate manner and consistent with established instructions and policies. Also, a maintenance mechanism must be established to provide for the interpretation of and revisions to accounting manual instructions when clarification or change is dictated following thorough analysis.

Overall responsibility for the success of the system is shared among the Board of Governors, the Conferences, and the individual Reserve banks. In this regard, the Division of Federal Reserve Bank Examinations and Budgets has the responsibility of staffing a monitoring mechanism and a maintenance mechanism, drawing upon its resources which include budget and control personnel, operations review personnel and financial examiners. The monitoring staff will work with Reserve bank personnel and the maintenance staff will work with the First Vice Presidents' Conference Subcommittee on Accounting Systems, Budgets, and Expenditures in fulfilling the responsibilities outlined in this paper.

It is not intended that this paper present the detailed procedures for monitoring and maintaining the expense accounting system; but rather the purpose is to outline the general process that will be employed and provide explanatory information where required.

I. Monitoring the PACS System

A. Quarterly and annual report analysis.

This analysis will be conducted utilizing the PACS data that will be submitted by the Reserve banks at the conclusion of each calendar quarter. The evaluations will range from arithmetic accuracy of the data to budget and expense comparisons, all of which will initially be generated by automated internal report programs. A series of questionnaires will be developed to obtain responses from Banks on questionable report items when an immediate response is not required. Several of the analytical efforts are identified in the following:

1. Edit Tests for Accuracy - These tests are intended to reasonably assure both reporting and arithmetic accuracy. Comprehensive edit tests are being designed for this purpose. Correction of erroneous data will be accomplished by the Board or the District depending on the magnitude of the change.
2. Tests for Deviations from Statistical Norms - These tests will assist analysts in reviewing performance, primarily focusing on deviations occurring in objects of expense, statistical measures and activities within an office or District. The point of deviation may be based on the same data item over time or distribution of a data item within an office. Results of this review may indicate further investigation of the above mentioned items with a Reserve District.
3. Trends/Projections of Key Data Items - This analysis should provide an indication of the movement of a data item or activity over a period of time. The review may consider changes only as they relate to an office or District or a comparison of changes in several Districts. Projections of the direction of the above items over future periods may be an extension of this process.
4. Inter-bank Comparisons - This analysis will provide comparative cost and performance information on Reserve bank operations. Attention will be given to both productivity and environmental statistics along with total costs, redistributed costs and residuals in certain areas.
5. Budget to Expense Comparisons - This analysis should provide an indication as to whether spending levels are consistent with approved budgets. Further investigation may be required following consideration for seasonal or other factor adjustments.
6. Reserve District File - A file on each Reserve District will be maintained during the measurement period (current calendar year or longer) which will contain results of analysis performed, responses by Banks to questionnaires, and other pertinent information. This will assist in preparing an overall evaluation of performance during the measurement period.

B. District Operations Reviews.

The purpose of the review program is primarily to assure compliance with PACS accounting instructions and also to assure uniformity and continuity in recording and reporting expenses and statistics. This program will provide for on-site reviews of District expense accounting operations supplemented by examinations of other operations review reports and the quarterly and annual reports analysis effort. The

frequency of the on-site reviews has yet to be determined. In certain cases, this may be dictated by the quality of data or number of deviations, etc., found. The process is briefly described below.

1. Review of Operations Reports - This review would consist of examining reports (when expense accounting is involved) that are filed by various groups at the Board such as the financial examiners and operations review staff. It could also include the monthly reports that are filed by District Audit staffs with the Board, to the extent that expense accounting is involved. The examination of these reports may assist in detecting areas that require investigation and will also be used in preparation for the on-site reviews.
2. On-site Reviews - This process will consist of an on-site review of the procedures employed by banks under PACS accounting instructions and a detailed analysis of the data being reported. Recommendations for operations improvements will be offered when potential is evident. Several elements of the review are shown below.
 - a. Review of internal expense procedures and manuals to assure compliance with PACS instructions.
 - b. Evaluating knowledge of personnel involved in expense accounting process.
 - c. Evaluation of consistency in procedures among District offices.
 - d. Review of subsidiary ledger accounts to assure proper maintenance.
 - e. Analysis of transactions or entries from point-of-entry into system to final reporting to ensure proper distribution of expenses.
 - f. Review of:
 1. Methods of distributing expenses to activities.
 2. Methods of redistributing support costs.
 3. Methods of allocating overhead costs.
 4. Methods of developing standards for standard charges.
 5. Procedures for accounting for productivity and environmental volumes.

II. Maintaining the PACS System.

A. Interpretations of Accounting Manual Instructions.

Interpretations are considered to be responses to inquiries on accounting manual instructions which will

normally not require changes to the manual. These interpretations may be documented and distributed if the response to the inquiry stems from an implied rather than a stated intent, or instruction, or a verbal response may be satisfactory where the instructions have been stated but not clearly understood by the inquirer. However, each inquiry will be carefully reviewed for impact on PACS instructions and bank operations before an interpretation is offered. In those cases where an interpretation is not straightforward, interaction of the Board's maintenance group with the Subcommittee on Accounting Systems, Budgets, and Expenditures will be necessary. The process to be followed in handling inquiries is briefly stated below.

1. A procedure for submitting inquiries will be distributed to all banks by the Board's staff. When necessary, verbal inquiries will be accepted by the Board's staff and, as previously noted, verbal responses may be given under certain circumstances.
2. A designated individual on the Board's staff will receive the inquiry and will initiate distribution to the Board's maintenance group as well as schedule the review period and date for interpretation to be provided.
3. The Board's maintenance group will evaluate the inquiry and determine whether or not consultation with the Subcommittee on Accounting Systems, Budgets, and Expenditures is necessary.
 - a. If consultation is necessary, a formal statement of inquiry will be prepared along with the Board's maintenance group's opinion and will be filed with the Subcommittee on Accounting Systems, Budgets, and Expenditures. The decision of these groups will be published as the interpretation.
 - b. If consultation is not necessary, the decision will be reached by the Board's maintenance group and a formal or verbal interpretation will be provided to the bank or banks.
4. The Board's maintenance group will maintain a central file for all inquiries which will include the initial inquiry, workpapers related to developing the interpretation, and a documented copy of the interpretation whether distribution or a verbal response is provided. An additional file that contains only interpretations will also be maintained.

B. Changes to PACS Accounting Instructions.

Changes to the PACS instructions may stem from an accumulation of editorial changes derived from interpretations offered, may be substantive in that a different approach is utilized for reporting or measuring information, or may be a conceptual change. The initiative for such changes may originate from several sources. Again, the Board's maintenance group will work in consultation with the Subcommittee on Accounting Systems, Budgets, and Expenditures on changes to the system's design prior to the distribution of any such revisions. The process to be followed would be very similar to the one for handling interpretations except for the potentially more extensive research involved, the amount of contact with the involved groups, and the distribution of change evolving from the effort.

C. Updating of the Accounting Manual.

Updating of the accounting manual may result from changes to instructions or interpretations offered. Significant changes will be made as soon as possible after a decision has become final, while minor changes will be made less frequently but not later than the end of the calendar year in which the change occurred. A procedure will be developed for distributing accounting manual pages which will consider distribution, control, files, etc.

III. System Coordination

As previously stated, the success of the expense accounting system requires the involvement of many groups throughout the System. However, in the routine accomplishment of responsibilities, personnel such as those in the monitoring and maintenance group and selected individuals at the Reserve banks are best suited to monitor and maintain the system. Therefore, it would be recommended that each District designate a person or persons with responsibility for: 1) assuring consistent application of procedures throughout the District; 2) handling District distribution of all interpretations, changes, etc.; 3) initiating all formal inquiries that are made; and 4) assisting (perhaps only administratively) in the on-site reviews that are made in each District.

It would further be recommended that an annual conference be held to discuss problems with the expense accounting system, propose changes to the system, or to discuss approaches utilized by various Districts to accomplish compliance with established expense system policies and procedures.

IV. Designation of System Projects

Each year specific System Projects must be designated for budget purposes and to guide Reserve bank expense distribution. The

Division of Federal Reserve Bank Examinations and Budgets will request a list of such projects with estimated expenses from the Conferences. After approval for the budget, the Subcommittee on Accounting Systems, Budgets, and Expenditures will designate a project number and PACS activity relationship. All Reserve banks will be required to maintain separate project information on these designated projects although only a summary total is necessary for quarterly expense reporting.

Date 11/9/76

REFERRED FOR ATTENTION
TO MR. Puckett

This copy for information of Copies have been
sent to

<input checked="" type="checkbox"/>	Mr. Volcker	<input checked="" type="checkbox"/>
	Mr. Timlen	<input checked="" type="checkbox"/>
	Mr. A. R. Holmes	
	Mr. Guy	
	Mr. Piderit	<input checked="" type="checkbox"/>
	Mr. Sloane	<input checked="" type="checkbox"/>
	Mr. Bakstansky	<input checked="" type="checkbox"/>
	Mr. Braun	<input checked="" type="checkbox"/>
	Mr. Cooper	
	Mr. Corrigan	
	Mr. Davis	<input checked="" type="checkbox"/>
	Mr. Ege	<input checked="" type="checkbox"/>
	Mr. Feldberg	
	Mr. Fousek	
	Mr. Gray	
	Mr. Henderson	<input checked="" type="checkbox"/>
	Mr. Lloyd	
	Mr. Meek	
	Mr. Oltman	
	Mr. Pardee	
	Mr. Puckett	<input checked="" type="checkbox"/>
	Mr. Schadrack	
	Mr. Smedley	
	Mr. Sternlight	
	Mr. Willey	
	Mr. Keane	
	Mr. Thieke	<input checked="" type="checkbox"/>
	Mr. Coopersmith	
	Miss Cutler	
	Mr. Oppenheimer	<input checked="" type="checkbox"/>
	Mr. Flanagan	
	Correspondence Files	<input checked="" type="checkbox"/>

10/76



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

B507

DIVISION OF FEDERAL RESERVE BANK
EXAMINATIONS AND BUDGETS

November 5, 1976

Mr. Thomas M. Timlen
First Vice President
Federal Reserve Bank of New York
New York, New York 10045

Dear Tom:

Enclosed are instructions which pertain to accounting for System Projects under PACS. Specifically, these instructions deal with the seven projects that have been approved by the Conferences and designated as System Projects for 1977. It is possible that other efforts will be so designated at a later date. Each District was previously advised through the Steering Committee of the respective Conferences as to the method to be used in budgeting for these projects on a functional basis for 1977.

Project accounting is viewed as one of the beneficial features of PACS. It allows for the tracking of costs throughout the project cycle, demonstrates the impact on System operations, provides input to the evaluation of project success, and assists management in planning for project resource requirements and future project efforts. For these reasons and in order to accomplish uniform accounting and reporting, it is extremely important that the instructions contained in this package and in the PACS Accounting Manual be closely followed.

Each District PACS project leader is familiar with general project accounting and PACS procedures; however, if any further information or clarification is necessary, please contact us.

Sincerely,

To be listed on Schedule A
for directors' meeting of

11/18/76
For Secretary

Clyde
Clyde H. Farnsworth, Jr.
Assistant Director

RECEIVED

Enclosure

NOV 08 1976

ANSWERED.....
ATTENDED TO.....
THOMAS M. TIMLEN

SYSTEM PROJECTS

The projects that are identified on the following pages have been designated as System Projects. They represent both efforts that are beginning in 1977 and those currently in progress. While other projects may be designated during 1977, each District should limit accounting for System Projects to these projects at the present time. The project code shown for each project has been taken from the numbers assigned to System projects and should be used by each District for recording and reporting purposes.

Instructions in Section 7--Project Accounting should be strictly adhered to in coding of individual projects and accounting for the expenses associated with each project. Further, instructions in the Service Structure, Expense Accounting, Cost Accounting, and Reporting Sections of the manual should be reviewed and followed where required. A brief description of the accounting procedures for each project is included with the project description.

It is important that each District coordinate these projects among all involved personnel. In most cases, each District will have a regular member or a liaison member of the committees and subcommittees sponsoring the projects. These members can be helpful both in providing additional information about the projects and in assisting Accounting personnel in developing the individual project reporting mechanism. Requests for any additional information about System Projects should be directed to the Financial Planning and Control Section, Division of Federal Reserve Bank Examinations and Budgets at the Board of Governors.

1-1-77

1. SYSTEM FILM PROJECT

SYSTEM PROJECT CODE-901

This project is sponsored by the Committee on Research, Public Information and Bank Relations of the Conference of Presidents. The project will include writing a script, choosing a film contractor, producing the film, and establishing procedures for marketing the finished product.

While other expenditures will be required, a primary outlay will be for outside film production costs which have been budgeted at \$115,320 for 1977. Each Reserve District has made provision for its pro rata share, \$9,610, in the 1977 budget. When inter-District distributions of expenses are made, the pro rata distribution should be recorded in the Fees--System Projects account 55625 and reported under the Systems Project activity. As other expenses are incurred, entries should be recorded in the appropriate expense accounts and also reported under the System Projects activity. At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to the Bank and Public Relations Service.

1-1-77

2. AUTOMATED CLEARING HOUSE PROGRAM

SYSTEM PROJECT CODE-902

The ACH program efforts are sponsored by the Subcommittee on Electronic Payments through the Committee on Communications and Payments of the Conference of First Vice Presidents. Project efforts include: providing project management support through implementation of government and private ACH programs in 1977, expanding interregional ACH programs and beginning experimentation in intraregional distribution of ACH data, developing techniques for evaluating ACH efficiencies and improving productivity, and formulating a System position on access to Federal Reserve clearing and settlement facilities.

The cost of projects for 1977 is estimated to be \$305,000. Individual projects, projected costs and Districts incurring costs are shown below.

<u>Project</u>	<u>Total Cost</u>	<u>District Incurring Cost</u>
Implementation of Government Payments Programs	\$ 25,000	Atlanta
Implementation and Enhancements of the ACH Software	\$200,000	Cleveland--\$150,000 Minneapolis--\$50,000
Interregional ACH Exchange Pilot	\$ 30,000	Atlanta--\$15,000 Boston--\$3,000 Cleveland--\$3,000 Dallas--\$3,000 New York--\$3,000 San Francisco--\$3,000
Monitor Bulk Data Tests	Nominal	
ACH Cost/Benefit Analysis	Nominal	
Clarify January 15, 1976 Statement on Access	Nominal	
Formulate Interregional Delivery Policy	Nominal	
Coordinate with Outside Organizations Re ACH Matters	Nominal	

1-1-77

2. AUTOMATED CLEARING HOUSE PROGRAM
(Continued)

SYSTEM PROJECT CODE-902

<u>Project</u>	<u>Total Cost</u>	<u>District Incurring Cost</u>
Begin Experimentation in the Area of Intraregional Electronic Distribution of ACH Payment Data by 7/1/77	\$ 50,000	Evenly Distributed
Development of a Strategic Planning Document	Nominal	

All costs associated with the above projects should be recorded in the appropriate expense accounts and reported under the System Projects activity. At the end of each reporting period, the cost of these projects should be allocated from the System Projects Activity to the Electronic Funds Transfers Service.

NOTE:

- o There is no indication of outside consultant costs in excess of \$100,000; therefore, no inter-District distribution of expenses should be made.
- o Regular ACH operations processing should be reported in the Automated Clearing House Operations Activity as opposed to the System Projects Activity.

1-1-77

3. CURRENCY EQUIPMENT DEVELOPMENT PROGRAM

SYSTEM PROJECT CODE-903

This project is sponsored by the Subcommittee on Currency and Coin through the Committee on Fiscal Agency and Cash Services of the Conference of First Vice Presidents. The project involves the development and construction of prototype currency processing equipment, and the testing of equipment and operating procedures in preparation for implementation of the high speed currency processing operation.

A provision of \$720,510 has been included in the 1977 budget for payments to outside firms for development and construction of equipment, project management and technical support, and an amount for contingencies. Each District has made provision for its pro rata share (capital and surplus) in the 1977 budget. When inter-District distributions are made, the pro rata distribution should be recorded in the Fees--System Projects account 55625 and reported under the System Projects activity. When other expenses are incurred, entries should be recorded in the appropriate expense accounts and also reported under the System Projects Activity. At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to the Currency Verification and Destruction and Currency Services. The amount of the allocation to each Service will be advised when the inter-District distributions are made.

1-1-77

4. DEVELOPMENT OF DATA PROCESSING STANDARDS

SYSTEM PROJECT CODE-904

The standards project is sponsored by the Subcommittee on Computers and Related Resources through the Committee on Management Systems and Support Services of the Conference of First Vice Presidents. The purpose of the project is to define, develop and document standards for the acquisition, use, and management of computers and related resources within the Federal Reserve System.

The cost of the project for 1977 is estimated to be \$63,000. Three Districts, New York, Kansas City and Dallas will conduct the project and these Districts will absorb the project costs.

All costs associated with the project should be recorded in the appropriate expense accounts and reported under the System Project activity. At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to all output services on a personnel ratio basis. This is in accord with PACS Accounting Manual treatment of System Projects that do not specifically relate to output services. In effect, this type of project is treated as a residual balance and allocated to all output services on a personnel ratio basis. A percentage ratio for each output service is determined by dividing the total average number of "direct" employees for each service by the total for all services. The percentage ratio is applied against total costs incurred during the period.

1-1-77

5. MVS/MP OPERATING SYSTEM PILOT OPERATIONS

SYSTEM PROJECT CODE-905

This project is sponsored by the Subcommittee on Computers and Related Resources through the Committee on Management Systems and Support Services of the Conference of First Vice Presidents. This project, with initial pilot operations beginning at Dallas, will provide for a test operation of two computer systems in a load-sharing environment using IBM's multiple processor, virtual operating system known as MVS/MP. A successful pilot operation would demonstrate the improved utilization and increased throughput of this configuration, and increase the potential for installation at other Reserve Banks.

The cost of the project for 1977 is estimated to be \$140,300. While the majority of the costs will be absorbed by Dallas, other participants in the project include: Philadelphia, Cleveland, Richmond, Kansas City, St. Louis, and San Francisco.

All costs associated with the project should be recorded in the appropriate expense accounts and reported under the System Projects activity. At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to all output services on a personnel ratio basis. This is in accord with PACS Accounting Manual treatment of System Projects that do not specifically relate to output services. In effect, this type of project is treated as a residual balance and allocated to all output services on a personnel ratio basis. A percentage ratio for each output service is determined by dividing the total average number of "direct" employees for each service by the total for all services. The percentage ratio is applied against total costs incurred during the period.

1-1-77

6. LONG RANGE AUTOMATION PLAN

SYSTEM PROJECT CODE-906

This project is sponsored by the Subcommittee on Computers and Related Resources through the Committee on Management Systems and Support Services of the Conference of First Vice Presidents. The overall objective is to develop a plan of action for performing System-wide automation planning over an extended time period. In this effort, hardware, software and support alternatives will be evaluated and an approach to the utilization of these alternatives will be developed. Accomplishment of these tasks will permit System management to examine the issues associated with each alternative and, if appropriate, either select an alternative for implementation or provide System-level guidance for the development of commonality and standards for use by automation planners.

The cost of the project for 1977 is estimated to be \$1,237,000. Included in the estimate is a provision of \$125,000 for payments to outside firms for assistance in assessing technological alternatives and future needs and environment. Each District has made provision for its pro rata share in the 1977 budget.

When inter-District distributions are made, the pro rate distribution should be recorded in the Fees--System Projects account 55625 and reported under the System Projects activity. When other expenses are incurred, entries should be recorded in the appropriate expense accounts and also reported under the System Projects Activity.

At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to all output services on a personnel ratio basis. This is in accord with PACS Accounting Manual treatment of System Projects that do not specifically relate to output services. In effect, this type of project is treated as a residual balance and allocated to all output services on a personnel ratio basis. A percentage ratio for each output service is determined by dividing the total average number of "direct" employees for each service by the total for all services. The percentage ratio is applied against total costs incurred during the period.

1-1-77

7. FEDERAL RESERVE EVALUATION PROGRAM

SYSTEM PROJECT CODE-907

This project is sponsored by the Committee on Management Systems and Support Services of the Conference of First Vice Presidents. The project for finalizing the measurements program, which will be used for evaluation of Reserve Banks includes: the establishment of the final set of measures; the refining of the productivity index developed by the Philadelphia Reserve Bank; and, the development of quality standards for the System.

All costs associated with the project should be recorded in the appropriate expense accounts and reported under the System Projects activity. At the end of each reporting period, the cost of this project should be allocated from the System Projects activity to all output services on a personnel ratio basis. This is in accord with PACS Accounting Manual treatment of System Projects that do not specifically relate to output services. In effect, this type of project is treated as a residual balance and allocated to all output services on a personnel ratio basis. A percentage ratio for each output service is determined by dividing the total average number of "direct" employees for each service by the total for all services. The percentage ratio is applied against total costs incurred during the period.

1-1-77

October 13, 1976

To Officers

Officers Bulletin #03182

From Frank W. Lundblad, Jr., Manager,
Protection Department

Subject: PACS--instructions for
requesting Bank
automobiles

Effective October 18, and in conformance with the new Planning and Control System (PACS), which was described in Bulletin #12708, dated September 22, 1976, the Protection Division will require the recording of PACS Codes on requisitions for the use of Bank automobiles. A copy of a revised request form "Requisition for Transportation in Bank-Owned Automobiles on Bank Business," which now provides for the recording of both the new PACS Activity Code as well as the usual Board Function Code, is attached for your convenience. The appropriate PACS Activity Code can be obtained from the service structure listing that was sent to officers and chiefs with Bulletin #12708.

As is the current practice in acquiring Bank automobiles, the request form must be submitted to the Protection Division prior to the date of the required service. Additional forms are available from the Protection Division by contacting Lieutenant Salvatore on Extension 5523.

RECEIVED

OCT 13 1976

P. A. V.

ANSWERED.....
ATTENDED TO.....

Requisition for Transportation in Bank-owned Automobile
On Bank Business

BOTH CODES NECESSARY	
BOARD FUNCTION CODE	PACS ACTIVITY CODE

(Please submit at least 24 hours in advance of scheduled use)

To Protection Division

_____ (Date)

1. Please arrange Bank transportation for--

_____ (Name)

_____ (Title)

From

_____ (Place)

To

_____ (Place)

On

_____ (Date)

At

_____ (Time)

.m.

(If airport terminal)

Arriving

Departing

_____ (Name of carrier)

At

_____ (Time)

.m.

Flight No. _____

2. Also please arrange return Bank transportation*--

From

_____ (Place)

To

_____ (Place)

On

_____ (Date)

At

_____ (Time)

.m.

(If arriving at airport terminal)

_____ (Name of carrier)

At

_____ (Time)

.m.

Flight No. _____

_____ (Signature)

* Fill in paragraph 2 only for the return transportation of that requested in paragraph 1.

(Space below for use of Protection Division)

Receipt confirmed _____

Availability confirmed _____

By _____

October 12, 1976

To Officers, Chiefs, Assistant Chiefs,
and Supervisors

Bulletin #12725

From Ruth Ann Tyler, Manager,
Service Department

Subject: PACS--instructions for
use of Duplicating
Division services

Bulletin #12708, dated September 22, 1976, describing the new Planning and Control System (PACS), indicated that various support areas of the Bank would be issuing instructions and related codes for making requests for their services. Effective October 18, the Duplicating Division will require the use of PACS codes on requisitions for their services.

Attached is a copy of the new request form (SER 2-9/76) "Requisition for Duplicating Services", that has been adapted for use with the PACS System. It provides for the recording of an appropriate PACS Activity Code (and for the recording of certain other information required by the Methods and Systems Division of the Planning Department in connection with the reproduction of forms by the Duplicating Division). The new request form, which can be obtained from stock, must be used in making requests for duplicating, typing, or addressograph services; existing supplies of the present duplicating services form (DUP. 1.2-9/75 and 1.3-8/76) are obsolete and should be destroyed.

Also attached for your convenience is a listing of the appropriate PACS Activity Codes to be used in completing the form. This service structure listing was already distributed to officers and chiefs with Bulletin #12708. The PACS Activity code appears in the extreme right-hand column of the listing.

As indicated in that bulletin, the PACS System will run parallel with the current Functional Expense Reporting System (FR 97) through December 1976. Thus it will continue to be necessary to include the Board Function (SAF) codes on all requisitions. Please be advised that expenses incurred under the new PACS accounting system can only be redistributed accurately if requisitions for support services are completed properly. Requisitions containing improper or missing PACS codes or other incorrect information will be returned by the Duplicating Division; this may result in undue delays in your receiving services.

RECEIVED

OCT 13 1976

F. A. V.

ANSWERED

ATTENDED TO

SERVICE STRUCTURE

Output Service Lines

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>		
Monetary and Economic Policy	1000	Economic Policy Determination	1300	Current Economic Analysis	1302		
				Long Range Economic Research	1304		
				Data Reporting	1306		
		Open Market Trading	1600	Open Market Trading	1604		
Services to the U.S. Treasury and Government Agencies	2000	Savings Bonds	2100	Original Issue	2101		
				Accounting for Stock	2103		
				Reissues and Replacements	2104		
				Direct Redemptions	2106		
				Processing Retired Bonds	2108		
		Other Treasury Issues	2200			Original Issue	2202
						Servicing	2205
						Redeeming	2208
		Government Agency Issues	2300			Issuing	2302
						Servicing	2305
Redeeming	2308						
Other Treasury and Government Agency Services	2400			Other Treasury and Government Agency Services	2404		
				Collecting and Processing Statistical Data	2408		
Treasury and Government Agency Coupons	2500			Coupon Processing	2504		
Food Coupons	2600			Processing	2604		
				Destruction	2608		
Government Accounts	2700			T.T. & L. Accounting	2704		
				Treasurer's General and Government Agency Account Processing	2708		

Service LinesServicesActivities

	<u>Code</u>		<u>Code</u>		<u>Code</u>
		Federal Taxes	2800	Federal Tax Processing	2804
		Currency Verification and Destruction	2900	Verification Destruction	2904 2908
Services to Financial Institutions and the Public	3000	Currency	3090	Paying and Receiving Verifying Deposits Cancellation Federal Reserve Note Issue	3092 3094 3096 3098
		Coin	3180	Paying and Receiving Verifying Deposits Wrapping	3182 3185 3188
		Electronic Funds Transfers	3270	Transfer of Reserve Account Balances Automated Clearing House Operations	3274 3278
		Commercial Checks	3360	Processing Adjustments Return Items Interdistrict Transportation System	3362 3364 3366 3368
		Other Checks	3450	Government Check Processing Postal Money Order Processing	3454 3458
		Securities	3540	Purchase and Sale Safekeeping Clearing	3542 3545 3548
		Loans to Members and Others	3630	Loans to Members and Others	3632
		Reserve Accounts	3720	Member Bank Accounting Monitoring Reserve Accounts	3724 3728

Service Lines

Services

Activities



Code

Code

Code

Non-Cash Collection

3810

Non-Cash Collection

3814

Bank and Public Relations

3900

Bank Visits and Programs for Bankers

3902

Publications

3904

Public Programs

3906

Functional Cost Analysis

3908

Other

3980

Services to Other Central Banks

3984

Services Rendered Others

3988

Supervision and Regulations

4000

Examination and Monitoring of District Financial Institutions

4300

Member Bank Examinations

4302

International Banking Organization Examinations

4305

Banking Holding Company Examinations and Inspections

4306

Processing and Analyzing Examination Reports

4308

Administration of Laws and Regulations Related to Banking

4600

Processing Member Bank and International Banking Organization Applications

4601

Processing Holding Company Applications

4602

Collecting and Processing Condition and Other Statistical Reports

4604

Administration and Monitoring of Regulations

4606

Banking and Financial Market Structure Studies

4900

Market Structure and Supervisory and Regulatory Policy Studies

4904

SERVICE STRUCTURE
Internal Service Lines

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>		
Support Services	6000	Data Processing	6100	Computer Operations Data Systems Support	6104 6108		
		Motor Vehicles	6300	Motor Vehicles	8824 6304		
		Occupancy	6400	Building Operation Housekeeping	6404 6408		
		Printing and Supplies	6500	Stock of Supplies Printing and Duplicating Graphics	6502 6504 6508		
		Planning	6700	Planning	6704		
		District Projects	6900	District Projects	6904		
		Overhead Services	8000	Administration	8100	Bank Administration System Administration	8104 8108
				System Projects	8150	System Projects	8154
				Mail	8200	Mail	8204
				Legal	8250	Legal	8254
Budget and Expense Control	8300			Expense Accounting Budget Preparation and Control	8304 8308		
General Books	8350			General Ledger and Capital Stock	8354		
Files and Records Storage	8400			Files and Records Storage	8404		

Service Lines

<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>
	Personnel	8450	Recruitment and Placement	8452
			Compensation	8454
			Training and Education	8456
			Administration and Employee Relations	8458
	Medical	8500	Medical Services	8504
	Food Service	8550	Food and Canteen Services	8554
	Purchasing	8600	Purchasing	8602
			Stockroom and Warehouse	8604
			System Purchasing Service	8608
	Protection	8650	Protection	8654
	Office Equipment Maintenance	8700	Office Equipment Maintenance	8704
	Emergency Preparedness	8750	Emergency Preparedness	8754
	Library	8800	Library	8804
	Telephone and Telegraph Operations	8850	Telephone	8854
			Telegraph	8858
	Audit	8900	Data Systems Auditing	8902
			Financial Auditing	8904
			Operational/Procedural Auditing	8906
			Examination Support	8908



Code

8452
8454
8456
8458
8504
8554
8602
8604
8608
8654
8704
8754
8804
8854
8858
8902
8904
8906
8908

SER 2 (9/76)

REQUISITION FOR DUPLICATING SERVICES

TO: DUPLICATING DIVISION

PLEASE PRINT

SAMPLES/DRAFTS MUST BE ATTACHED

FORM NUMBER

SUBMITTING DEPARTMENT	DIVISION/SECTION	LOCATION
-----------------------	------------------	----------

DESCRIPTION (IF FORM, INDICATE TITLE)	INDICATE 6 MONTH QUANTITY REQUIRED	IF FORM, INDICATE <input type="checkbox"/> PERMANENT <input type="checkbox"/> TEMPORARY
---------------------------------------	------------------------------------	--------------------------------------------------------------------------------------------

ORIGINAL	COPIES	TOTAL COPIES	BOTH CODES NECESSARY	BOARD FUNCTION CODE	PACS ACTIVITY CODE
----------	--------	--------------	-----------------------------	---------------------	--------------------

<p>A. <input type="checkbox"/> XEROX</p> <p>B. <input type="checkbox"/> QUICK COPY</p> <p>C. <u>COMPOSITION</u></p> <p><input type="checkbox"/> 1 TYPING</p> <p><input type="checkbox"/> 2 VARITYPING</p>	<p>D. <input type="checkbox"/> <u>DUPLICATING</u></p> <p>1. <input type="checkbox"/> PAPER COLOR _____</p> <p>2. <input type="checkbox"/> PAPER SIZE _____</p> <p>3. <input type="checkbox"/> ONE SIDE <input type="checkbox"/> TWO SIDES</p> <p>4. <input type="checkbox"/> COLLATE <input type="checkbox"/> STAPLE</p>	<p>E. <input type="checkbox"/> ADDRESSOGRAPH</p> <p>LIST CODES IN SPECIAL INSTRUCTIONS</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------

SPECIAL INSTRUCTIONS

FORMS MANAGEMENT APPROVAL	PROOF REQUIRED <input type="checkbox"/> YES <input type="checkbox"/> NO	AUTHORIZED SIGNATURE	DATE	EXTENSION
---------------------------	----------------------------------------------------------------------------	----------------------	------	-----------

WHEN COMPLETED PLEASE NOTIFY	NAME	EXT.
	DIVISION	LOCATION

September 27, 1976

To Officers and Chiefs

Bulletin #12711 *File*

From Paul B. Henderson, Jr.,
Vice President

Subject: PACS--~~procedures~~ for data
services users

Bulletin #12708, dated September 22, 1976, describing the new Planning and Control System (PACS), indicated that the Data Services Function would distribute detailed procedures for users of its services.

These procedures are attached.

For further information, clarification, or additional copies of the attachments, please contact either Paul H. Gregory (Ext. 6608) or William Friedman (Ext. 5580).

DATA SERVICES - PACS PROCEDURE #1
Effective October 18, 1976

This procedure is effective October 18, 1976 - however, in order to assist in an orderly transition from the present chargecodes (if any) to the required chargecodes - the new chargecodes may be used starting on October 4, 1976.

In order to comply with the requirements of Ms. Minehan's September 21, 1976 memorandum, "PACS-Support Services" all data services users are required to identify their work requests with a chargecode:

1. For telecommunications messages the chargecode is generated from the current message "type code". No further action is required.
2. For all other work the request must include the chargecode. This change does require action by all users on all jobs.

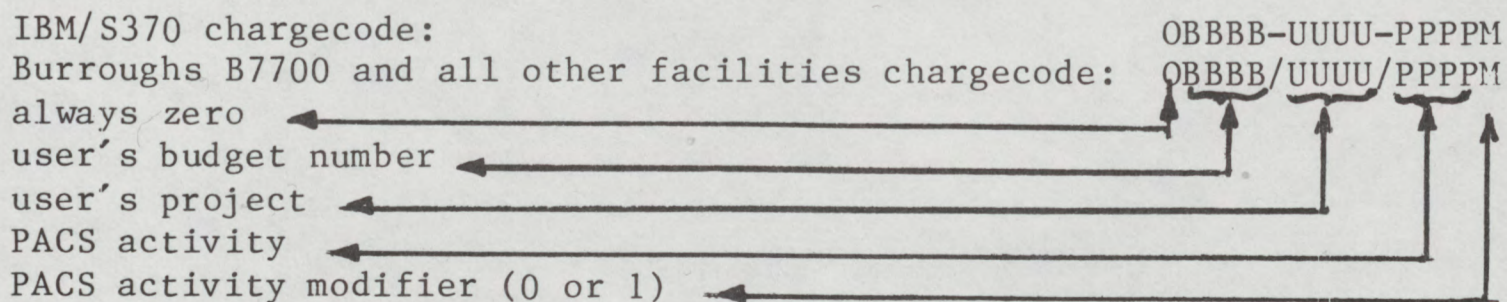
The chargecode consists of three fields:

The Budget Unit (B) field consists of a five digit number (a zero followed by the four digit budget unit) which identifies the User budget that requested/authorized work to be performed. When work is submitted by an agent (e.g., a programmer) acting for a beneficiary in another organization (e.g., a user department) the budget unit of the beneficiary organization is to be cited.

The User Project (U) field is used to distinguish among several jobs in the same budget unit. When work is submitted by the user a four digit number is used, "0000" if no distinction among jobs is desired and any four numeric characters at the option of the user to permit distinct identification. When work is submitted by Data Services for the benefit of a user a one alpha character, 3 digit number is used. This code is assigned to permit analysis of all such work and issued in the Data Services Standards Manual.

The PACS Activity (P) field consists of a four digit number that identifies the PACS activity for which the work is being performed, followed by a one digit modifier (M). When work is submitted by the user the modifier is the digit "zero". When work is submitted by Data Services for the benefit of a user the modifier is the digit "one".

Chargecodes have the following formats:



Validation will be performed on the Budget Unit (B) and on the PACS Activity (P) fields in order to assure entry of valid numbers. Jobs (tasks and steps) will be abnormally terminated if invalid chargecodes are supplied. The current listing of valid Budget Unit and PACS Activity codes are attached.

IBM WORK

(The fields of the chargecode are separated by a dash for IBM work.)

BATCH

I. On the IBM/S370, users must supply valid chargecodes as the first HASP accounting subfield on the job card. For example:
// jobname JOB (OBBBB-UUUU-PPPPM, etc.),

User Departments are requested to contact Mr. D. Bosak of the Service Centers Division with the charge codes necessary to update the job cards. This task must be completed no later than October 15, 1976.

IV PHASE

User Departments using IV/Phase entry systems must have their stored job cards updated as described above. Subsequent updates to the IV/Phase job cards will require twenty-four hour notice to the User Services Division utilizing a form that will be provided for this service.

ON LINE

II. Chargecodes on TSO will be entered at LOGON time using the "ACCT" parameters. For example:

LOGON userid/password ACCT(OBBBB-UUUU-PPPPM)

The chargecode (TSO accounting number) will be associated with a "userid" and a "password" for each user. Multiple passwords and multiple chargecodes per password will be allowed.

The chargecodes for TSO users, must be submitted to Technical Services Division, Computer Operations Department (Mr. Leon Smith, 99 John, 3 Floor) before a user can LOGON. A request form for this purpose will be available. Initial chargecode assignments for all users must be submitted by October 4, 1976. Subsequent requests for additions or changes to chargecodes require twenty four hour notice.

BURROUGHS AND OTHER WORK

(The fields of the chargecode are separated by a slash for all non-IBM work.)

BATCH

III. On the B7700, users must supply a valid chargecode in WFL jobs using the CHARGE statement. For example:
CHARGE = OBBBB/UUUU/PPPPM;

ON LINE

IV. CANDE and RAMSES users will be requested to supply a valid chargecode during the LOGIN sequence. For example:
PLEASE ENTER CHARGECODE
OBBBB/UUUU/PPPPM (CR)

Acceptable Budget Unit Number 1/

<u>Budget Unit Number</u>	<u>Budget Unit Description</u>	<u>Budget Unit Number</u>	<u>Budget Unit Description</u>
0101	Acctg Cont Func Admin	1501	Cash & Collection
0201	Acctg Dept Admin	1601	Cash Department Admin
0202	Acctg Division	1602	Coin Division
0301	Management Info Div	1603	Paying & Receiving Division
0302	Disbursing Division	1605	Sorting+Counting Division
0401	Auditing Dept Admin	1607	Cash Adm Div Transp Staff
0402	Auditing Division	1702	Cash Custody Division
0403	Audit Analysis Div	1801	Collection Dept Admin
0404	Buffalo Auditing Staff	1802	Collection Division
0501	Bank Superv+Rel Funct Adm	1804	Coupon Division
0601	Banking Studies Dpt Admin	1806	Wire Transfer Division
0602	Banking Studies Division	1901	Check Process Funct Admin
0701	Banking Examinations Dpt Adm	2001	Ck Adj&Ret Itm Dept Adm
0703	Commercial Exam Adm	2002	Check Adj Div Admin
0704	International Exam Div	2009	Return Items Div Admin
0705	Trust Exam Div	2101	Check Process Dept Admin
0706	Auto and Train Div	2102	Training Unit-Check Proc
0801	Domestic Bk Appl Dept Adm	2103	Operations Analysis
0802	Domestic Bk Application Div	2104	Auto Check Proc Div Admin
0901	Bank Regulations Dept Adm	2109	Check-Proc Div Admin
0902	Bnk Regulations Division	2114	Ck Proc Div Eve Admin
0903	Securities Regulation Div	2119	Ck Process Div Night Admin
0904	Administrative Service Div	2201	Jericho RCPC Admin
1001	Foreign Bk Reg Dept Admin	2301	Cranford RCPC Admin
1002	Foreign Bk Regulation Div	2501	Utica Office Admin
1101	Bank Relations Dept Admin	2601	Payment Systems Dept
1102	Bank Relations Division	3201	Equal Opportunity
1103	Technical Assistance Div	3301	Foreign Dept Admin
1201	Bldg + Planning Func Admin	3302	Cable Division
1301	Bldg Operating Dept Admin	3303	Foreign Operations Div
1302	Bldg Maintenance Division	3305	Foreign Funds Division
1308	Building Service Division	3401	GovtBond+Safefunct Admin
1309	Power Plant Division		
1401	Planning Dept Admin		
1402	Methods+Systems Division		
1403	Purchasing Division		

1/ Revised 9/24/76. Source, Management Information Dept.

<u>Budget Unit Number</u>	<u>Budget Unit Description</u>	<u>Budget Unit Number</u>	<u>Budget Unit Description</u>
3501	GovtBond+Safe Dept Admin	4505	Reasearch Library Division
3502	Government Bond Division	4601	Int.l Research Adminstrat
3503	Securities Clear Div	4602	Balance of Payments Div
3504	Safekeeping Division	4603	Foreign Research Div
		4604	International Reports Div
3602	Savings Bond Division	4701	Statistics Dept Administr
3701	Security Custody Division	4702	Financl Statistics Div
3801	Legal Function	4703	Market Statistics Division
3901	Credit and Discount Admin	4801	Secretary's Office
3902	Credit Division	4901	Service Function Admin
3903	Discount Division	5101	Protection Dept Admin
4001	Acceptance Dept Admin	5102	Protection Division
4002	Acceptance Division	5103	Vault Division
4101	Secur Oper-Accounting	5104	Relocation Office Div
4102	Secur Oper-Trading	5201	Service Dept Administration
4103	Securities Analysis	5202	Correspondence Files
4201	Pers Spec Projects Staff	5203	Food Supply Division
4202	Personnel Dept Admin	5205	Post Office
4203	Employee Activities Sec	5206	Duplicating Division
4204	Training Division	5208	Postage and Expressage
4206	Placement + Counsel Div	5301	Federal Reserve Agent
4207	Medical Division	6001	Staff Services Admin
4208	Personnel Service Div	6002	Liaison Staff
4216	Career Dev Division	6003	Standards Staff
4217	Compensation Division	6005	Training and Education
4296	Management Training Unit	6201	Common Systems Dept Admin
4297	Training Unit & Yoc	6202	Data Management Division
4298	Special Training Program	6205	Systems Components Div
4299	RSRVD-Spec Personnel Pgms	6206	Systems Planning Div
4301	Public Info Dept-Admin	6301	Custom Systems Dept Admin
4401	Research and Stat Admin	6302	Financial Systems
4501	Domestic Research Admin	6303	Analytical Systems
4502	Visual Aids Division	6304	Member Bank Acctg. Systems
4503	Business Conditions Div	6305	Payment Systems
4504	Money and Finance Div		

Attachment B

Budget Unit
Number

Budget Unit
Description

Budget Unit
Number

Budget Unit
Description

6306	Statistical Systems	6901	User Operations Dept Admn
6601	Processing Services Admin	6902	Data Preparation Div
6701	Computer Oper Dept Admin	6903	Service Centers Division
6702	Computer Facilities	6904	User Services Staff
6704	Technical Services Div	6905	Federal Taxes Deposit Sec
6801	Telecommunications Adm	6906	Operations Support Div
6802	Communications Serv Div	7001	Bank Analysis Dept Admn
6803	Switching Services Div	7002	Bank Analysis Div
6804	Technical Services Div	7101	Audit Analysis Div
		8001	Operations Analysis Off
		8501	Opn Mkt & Tres Issue Admn
		9999	Retirement Office

3671S

Acceptable PACS Activity Numbers 1/

<u>Code</u>	<u>Code</u>	<u>Code</u>
1302	3274	6404
1304	3278	6408
1306	3362	6502
1604	3364	6504
2101	3366	6508
2103	3454	6704
2104	>3/	6904
2106	3542	8104
2108	3545	8108
2202	3548	8154
2205	3632	8204
2208	3724	8254
2302	3728	8304
2305	3814	8308
2308	3902	8354
>2/	3904	8404
>5/	3906	8452
2504	3908	8454
2604	3984	8456
2608	>4/	8458
2704	4302	8504
2708	4305	8554
2804	4306	8602
2904	4308	8654
2908	4601	8704
3092	4602	8754
3094	4604	8804
3096	4606	8854
3098	4904	8858
3182	6104	8902
3185	6108	8904
3188	6304	8906
		8908

1/ As of September 17, 1976. Source, Management Information Dept;
FR, PACS manual

2/ See attached List - Reimbursable Fiscal Agency Codes

3/ See attached - Postal Money Order

4/ See attached List - Services rendered others

5/ See attached List - Collecting and Processing Statistical Data

PACS Activity Numbers

Other Reimbursable Fiscal Agency Codes

The following fiscal agencies have been assigned codes in the 2400 category, beginning with 2410.

<u>Code</u>	<u>Other Reimbursable Fiscal Agency</u>
2410	Commodity Credit Corporation
2411	V-Loan Program - Department of the Army
2412	V-Loan Program - Department of the Navy
2413	V-Loan Program - Department of the Air Force
2414	V-Loan Program - Department of Commerce
2415	V-Loan Program - Department of Interior
2416	V-Loan Program - Department of Agriculture
2417	V-Loan Program - General Services Administration
2418	V-Loan Program - Atomic Energy Commission
2419	Small Business Administration
2420	Federal Land Banks
2421	Federal Land Banks (Original Issue)
2422	Federal Land Banks (Overprinting)
2423	Federal Land Banks - Sigma V
2424	Federal Intermediate Credit Banks
2425	Federal Deposit Insurance Corporation (Assets)
2426	Federal Deposit Insurance Corporation (Receivership)
2427	Federal Home Loan Banks (Purchase)
2428	Federal Home Loan Banks (Issue)
2429	Federal Home Loan Mortgage Corporation Bonds
2430	Emergency Loan Guarantee Board
2431	U.S. Postal Service
2432	Federal National Mortgage Association
2433	FNMA - Capital Debentures
2434	FNMA - Mortgage Backed Bonds
2435	GNMA - Government Mortgage Liquidation Trust
2436	GNMA - Federal Assets Liquidation Trust
2437	GNMA - Federal Assets Financing Trust
2438	Banks for Cooperatives
2439	Tennessee Valley Authority
2440	Federal Housing Administration
2441	District of Columbia Armory Board
2442	FHA Insurance Notes
2443	Penn Central Transportation Company
2444	SLMA Student Loan
2445	Assistant Secretary for International Affairs
2446	Export - Import Bank
2447	Export - Import Bank -- Discount Notes
2448	Export - Import Bank -- Debentures
2449	Asian Development Bank
2450	International Bank for Reconstruction and Development
2451	Intra-American Development Bank
2452	Washington Metropolitan Area Transit Authority
2453	Washington Metropolitan Area Transit Authority (Original Issue)
2454	National Railroad Passenger Corporation (AMTRAK)
2455	Farm Credit Banks - Discount Notes

Source, Management Information Dept.

PACS Activity Codes
Services Rendered Others

3990 Board of Governors
3991 Federal Reserve Club Store
3992 Retirement System Office
3993 Food Stamp Start Up
3994 Services Rendered Others -
Non Reimbursable

Postal Money Order

3460 Postal Money Order Processing, Non Reimbursable
3461 Postal Money Order Processing, Reimbursable

Collecting and Processing Statistical Data

2475 Treasury Foreign Exchange (TFEX)
2476 Treasury Foreign Currency (TFC)
2477 Collecting and Processing Statistical Data - Non Reimbursable.

Source, Management Information Dept.

September 22, 1976

To Officers and Chiefs

Bulletin #12708

From C. E. Minehan, Manager,
Management Information Department

Subject: PACS support services

As you may know, a new accounting system will be implemented throughout the Federal Reserve System, including this Bank, beginning January 1, 1977. This initiative is known as the Planning and Control System (PACS) and it will replace the current Functional Expense Reporting System (FR 97). Parallel operations between the two systems will begin next month and continue through December.

A key element of the new system is the facility for support areas to charge users for services rendered them. To enable us to redistribute expenses in the manner prescribed, all users of support services must identify themselves with a four-digit PACS code when requesting that work be done for them by a support area. This code represents the user's activity in the PACS service structure. A copy of the service structure listing is attached for your information. A more detailed description of this material can be found in the PACS Manual, which was distributed to certain officers and other senior personnel with budgeting responsibilities several months ago. The following divisions will require all users to identify their requests for services with the appropriate PACS Activity Code (which appears in the extreme right-hand column of the attached service structure listing):

Support areas

Data Services Function (all divisions)
Protection Division
Duplicating Division
Visual Aids Division
Methods and Systems Division

Omissions or errors in coding could lead to needless delays in the processing of requests for support services. Please advise your staff that PACS codes should be included on all requests for support services beginning Monday, October 18, 1976. This will facilitate our testing of the new system and, thereby, help to ensure the accuracy of our 1977 output. Nevertheless, it will continue to be necessary to include Board Function (SAF) codes on all such requests.

Paul B. Henderson, Vice President, Data Services Function, will be distributing detailed procedures for data services users in the near future. The other support areas will also be issuing Bankwide instructions relating to their individual requisition forms. Should you have any questions regarding this matter, please do not hesitate to call me or Richard Sheehan (Ext. 5274) or Paul C. Lipson (Ext. 6658) of the Management Information Department.

SERVICE STRUCTURE

Output Service Lines

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>		
Monetary and Economic Policy	1000	Economic Policy Determination	1300	Current Economic Analysis	1302		
				Long Range Economic Research	1304		
				Data Reporting	1306		
		Open Market Trading	1600	Open Market Trading	1604		
Services to the U.S. Treasury and Government Agencies	2000	Savings Bonds	2100	Original Issue	2101		
				Accounting for Stock	2103		
				Reissues and Replacements	2104		
				Direct Redemptions	2106		
				Processing Retired Bonds	2108		
		Other Treasury Issues	2200			Original Issue	2202
						Servicing	2205
						Redeeming	2208
		Government Agency Issues	2300			Issuing	2302
						Servicing	2305
				Redeeming	2308		
Other Treasury and Government Agency Services	2400			Other Treasury and Government Agency Services	2404		
				Collecting and Processing Statistical Data	2408		
Treasury and Government Agency Coupons	2500			Coupon Processing	2504		
Food Coupons	2600			Processing	2604		
				Destruction	2608		
Government Accounts	2700			T.T. & L. Accounting	2704		
				Treasurer's General and Government Agency Account Processing	2708		

Service LinesServicesActivities

	<u>Code</u>		<u>Code</u>		<u>Code</u>
		Federal Taxes	2800	Federal Tax Processing	2804
		Currency Verification and Destruction	2900	Verification Destruction	2904 2908
Services to Financial Institutions and the Public	3000	Currency	3090	Paying and Receiving Verifying Deposits Cancellation Federal Reserve Note Issue	3092 3094 3096 3098
		Coin	3180	Paying and Receiving Verifying Deposits Wrapping	3182 3185 3188
		Electronic Funds Transfers	3270	Transfer of Reserve Account Balances Automated Clearing House Operations	3274 3278
		Commercial Checks	3360	Processing Adjustments Return Items Interdistrict Transportation System	3362 3364 3366 3368
		Other Checks	3450	Government Check Processing Postal Money Order Processing	3454 3458
		Securities	3540	Purchase and Sale Safekeeping Clearing	3542 3545 3548
		Loans to Members and Others	3630	Loans to Members and Others	3632
		Reserve Accounts	3720	Member Bank Accounting Monitoring Reserve Accounts	3724 3728

Service Lines

Services

Activities



Code

Code

Code

Non-Cash Collection

3810

Non-Cash Collection

3814

Bank and Public Relations

3900

Bank Visits and Programs for Bankers

3902

Publications

3904

Public Programs

3906

Functional Cost Analysis

3908

Other

3980

Services to Other Central Banks

3984

Services Rendered Others

3988

Supervision and Regulations

4000

Examination and Monitoring of District Financial Institutions

4300

Member Bank Examinations

4302

International Banking Organization Examinations

4305

Banking Holding Company Examinations and Inspections

4306

Processing and Analyzing Examination Reports

4308

Administration of Laws and Regulations Related to Banking

4600

Processing Member Bank and International Banking Organization

Applications

4601

Processing Holding Company Applications

4602

Collecting and Processing Condition and Other Statistical Reports

4604

Administration and Monitoring of Regulations

4606

Banking and Financial Market Structure Studies

4900

Market Structure and Supervisory and Regulatory Policy Studies

4904

SERVICE STRUCTURE

Internal Service Lines

<u>Service Lines</u>	<u>Code</u>	<u>Services</u>	<u>Code</u>	<u>Activities</u>	<u>Code</u>		
Support Services	6000	Data Processing	6100	Computer Operations Data Systems Support	6104 6108		
		Motor Vehicles	6300	Motor Vehicles	6304		
		Occupancy	6400	Building Operation Housekeeping	6404 6408		
		Printing and Supplies	6500		Stock of Supplies	6502	
					Printing and Duplicating	6504	
					Graphics	6508	
		Planning	6700	Planning	6704		
		District Projects	6900	District Projects	6904		
		Overhead Services	8000	Administration	8100	Bank Administration	8104
						System Administration	8108
System Projects	8150			System Projects	8154		
Mail	8200			Mail	8204		
Legal	8250			Legal	8254		
Budget and Expense Control	8300				Expense Accounting	8304	
					Budget Preparation and Control	8308	
General Books	8350			General Ledger and Capital Stock	8354		
Files and Records Storage	8400	Files and Records Storage	8404				

Service Lines

Code

Services

Code

Activities

Code

Personnel

8450

Recruitment and Placement
Compensation
Training and Education
Administration and Employee
Relations

8452

8454

8456

8458

Medical

8500

Medical Services

8504

Food Service

8550

Food and Canteen Services

8554

Purchasing

8600

Purchasing
Stockroom and Warehouse
System Purchasing Service

8602

8604

8608

Protection

8650

Protection

8654

Office Equipment
Maintenance

8700

Office Equipment Maintenance

8704

Emergency Preparedness

8750

Emergency Preparedness

8754

Library

8800

Library

8804

Telephone and Telegraph
Operations

8850

Telephone
Telegraph

8854

8858

Audit

8900

Data Systems Auditing
Financial Auditing
Operational/Procedural Auditing
Examination Support

8902

8904

8906

8908

Date 8/12/76

10F
✓

REFERRED FOR ATTENTION
TO MR. Thieke

Copies have been sent to all persons
listed below.

THIS COPY FOR INFORMATION OF

- Mr. Volcker
- Mr. Timlen
- Mr. A. R. Holmes
- Mr. Guy
- Mr. Piderit
- Mr. Sloane
- Mr. Bakstansky
- Mr. Braun
- Mr. Cooper
- Mr. Corrigan
- Mr. Davis
- Mr. Ege
- Mr. Feldberg
- Mr. Fousek
- Mr. Gray
- Mr. Henderson
- Mr. Lloyd
- Mr. Meek
- Mr. Oltman
- Mr. Pardee
- Mr. Puckett
- Mr. Schadrack
- Mr. Smedley
- Mr. Sternlight
- Mr. Willey
- Mr. Keane
- Mr. Thieke
- Mr. Coopersmith
- Miss Cutler
- Mr. Oppenheimer
- Mr. Smith
- Mr. Debs
- Correspondences Files
- Mrs. Minehan
- Ms. Walter

7/76

PACS

CONFERENCE OF PRESIDENTS
of the
FEDERAL RESERVE BANKS

August 11, 1976

The Honorable Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Arthur:

In the past several years the System has undergone sharp increases in pace and scope of activity. The nature and extent of operations have grown substantially. The regulatory role of the System has been broadened by successive Congressional initiatives. The visibility of Federal Reserve activities has increased in the public eye. Added up, these and other changes have greatly increased the level of challenge faced by System management and management decision processes.

As challenges have increased, many improvements have been made in management processes of the System. Planning has been improved through the introduction of objective-setting and through increased attention to modern budgeting practices. The outline of a process of multi-year planning has been developed and is currently under review by the Conference of Presidents. With the implementation of PACS a greatly refined system of internal management information will be available. A first step has been taken toward establishment of a formalized performance evaluation structure, and the Conference of First Vice Presidents has begun a program of enhancement of this structure. In these and other related activities, the Reserve Bank Activities Committee, under the leadership of Governor Coldwell, has taken a constructive and helpful position.

RECEIVED

AUG 12 1976

P. A. V.

ANSWERED.....
ATTENDED TO.....

The Hon. Arthur F. Burns
Chairman of the Board of Governors

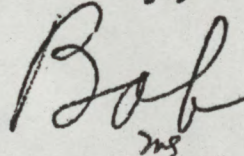
August 11, 1976

These improvements in process and information lay a groundwork for further improvements in management, which we think can best be enhanced through steps to decentralize more responsibility and accountability to the Reserve Banks. As the System has responded to expanded challenges in recent years, and as we look forward to even greater responsibilities, we believe that business of the System can go forward efficiently only if the Board of Governors and the Banks come to grips with the question of the locus of responsibility and action. We believe that the regional structure of the System offers great advantages of speed, flexibility, and scope for initiative.

The Conference of Presidents, therefore, has reviewed the current structure of delegation of authority to determine areas where increased decentralization may be appropriate, and recommends for immediate Board action the attached proposals for decentralization. The proposals represent a number of detailed elements in Reserve Bank administration, bank and bank holding company examination, supervision and regulation, and foreign banking application processing. Although many of the individual proposals may seem relatively minor in scope, in the aggregate they represent an important improvement in the structure of responsibility.

The Reserve Banks and the Conference have a number of additional ideas related to improvement in the structure of decision-making, particularly in the bank and bank holding company examination, supervision and regulation area. While we would like to see that the current proposals receive rapid Board approval, we also look forward to working with the Board on additional delegations in these areas.

Sincerely,



Robert P. Mayo, Chairman
Conference of Presidents

Attachment

cc: Federal Reserve Bank Activities Committee
Other Board members
FR Presidents

Proposals for Decentralization & Delegation of Authority

I. Reserve Bank Administration

1. Salaries of Senior Vice Presidents

The Board of Governors has delegated to each Reserve Bank the authority to approve individual officers' salaries within approved ranges. However, approval of the salaries of Senior Vice Presidents, First Vice Presidents, and Presidents is exercised directly by the Board of Governors. Authority to approve the salaries of Senior Vice Presidents could be exercised effectively at the Reserve Bank level.

2. Salary Structures for Non-official staff

Current procedures require that changes in non-official salary structures receive Board of Governors approval before implementation. Since surveys are conducted and changes made within carefully circumscribed guidelines, it would appear reasonable for the Board of Governors to delegate that authority to the Reserve Banks with retrospective review by the Board of Governors' staff.

3. Use of Outside Counsel

Current Board directives require that Reserve Banks obtain Board approval before employing outside counsel whose fees are likely to exceed \$2,500. Such a decision could reasonably be made locally on the basis of the facts that must be presented under current procedures to the Board; retrospective evaluation by the Board's staff could provide general Board supervision of such expenditures over time. At the least, it appears desirable to raise the dollar limitation to a more realistic level.

4. Purchase and Sale of Real Estate

Currently the Reserve Banks must secure prior approval from the Board for any purchase of real estate. The proposal to the Board contains a wide range of information which could logically be evaluated by the Reserve Banks influenced, if necessary, by criteria established by the Board.

5. Approval for Capital Expenditures

Currently the Reserve Banks have authority to approve capital expenditures for operating equipment; major renovations and building expansions only if they cost less than \$100,000. Given current price levels, a more realistic level would be at least \$250,000.

6. Classification of Member Banks for Election of Directors

The Federal Reserve Act requires that the Board of Governors classify member banks into three groups on the basis of capitalization. To insure parity among Districts the type of banking structure in the District should also be considered. Thus such classifications would be based on a uniform capitalization formula developed for Districts of like banking structures. Once set up, this process could be effectively executed at the Reserve Bank level.

7. Purchase or Rental of Computer Equipment

Current rules require that purchase or lease of any computer mainframe equipment be given specific approval by the Board of Governors, and that significant changes in any peripheral equipment be given specific approval. Since these items are given general review and approval by the Board in the Automation Plans, the further approval requirement might be removed.

8. Approving Separation Pay

The authority to grant separation pay to officers other than the President, First Vice President, and General Auditor should be lodged with the Reserve Banks. This will insure a more efficient management process.

9. Extending Employment Beyond Retirement

In some cases it is necessary to extend the employment of employees and officials beyond their retirement. Being closest to the situation the Reserve Banks would know best when such situations occur. Reserve Banks should have the authority to extend employment for a reasonable length of time.

10. Amendments to Uniform Reserve Bank Operating Circulars

Authority should be delegated to the committee on Communications and Payments and through it to the Subcommittee of Counsel on Communications and Payments to determine consistency between the proposed amendments to uniform Reserve Bank Operating Circulars and Regulation J.

11. Releasing Board Information Under the Freedom of Information Act

Authority to release certain limited categories of Board information should be delegated to the Reserve Banks if accompanied by specific guidelines. Such a delegation would prevent needless inquiries of the Board by the public.

12. Service Levels

Authority to review service levels should be delegated to the Conference of Presidents with provision for that Conference to delegate such authority, if required, to the Conference of First Vice Presidents. Rather than the Board establishing service levels unilaterally, it would seek the recommendations of the Conference of Presidents. The Board then would approve or disapprove such a recommendation.

II. Member Bank Examination, Supervision and Regulation

1. Subordinated Debt Capital

Member banks must apply to the Board for approval of subordinated debt issues and the Board now is in the process of establishing new guidelines in evaluating these requests. An opportunity, therefore, exists to delegate to the Reserve Banks the power to approve subordinated debt which clearly falls within the Board's guidelines.

2. Competitive Factor Reports

Presently, the Director of the Division of Supervision and Regulation has the authority to furnish to the Comptroller and the FDIC reports on competitive factors involved in bank mergers if its effect on competition is negligible. Further simplification might be accomplished if this authority were delegated to the Reserve Banks.

3. Appointment of Bank Examiner

The Director of the Division of Supervision and Regulation must approve the appointment of a Federal Reserve examiner. Simplification of this procedure could be accomplished if each Reserve Bank were allowed to appoint its own examiners, notifying the Board of its action.

4. Member Bank Investments in Their Own Premises

The Reserve Banks through their continuing awareness of the conditions of financial institutions are in a strong position to make decisions regarding a member bank's investment in its own premises. Reserve Banks should have delegated authority to take action on requests of state member banks to invest in their own bank premises where there will be no adverse effects. The Reserve Banks have the ability to determine whether there will be adverse effects. Currently, Reserve Banks have such authority only when the aggregate investment does not exceed 40% of total capital funds.

5. Examination Certificates and Appointments of Assistant Examiners

It would be an appropriate delegation to allow the Presidents of Reserve Banks to sign examiner certificates. Further, the Reserve Banks should be delegated the authority to approve appointments of assistant examiners.

6. Certification for Membership of State-Chartered Banks

Currently the Director of the Division of Supervision and Regulation is authorized to certify to the FDIC that, with respect to the admission of a state-chartered bank to Federal Reserve Membership, the factors specified in section 6 of the Act (12 U.S.C. 1816) were considered. The Reserve Banks could prudently make that certification.

7. Approve Irregular Repayment of Deficiencies of Stock Plans

The Director of the Office of Saver and Consumer Affairs is authorized under the provisions of Section 207.4 (a)(2)(ii) of Regulation G to approve repayments of the "deficiency" with respect to stock options or employee stock purchase credit in lower amounts and over longer periods of time than those specified in the regulation. The Reserve Banks have available sufficient information expertise to make that decision and should be empowered to do so.

III. Bank Holding Company Supervision and Regulations

1. Violations

Final authority in determining the willfulness of violations and the resolution of violations is vested at the Board. Many violations, however, are not willful and such determination could be made at the Reserve Bank level. Additionally, where violations are not willful, the Reserve Banks could be allowed to determine that sufficient actions to eliminate a violation have been taken. Placing this responsibility with the Reserve Bank will permit the Board to concentrate its efforts on cases where violations may be willful. Copies of Reserve Bank actions could be forwarded to the Board for review to ensure a consistent policy within the System.

2. Divestiture and Deregistration

Where shares of a subsidiary bank or non-bank company have been transferred and a presumption under Section 2 (g)(3) of the Bank Holding Company does not apply, authority to determine that control has been terminated could be delegated to the Reserve Banks. In addition, if appropriate guidelines are provided by the Board, routine determinations under Section 2(g)(3) could be delegated to the Reserve Banks.

3. Presumption of Control

Present procedures for determining control under Section 2(a)2(c) require that a preliminary presumption be charged by the Board. This procedure could be simplified by delegating to the Reserve Banks the power to charge a presumption. Such a delegation could be accompanied by specific guidelines for defining controlling influence and determining its existence. Many companies notified of the presumption would agree to the presumption rather than ask for a determination by the Board. This procedure would reduce the number of presumptions the Board would need to review and allow it to concentrate on cases where a presumption is at issue.

4. Applications of Bank Holding Companies

There are instances where economic activities in one District do not affect another District. In such situations there is no need for coordination among Districts by the Board or any other body. A Bank Holding Company's acquisition of a going concern engaged in permissible non-banking activities where the impact of such activities will not be felt outside the District in which the acquisition takes place is such a situation. A Reserve Bank should have the authority to act upon applications of BHC's in such situations.

5. Interlocking Principals in Bank Holding Companies

Reserve Banks are quite familiar with the Bank Holding Companies in their District. This makes it possible for them to determine if there will be an adverse relationship where a principal of an applicant submitting a form FRY1 is also a principal in another Bank Holding Company. This authority should be delegated to the Reserve Banks.

IV. Foreign Banking Applications

1. Member Bank, Bank Holding Company, and Edge Act Corporation Investments in Foreign Banks and Corporations

At the present time, substantially all foreign investments require prior approval by the Board or the Secretary of the Board. However, a large proportion of such investments present no new policy issues and are too small to significantly affect the financial position of the applicant. Delegation of authority to the Reserve Banks to approve, but not deny, such applications would streamline the application process, reduce the amount of time spent by the Board on matters not involving substantive policy issues, and relieve the Board staff of unnecessary and duplicative work.

2. Applications Under Regulation K: Issuance of Notes to Export-Import Bank, Borrowings in Excess of One Year, Waiver of Reporting Requirements

Authority to approve the issuance of debt instruments with maturities exceeding one year is currently vested in the Secretary of the Board. The one-year criterion was adopted at a time when most Edge Act Corporations were new and relatively thinly-capitalized. In view of the subsequent growth and development of these corporations, the danger that issuance of longer maturity instruments could excessively leverage their capital positions has declined substantially. Accordingly, delegation of authority to the individual Reserve Banks to act on such applications would appear to be desirable in order to avoid an unnecessary duplication of effort.

3. Capital Stock Increases of Edge Corporations

The Reserve Banks should be delegated the authority to take action on an Edge Act corporation's request to increase the amount of its capital stock when the request will not cause the amount of paid-in stock to exceed the amount of authorized capital stock.

4. Name Changes of Edge Corporations

The Reserve Banks should have delegated authority to take action on an Edge corporation's request to amend its Articles of Association for the purposes of changing its name.