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JOINT FINANCIAL MANAGEMENT  
IMPROVEMENT PROGRAM



*1989 Report on  
Financial Management Improvements*

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## *Preface*

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The Joint Financial Management Improvement Program's (JFMIP) Annual Report highlights the progress that agencies have made in modernizing their financial systems and operations. One of the primary roles of the JFMIP is to act as a catalyst and coordinator for improving the financial management policies and practices for federal government operations.

I would like to commend the agencies for their accomplishments during 1989. Represented in this report are summaries of only a few of the many financial management improvements initiated by federal agencies. We believe that by exchanging information, agencies' efforts in improving their operations and systems are greatly enhanced and facilitated. We welcome and encourage requests for additional information concerning reported accomplishments, either through the JFMIP staff or the agency liaison representatives.

We would like to thank all of the agency officials who contributed to this report and congratulate you for making significant financial management improvements. We hope that you are successful in your endeavors as you face the challenges for modernizing financial systems, processes and operations for the new decade. We look forward to hearing about your new and significant accomplishments in the future and appreciate your continuing support.

  
Virginia B. Robinson  
*Executive Director*

*July 20, 1990*

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# Chapter 1

## *Joint Financial Management Improvement Program*

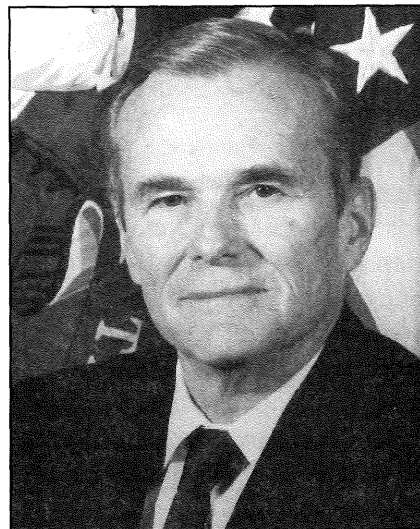
### ***Background***

The Joint Financial Management Improvement Program (JFMIP) was initiated in 1948 by the Secretary of the Treasury; the Director of the Bureau of the Budget, which is now the Office of Management and Budget; and the Comptroller General of the United States and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, became a part of the Joint Program in 1966.

The primary function of the JFMIP is to improve and coordinate financial management policies and practices throughout the government so that they will contribute significantly to the efficient and effective planning and operation of governmental programs. Leadership and guidance are provided by the four Principals of the Program: the Director of the Office of Management and Budget, the Secretary of the Treasury, the Director of the Office of Personnel Management, and the Comptroller General of the United States. The program is administered by a Steering Committee, which is composed of representatives of the Principals, the Executive Director of the JFMIP, and a representative



*Richard B. Darman  
Director, Office of  
Management and Budget*



*Nicholas F. Brady  
Secretary of the Treasury*



*Constance B. Newman  
Director, Office of  
Personnel Management*



*Charles A. Bowsher  
Comptroller General of  
the United States*

from a program agency. In 1989, the Department of Health and Human Services represented the program agencies on the Steering Committee. Under the guidance of the Steering Com-

mittee, the JFMIP staff develops, directs, and undertakes improvement programs and projects in cooperation with the central management agencies and the operating agencies. Appendix A



presents a list of names of JFMIP Principals, Steering Committee members, project teams and staff.

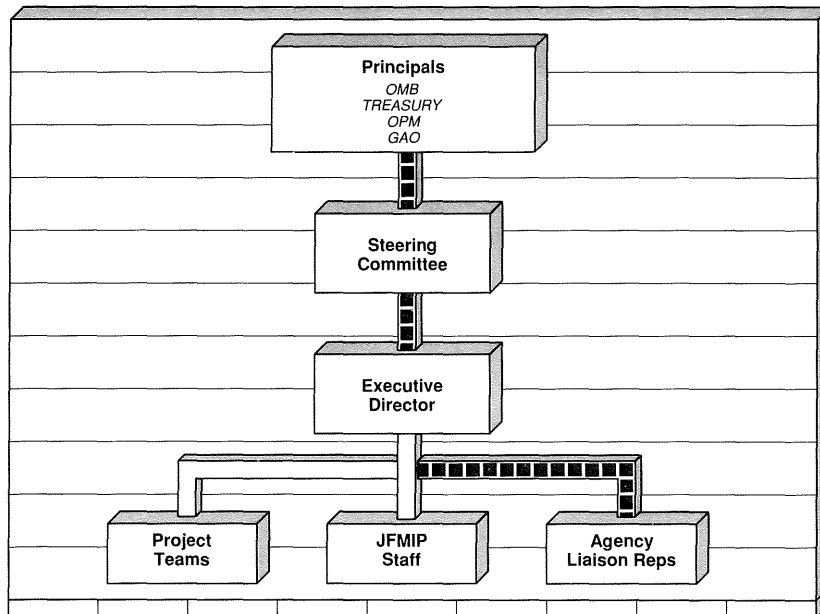
Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the central and operating agencies. To fully achieve the necessary coordination and cooperation, liaison representatives are designated from each federal agency. Appendix B has a listing of agency liaison representatives.

Under the direction of the Steering Committee, the JFMIP staff undertakes special studies and research projects to resolve specific problems having government-wide application. Such projects are often carried out through interagency project teams consisting of individuals from both the central and operating agencies.

The JFMIP staff and federal agencies perform a variety of continuing activities to improve financial management. More specifically, JFMIP acts as a clearinghouse for sharing and

disseminating information about good financial management techniques and technologies. The JFMIP staff provides advisory services in dealing with specific financial management problems. These problems may be dealt with by referral to a source of expertise, by referral to the central agencies, or by informal consultation. The JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management practices. These special projects and activities are described below.

JFMIP ORGANIZATION CHART



### *JFMIP Projects Accomplished and Underway*

#### **Personnel/Payroll Systems Standards**

The JFMIP is continuing to develop and issue functional requirements for subsidiary financial systems that will build upon and extend the Core financial system requirements. JFMIP has almost completed work on personnel/payroll systems standards by using the President's Council on Management Improvement study on "Evaluation of Federal Personnel/Payroll Systems." The study model was adapted to fully comply with the recently issued Core system requirements and the draft standards are being

distributed for formal comment. Following approval by the Steering Committee, the model will be issued as a companion document to the recent JFMIP *Core Financial System Requirements*. [Edward Wadding, (202) 443-1559]

### Travel Management Systems Standards

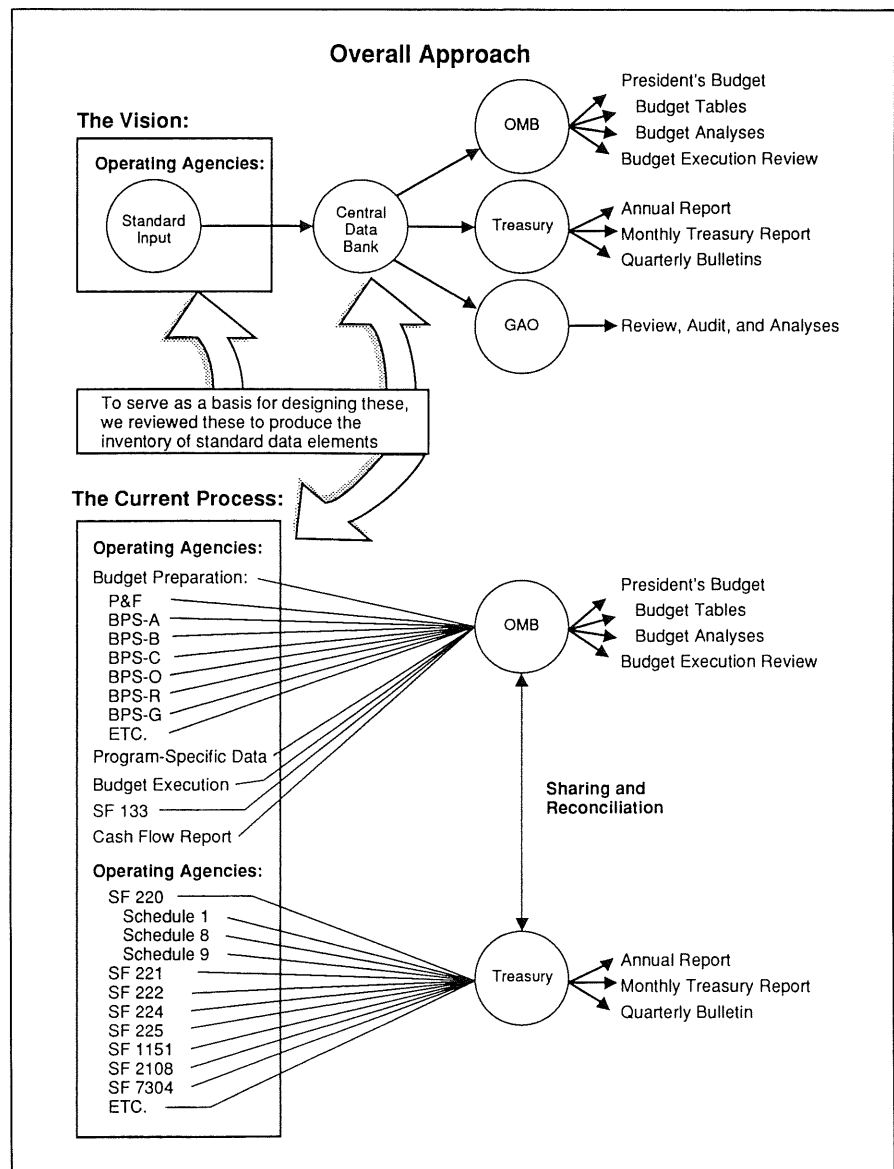
JFMIP has begun work on travel management systems requirements. The initial draft of the document has been prepared after several visits with agencies and interviews with experts in the federal travel management area. The draft will be sent out to a technical review group and will be finalized as a companion document to the JFMIP *Core Financial Systems Requirements*. [Edward Wadding, (202) 443-1559].

### Standardization of Financial Information

The JFMIP assembled an inter-agency task force in 1988 to study the standardization of financial information. In 1989, the task force completed its research and is in the process of writing the report. The study was conducted to support the Administration's financial systems improvement program by making an in-depth analysis of the central agencies' policies and reporting requirements relating to financial information. The

main objectives of the task force were to make recommendations concerning (1) standard terms and definitions for financial information and (2) minimum uniform financial information requirements needed by the central agencies. This work is to

be used for the future design of a data base system for a central data bank through which operating agencies will make uniform input to the central agencies. The task force's overall approach is illustrated in the exhibit.



Treasury, OMB, and other users will be able to use this financial information for their respective needs. The data base will contain both accounting and budgetary information. The task force will disclose duplication and overlap, inconsistencies in terms and definitions, and deviations from GAO Title 2 requirements. Also, certain improvements to the *Standard General Ledger* and the *Core Financial System Requirements* documents should result.

The project team members were from OMB, Treasury, GAO, JFMIP, Department of Health and Human Services, Department of Defense, Department of Energy, Department of Agriculture, and Federal Energy Regulatory Commission. [Kenneth Winne, (202) 376-5415]

### **Government Accountants Training**

In 1989, the staff continued a study on federal accountants' training needs, which resulted in a written report with a training model and functions statement for federal accountants. Participants in the project included 70 agency financial managers and 30 academicians and practitioners. The training model presents the basic educational coverage that agencies should require of their entry and career level accountants. The training topics cover the knowledge,

skills, and abilities that accountants must apply to carry out their primary functions: (1) technical guidance, (2) internal control, (3) financial analysis and reporting, (4) financial system development and maintenance, and (5) supervision, leadership, and communication. In addition to acquiring an accounting undergraduate degree, the continuing education section of the model presents explicit reference to federal accounting standards, regulations, and reporting requirements. The training report will be finalized to assist agencies in establishing training plans for their accountants. [Judi Fuerstenberg, (202) 586-1951]

### **Information Exchange**

#### **Briefings and Presentations**

To disseminate information on current financial management issues, the JFMIP staff has participated in workshops, seminars, and forums throughout the year.

The Executive Director and staff have met with agency financial managers to share ideas for current, and future JFMIP projects. The organizations visited during 1989 include the Departments of Defense, Energy, Labor, State, and Transportation; and the Federal Aviation Administration, National Transportation

Safety Board, Environmental Protection Agency, Internal Revenue Service, Federal Energy Regulatory Commission, National Aeronautics and Space Administration's Ames Research Center, the Supreme Court, and Federal Deposit Insurance Corporation.

The JFMIP also participated in meetings with the Federal Financial Managers Council, which consists of senior financial managers from large federal departments and agencies; the Independent Agency Financial Managers Council, which represents top financial officials from small federal agencies; and the Chief Financial Officers (CFO) Council. Activities of these inter-agency councils are summarized in Chapter 2.

#### **JFMIP News Bulletin**

To help keep Federal managers up-to-date on the latest developments in financial management, the JFMIP publishes a quarterly news bulletin. The articles cover a wide variety of topics such as central agency initiatives, financial systems, auditing, budgeting, cash management, and other technical subjects affecting financial managers. The JFMIP has been publishing this news bulletin since 1970.

## Annual Report

JFMIP began issuing the annual report in January 1950. The annual report not only summarizes the activities of JFMIP, but also the financial management accomplishments of the central agencies and the operating agencies.

## Financial Management Directory

First published by JFMIP in 1973, the directory facilitates the interchange of financial management information among agency officials in the federal government. The most recent issue of the *Directory for Financial Managers* was published in fall of 1989.

## Annual Conference

The JFMIP annually sponsors a financial management conference to disseminate information on current financial management issues and improvements. More than 550 people from the federal and private communities attended the JFMIP's 18th Annual Conference held on March 27, 1989, in Washington, D.C. The theme of the conference was "Financial Management and Accountability in the 1990s."

Charles Bowsher, Comptroller General of the U.S., and Frank Hodsoll, the Executive Associate Director of the Office of Management and Budget and

the Chief Financial Officer of the U.S., gave keynote addresses. Both speakers emphasized the need for more improvements in the financial management arena to prepare us for the 1990s. Mr. Bowsher described how far government accounting has come since the Budget and Accounting Act of 1921. He highlighted some significant financial crises in our history—the stock market crash of 1929, bankruptcy of Penn Central and the New York City fiscal crisis in 1975—to compare and illustrate financial problems we face today. He discussed the savings and loan crisis, the Third World debt and the U.S. budget deficit. Emphasizing the necessity of financial information, he pointed out that this could have prevented many financial crises. He concluded by stressing the need to modernize budget and financial systems in the federal government and to report on budget and off-budget items to arrive at the true deficit.

Frank Hodsoll summarized some financial management improvements made during the past few years and described some new directions that the new Administration is exploring for the 1990s.

These improvements include

- focusing more attention on strategic planning and program evaluation;

- forming a single, governmentwide, financial management system; and
- developing a standard automated grants management system.

A panel session on "Resolving Human Resources Problems" stressed the importance of recruiting, training and retention of federal personnel. The participants included Elizabeth Smedley, Controller, Department of Energy; Curtis Smith, Associate Director, Office of Personnel Management; and Roger Sperry, Director of Academy Studies, National Academy of Public Administration.

The primary topics of discussion for the session on "Current Financial Management Issues" focused on Chief Financial Officers for the government, upgrading the quality of financial managers, and credit and cash management issues. Gerald Murphy, Fiscal Assistant Secretary, Department of the Treasury; Tom Stack, Chief of the Credit and Cash Management Branch, Office of Management and Budget; and Frederick Wolf, Assistant Comptroller General, Accounting and Financial Management, General Accounting Office were the panelists.

One of the highlights of the conference was the presentation of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management. The purpose of the award is to recognize senior financial management executives who, through outstanding and continuous leadership in financial management, have been principally responsible for significant economies, efficiencies, and improvements in the public sector. Frank Hodsohl, Executive Associate Director, Office of Management and Budget, presented the awards to Elizabeth Smedley, Deputy Assistant Secretary for Financial Management and Controller in the U.S. Department of Energy; Kenneth P. Boehne, Chief Executive Office of the U.S. Railroad Retirement Board; and Louis L. Goldstein, Comptroller of the Treasury of the State of Maryland.

A special award was presented to Gerald Riso, the first Chief Financial Officer of the U.S., for his outstanding dedicated leadership in promoting financial management improvements throughout the federal government.



*Presentation of the Scantlebury Awards. (Left to right)  
Frank Hodsohl, Louis Goldstein, Elizabeth Smedley and Kenneth Boehne.*



*Presentation of the Special Award to Mr. Riso with  
JFMIP Steering Committee Members (Left to right)  
Virginia Robinson, Mark Barnes, Gerald Riso, Jimmie Brown and Gerald Murphy.*

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## Chapter 2

### *Governmentwide Initiatives to Improve Financial Management*

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#### **OFFICE OF MANAGEMENT AND BUDGET**

The Office of Management and Budget (OMB) continued to lead a broad range of governmentwide initiatives to improve financial management policy, systems and operations. On July 26, 1989, the President established a Management by Objectives (MBO) system for the federal government. Improved financial management was cited as a cross-cutting MBO priority applicable to all agencies aimed "to guarantee the effectiveness and integrity of programs and services for the public and the proper stewardship of public resources."

OMB is working to implement four major milestones under the financial management MBO:

- A governmentwide network of financial management systems
- A quality data base that integrates program results, budget and accounting data
- Improved management and a reduction in the risk of fraud and abuse by strengthening management internal control programs
- Use of audit as a key management tool and resolution of identified deficiencies.

OMB emphasizes a variety of strategies for meeting the objectives of the President's financial management MBO, including:

- A "cross-servicing" program to eliminate redundant, obsolete systems by having agencies with modern systems sell financial services to others. The Departments of Agriculture and Treasury and the General Services Administration (GSA) are prominent in the provision of financial services.
- An "off-the-shelf" program to allow agencies to build new financial systems without the time, expense, and uncertain results of custom development. GSA has awarded multiple-award schedule contracts, available to all agencies, for off-the-shelf systems. Awards have been made to three software vendors. Systems from these vendors are being implemented in a number of agencies. GSA is negotiating with additional vendors to expand the schedule.
- A requirement (OMB Circular No. A-127, *Financial Management Systems*) that agencies develop 5-year financial systems improvement plans with OMB and Treasury assistance.
- A strengthened oversight program over the annual review of agency financial systems in accordance with the requirements of OMB Circular No.

#### *A-123, Internal Control Systems.*

There are a number of significant accomplishments under the program for financial management improvements. Significant progress has been made in developing governmentwide standards. The governmentwide *Standard General Ledger* and the *Core Financial Systems Requirements* have been issued and data standards are currently being developed.

Systems upgrades are underway in every major agency in the federal government. Several agencies have recently converted to new systems, while many agencies, using a phased implementation approach, have implemented new systems within bureaus. These departments and agencies include the Departments of Energy, Interior, Health and Human Services, Labor, and Transportation and the Environmental Protection Agency.

Agencies are using cross-servicing and off-the-shelf software to obtain better financial services on a more timely and less costly basis. The policy of promoting the use of off-the-shelf software for financial systems has triggered improvements made by commercial vendors to meet federal agencies' needs. Federal user groups have been established and actively meeting with

vendors to address various issues on the implementation and refinement of the software packages. [David Gribble, (202) 395-3993]

### Financial Information and Systems Improvements

The governmentwide network of financial management systems called for by the President is based on the installation of a single primary financial system in each major department and agency linked to upgraded systems at the Department of the Treasury and at OMB. These systems are being developed in accordance with a strategic plan being developed by OMB in cooperation with the Chief Financial Officer Council.

Agency primary financial systems will have the capability to aggregate information to an agencywide level in addition to serving field program managers. Agency subsidiary systems (such as planning, budget formulation, payroll, personnel, grant and contract management, and property) and unique agency program financial systems will use standard data and be electronically linked to the agency primary system.

Federal financial management information and systems operations standards are being upgraded. The *Standard General Ledger* issued by OMB in 1986

will be supplemented by uniform financial management data standards, which are being developed by a JFMIP project team. In addition, the JFMIP is working on the development of functional requirements for personnel/payroll systems and travel management systems. More details of these projects can be found in Chapter 1. [David Gribble, (202) 395-3993]

### Management Integrity

In striving to meet the needs of the public, government's ability to manage the delivery of those services must not be eroded by mismanagement as the result of undetected fraud, waste, and abuse. OMB has renewed emphasis on improving the managing of government agencies and programs by establishing a Management Integrity Branch within the Financial Management Division. Its primary roles are to:

- formulate a sound public policy on management controls and oversee its implementation;
- focus attention on material and systems weaknesses that are high risk areas for fraud, waste, or abuse; and
- ensure that federal managers have the incentives and training to protect the integrity of government programs.

The Management Integrity Branch has a specific set of ac-

tions underway to assist agencies to maintain and improve management control systems effectively and economically as required by law and OMB Circular No. A-123, *Internal Control Systems*:

- Increase oversight of each Cabinet agency and major independent agency. Management examiners have been assigned to each of these agencies to coordinate efforts to identify problems in the agency, build an improved integrity infrastructure, and implement and track corrective actions.
- Assure adequate resources for offices of the Inspectors General and for oversight offices in several agencies. OMB will provide the resources necessary for agencies to undertake the coordination and direction of the Federal Managers' Financial Integrity Act (FMFIA) and related management control and audit followup programs.
- Link management integrity activity to the budget process for the fiscal year 1992 budget submission. OMB Circular A-11, *Preparation and Submission of Budget Estimates*, has been revised to require agencies to reflect requirements for funding corrective action for material weakness and high risk areas.
- Identify as high risk areas the most serious management control problems with the



greatest potential for fraud, waste, and abuse. The financial losses at HUD and among the savings and loan institutions focused attention on the need to identify and take steps to correct the major problems at other agencies before they escalate out of control. OMB, after review of FMFIA, IG, GAO, and OMB reports on management performance, identified more than 100 high risk areas. Each agency must develop a corrective action plan for each high risk area and report semiannually on progress.

- Anticipate serious problems at agencies through an early warning system. OMB will work with agencies to establish the capacity to mobilize resources and take immediate action when especially sensitive issues are raised by employees and/or managers within the agencies or externally by an IG or GAO audit or public inquiry.
- Promote senior level management participation in management control review. OMB seeks the involvement of senior level management by promoting the formation of agency senior level management policy committees to provide strong and consistent direction and accountability by agency personnel. In addition, OMB, with the assistance of the Office of Personnel Management, seeks to enhance program managers' awareness and acceptance of

management control responsibilities through improved training.

- Validate the accomplishments and effectiveness of corrective action. OMB will work with agencies to validate that corrective actions are undertaken to achieve the intended results. The focus will be on identifying specific accomplishments and developing performance indicators that document risk reduction, cost savings or avoidance, and demonstrated improvements in program delivery.
- Update OMB policy to support renewed emphasis on management control in the federal government. OMB will issue several related management control guidance documents in 1990-91:
  - (1) agencies will be required to submit corrective action plans for high risk areas;
  - (2) OMB Circular A-123, *Internal Control Systems*, will be retitled *Management Controls: Implementing Integrity and Accountability* and significantly rewritten to emphasize that agencies must take a broader perspective in instituting management controls over program administration as well as the traditional finance and accounting controls; and
  - (3) OMB Circular No. A-50, *Audit Followup*, will be renamed *Managing Audit Followup Programs* to reflect current policy of integrating the audit followup program into day-to-day agency operations

and to reflect the Inspectors General Act Amendment of 1988 requiring management to report on final actions taken on audit report recommendations.

[Jack Donahue, (202) 395-3066]

### Cash Management

During 1989, OMB completely revised Circular A-125, *Prompt Payment*, to implement 1988 Prompt Payment legislation. The most significant change eliminated the grace period. Agencies reported that in 1989 the number of payments subject to the Act increased by 40 percent while timely payments increased from 87.4 percent in 1988 to 90.1 percent in 1989. While agencies made progress in fiscal year 1989 in implementing the Act, much remains to be done to achieve the full potential of the legislation and reach the Administration's goal of substantially eliminating late and early payments.

Between 1988 and 1989 the number of payments subject to the Prompt Payment Act increased significantly, from 40.1 million to 56.7 million due to the new inclusion of construction subcontractor payments under the Department of Agriculture's Commodity Credit Corporation (CCC). Between 1983 and 1989, agencies report that interest penalties paid doubled as a percent of total



payments; that increase is due to improved agency compliance with the Act and more accurate reporting. Late payments increased from 2.5 percent of all payments in 1988 to 3.3 percent in 1989. Grace period payments declined from 8.4 percent in 1988 to 5.1 percent in 1989. Early payments decreased slightly from 1.6 percent to 1.5 percent.

During 1989 a number of agencies reported making improvements in the Quality Control (QC) systems which assure accurate reporting on payment performance. The General Services Administration and the Department of Transportation QC systems continue to provide reliable data. In addition, the Office of Personnel Management, Departments of Justice, Veteran Affairs, and Interior are making progress in implementing QC. The President's new Management by Objectives system includes a commitment to ensure that federal agencies pay bills promptly by aggressive implementation of the Prompt Payment Act Amendments of 1988 and through development of effective QC measures. [Tom Stack, (202) 395-3066]

### **Electronic Benefit Transfer (EBT)**

There are an estimated 8 million federal benefit recipients and 20 million state-administered

benefit recipients without bank accounts. In large cities across the country, armed guards must accompany postal carriers on the days when benefit checks are delivered due to high volumes of crime. Large cities, such as Los Angeles, Houston, and Miami file disproportionately large numbers of check claims for non-receipt and theft.

To address these problems, the Administration's goal is to utilize the existing electronic payment infrastructure such as automated teller machines (ATMs) and point-of-sale (POS) terminals. A governmentwide Electronic Benefit Transfer (EBT) program has been initiated by OMB, with lead agency responsibility delegated to the Treasury's Financial Management Service (FMS) to coordinate the development of these individual efforts allowing unbanked benefit recipients to access all funds securely through a single, efficient, plastic card. Seven electronic benefit delivery tests are in operation at the time of this publication, and many others are in the planning stage. For example, in 1989, the Social Security Administration began in Baltimore the first program using plastic cards and automatic teller machines to distribute direct federal benefits (Supplemental Security Income) on a voluntary basis. The State of Maryland began its electronic benefit program in 1989 to

deliver public assistance benefits and food stamps via plastic card. Statewide expansion is planned following the pilot. [Tom Stack, (202) 395-3066]

### **Credit Management**

The federal government is the Nation's largest source of credit. In fiscal year 1989, the government made \$16 billion in new direct loans and guaranteed \$105 billion in new loans made by private lenders for housing, education, agriculture, and other purposes.

At the end of the fiscal year the government had \$211 billion in loans receivable, the majority of which—\$177 billion or 84 percent—are direct loans. The remainder—\$34 billion—represents claims paid on defaulted guaranteed loans.

The government also has over \$33 billion in non-tax accounts receivable, which includes benefit overpayments (e.g., Social Security overpayments), audit disallowances, and fees and fines. The accounts receivable total also includes \$14 billion in scheduled interest payments on loans and accrued interest on delinquent loans.

At the end of fiscal year 1989, delinquent debt due from the public totalled just under \$100 billion. This amount included \$59 billion in delinquent tax

receivables and \$40 billion in delinquent non-tax receivables, mainly delinquent loan repayments due from the public.

From 1986 to 1989, total non-tax delinquencies increased \$12 billion, from \$28 billion to \$40 billion, mainly due to defaulted guaranteed loans not brought back into repayment status. An accounting change by the Farmers Home Administration (FmHA) in the Department of Agriculture resulted in an adjustment of \$8 billion in the delinquent debt level, bringing the total to \$40 billion at the end of fiscal year 1989. Prior to 1989, the Farmers Home Administration had been reporting only the amount of missed payments as delinquent. Reporting of the full amount of the loan is required when a payment is over 180 days past due because the loan is in default. When a payment is delinquent more than 180 days, FmHA is now properly reporting the entire amount of the loan as delinquent, rather than only the missed payments.

Exclusive of the accounting change by FmHA, delinquent direct loan receivables declined from \$6.5 billion in 1986 to \$5.8 billion in 1989.

Guaranteed loan delinquencies present a much different picture. The majority of the \$34 billion in defaulted guaranteed loans, \$14 billion of which has not

been brought back into repayment, is found in five agencies: Education, Housing and Urban Development, Export-Import Bank, Veterans Affairs, and Small Business Administration. Because these are defaulted guaranteed loans, the delinquency rate runs much higher than direct loans (41.5 vs. 7.4 percent).

Management reforms can be a cost-effective way of ensuring that a larger percentage of federal credit (including loans) are repaid in full and on time.

The Administration's efforts to protect the value and improve the financial condition of the federal credit portfolio are focused on three areas:

- more accurate accounting and timely reporting of credit information;
- cost-effective credit management policies; and
- aggressive collection of delinquent and defaulted debt.

The President's 1991 Budget proposes major investments in the management of tax receivables and the administration of federal loan programs. These proposals include \$55 million for tax debt collection initiatives and \$58 million for additional staff for the major credit agencies and to strengthen the Treasury Department's oversight of credit management.

OMB has for several years encouraged complete implementation of the Administration's Nine Point Credit Management Program. Each year, performance goals are developed to ensure compliance by the major credit agencies. Progress against these goals is monitored by the Financial Management Service (FMS), Department of the Treasury, and reported on a regular basis. Semi-annual reviews are held with the major credit agencies to review progress against goals.

Even with the advances discussed above, progress in certain areas remains unsatisfactory. Use of the available techniques by the agencies is uneven and incomplete, even allowing for statutory prohibitions against the use of certain techniques in some programs and other differences in program mandates. The General Accounting Office (GAO), in its report *Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine Point Program*, identified many areas of needed improvement. OMB and FMS, working with the agencies, are preparing an evaluation of agency implementation of the program. Agencies will be required to submit a progress report and future plans for implementation of the Nine Point Program with their annual credit management plans in 1990.

In August of 1989, the Federal Credit Policy Working Group (FCPWG) was reconstituted as an arm of the President's Economic Policy Council. The Working Group, which is chaired by OMB, is responsible for reviewing major federal credit policy issues, including assessing implementation of credit management policy, reviewing activities of Government Sponsored Enterprises, reviewing the evolution of secondary markets, and reviewing proposed loan asset sales. Because all major credit agencies are represented, the Working Group provides an excellent forum for identifying and resolving credit issues.

During 1989—and continuing into 1990—the Administration's credit management priority was to prevent future defaults and delinquencies through improved application of the Nine Point Credit Management Program. Special emphasis has been and will be placed on:

- More effective origination and servicing of direct loans;
- Clearer and stronger standards and policies for guaranteed loan programs, with a particular focus on lender certification and monitoring;
- Enhanced financial reporting and information that will ensure that the President and Congress know the true value and condition of the government's portfolio, and

that there are early warning systems for emerging problems;

- Use of private sector attorneys to support litigation of delinquent debt; and
- Improved Management of Guaranteed Loans. In 1989, the Financial Management Service led an interagency task force to review loan policies and practices for the management of guaranteed loans. A preliminary report of the task force was presented to the Federal Credit Policy Working Group at its January 1990 meeting. The task force identified four keys to the effective management of guaranteed loan programs:

(1) Only qualified and financially sound lenders should participate in guaranteed loan programs;

(2) There should be incentives to encourage lender participation while having the necessary penalties and controls to protect the government's financial interests;

(3) Program standards should ensure that lenders properly originate, service, collect, and liquidate loans; and

(4) Lenders should be monitored for compliance with agency program standards and to identify emerging problems.

[Tom Stack, (202) 395-3066]

### **Security and Integrity of Automated Systems**

The Computer Security Act of 1987 requires federal agencies to identify and plan for the security and integrity of federal computer systems that contain sensitive information. Approximately 2700 plans for the security and integrity of sensitive systems were sent to the National Institute of Standards and Technology (NIST) and the National Security Agency (NSA) for advice and comment last year. They included 466 from civil agencies that primarily concerned financial systems. By December 1988, NIST and NSA had provided advice and comment on all of the plans submitted. It is anticipated that after full implementation of the plans the security of the systems will be improved. [Franklin Reeder, (202) 395-3785]

### **Total Quality Management**

Federal agencies are undertaking a comprehensive, sustained effort to implement Total Quality Management (TQM) with the support of the Administration. TQM is an effective, but complex, long-term management strategy for improving the performance of an organization. Successful implementation requires top leadership commitment and far-reaching changes in outlook, culture, and operations throughout an organization, all pointing to assuring

delivery of products and services that are responsive to customer requirements, achieve their intended purpose, and make effective use of taxpayer dollars.

One of the most significant accomplishments in the quality improvement area in 1989 was developing quality awareness in every agency. Program managers are now identifying their customers, determining their requirements, developing quality measures and systems for tracking them, and forming employee teams to solve problems and take corrective action.

Agencies which have demonstrated exemplary progress are identified as quality improvement prototypes (QIPs) or models of quality improvement in the federal government. To date, 13 federal organizations have been identified as quality prototypes. In 1989, 11 workshops were provided by the 1989 QIP agencies. These workshops were attended by more than 2,000 federal managers. Successful strategies for implementing total quality management were presented at the workshops, and detailed case studies were provided to workshop participants. For instance, the Fresno and Ogden Service Centers of the Internal Revenue Service detailed how one center prevented 60,000 erroneous taxpayer notices by

quick corrective action, and another provided over \$3.5 million in savings since 1987. The Lewis Research Center within the National Aeronautics and Space Administration demonstrated how the number of patents submitted by its employees increased by 50 percent over a 3-year period. The Department of Veterans Affairs' Kansas City Medical Center described its efforts which decreased the mortality rate by 20 percent since 1986.

The Administration also instituted the President's Award for Quality, similar to the Malcolm Baldrige National Quality Award for the private sector, to recognize a major agency which has implemented quality management. The Naval Air Systems Command (NAVAIR) was the first recipient of the award in 1989. Improved management enabled NAVAIR to save an estimated \$1.8 billion through acquisition streamlining in fiscal year 1988. This built on an earlier, combined savings of \$1.1 billion for fiscal years 1985 and 1986 and a savings of \$704 million for fiscal year 1987. Among the specific management reforms adopted by NAVAIR were:

- use of more reliable equipment, an improved spares inventory, and increased training for maintenance personnel, which increased the number of mission-capable naval aircraft by 26 percent;

- improved design and manufacturing methods for the F/A-18 aircraft, resulting in an aircraft capable of more than twice as many flight hours between repairs; and
- increased competition and streamlined acquisition procedures, which reduced unit costs for producing naval aircraft by 24 percent since 1982.

The Second Annual Conference on Quality and Productivity Improvement was held in June, 1989, and attracted over 1,000 federal managers. A series of presentations was provided by public and private sector experts who have successfully implemented quality improvements in their organizations. The conference recognized and publicized successful federal quality improvement initiatives such as those cited above and encouraged the exchange of ideas on ways to promote quality improvement in the federal government.

The Federal Quality Institute, established in 1988 as the primary source of information, training, and consulting services on TQM, has provided quality awareness seminars to approximately 2,000 senior executives across government.

In 1990, OMB, together with the President's Council on Management Improvement

(PCMI), and the National Academy of Public Administration (NAPA), will begin a series of experimental projects in three or four agencies aimed at removing bureaucratic obstacles to improved service. Numerous regulations and restrictions in budgeting, personnel, procurement and other administrative areas will be placed on achievement of results.

### **Budgeting Initiatives**

A number of initiatives, with both substantive and presentational impact, were included in the 1991 budget. Most obvious was the consolidation of the budget into a single document, consisting of two sections. The first section, "Overview," contains the President's budget message and discusses selected topics. The second, "Notes and Appendices," contains technical data and explanations, including, in Part V, material formerly included in the Appendix volume.

### **Federal Credit Programs Treatment in the Budget**

The 1991 budget is again proposing reform of the way federal credit programs are treated in the budget. The credit reform proposal is essentially the same as in the last two budgets. While the effects of credit reform are not reflected in individual accounts and programs in this budget, the subsidy values for each affected account are

shown in Part VI.B of Section One.

Under credit reform, agencies would be required to seek general fund appropriations for the subsidy value of all new direct loan obligations and guaranteed loan commitments for each federal credit program included in the initiative. The subsidy value is defined as the discounted or present value of the additional payments that the federally assisted borrower would have to make for a purely private loan. Amounts appropriated for the subsidy value would be paid by the agency to two central funds in the Treasury—one for direct loans and one for loan guarantees. The direct loan fund would finance the market value of direct loans, and the loan guarantee fund would serve as a reserve for guaranteed loan defaults.

The subsidy would be included in the outlays of the program, the agency, and the function that conduct the credit program. The remaining cash flows of the credit transaction would be reported in a separate budget function created for this purpose. Agencies would continue to operate credit programs as they do now. The Administration's proposal would not affect the definition of the budget deficit, unlike alternative proposals that would exclude the non-subsidy cash flows from that calculation.

Subsidies in 1991 add up to \$1.8 billion for direct loan obligations, and \$9.5 billion for guaranteed loan commitments. The degree of subsidy varies widely from program to program, ranging from virtually nothing up to 37 percent of face value of loan guarantees and up to 73 percent for direct loans. On average, the subsidy is 4.5 percent for guarantees and 31.8 percent for direct loans. This wide variation underscores the need for the upfront budget recognition of subsidy costs that credit reform would provide.

### **Deficit Reduction**

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended in 1987, calls for a balanced federal budget by fiscal year 1993 and specified a procedure designed to achieve these targets. Following procedures prescribed by the law, the Director of the Office of Management and Budget submitted reports to the President and the Congress estimating the projected deficit for fiscal year 1990 and the amount of deficit reduction that resulted from laws enacted and regulations promulgated.

### **Reform of the Budget Process**

Reform of the budget process continues to be a high priority. The President's fiscal year 1991 Budget calls for a constitutional

amendment to balance the budget, line item veto, enhanced rescission authority, biennial budgeting, a joint budget resolution with stricter enforcement, and the closing of loopholes in the Gramm-Rudman-Hollings process.

Other areas of reform that have received increased attention include agreements on principles for scoring the budgetary impact of various actions, development of ways to highlight capital investment, and anticipation of long-term problems and opportunities with budgetary impacts. Consistent with the latter, the budget proposes creation of a Social Security Integrity and Debt Reduction Fund that, while continuing the requirement for balanced budgets beyond 1993, would protect the reserve balances of the social security trust funds and retain social security receipts and outlays in the deficit calculation.

### **Review of Budget Terminology and Information Requirements**

OMB is participating in several efforts to ensure that the federal government can communicate effectively on the myriad of complex budget issues and proposals that are addressed in Congressional, Executive Branch, and public forums every day.

In connection with the periodic update of the General Account-

ing Office's *Glossary of Terms Used in the Federal Budget Process*, OMB has reviewed the first and second drafts of the revised glossary and has provided extensive comments. OMB will continue to work with GAO throughout the editing phase of the project.

Recognizing the need for a long-term study of budget information requirements and presentation, OMB is in the midst of a process to develop, study, and implement proposals to enhance data collection and analysis and to improve budget presentation. Emphasis is on proposals that make data collection and processing in OMB's budget information systems (budget preparation system and central budget management system) more efficient, improve the printed presentation of budget data, and reevaluate current budget concepts and basic data elements. The process is now focusing on several of the higher priority items, including redesign of the program and financing schedule to emphasize budgetary resources. Implementation of some items will begin in the fiscal year 1992 budget formulation process.

Acknowledging the importance of central agency review of the varying financial requirements, terms, and definitions, better linkage between budget and accounting data, and the need for better data for governmentwide

analyses and decision making, OMB continues to support the JFMIP project to standardize financial information requirements. As a participant in the project, OMB provided clarification of budget concepts and of the relationship of various budget requirements to one another and to the financial terms and definitions of Treasury and GAO. OMB has also assisted in design of the work plan and has taken the lead in organizing and administering a subgroup studying the relationship of various budget requirements to one another and to the financial requirements, terms, and definitions of GAO and Treasury.

### **Improvements in Budget Information Systems**

OMB uses multiple aging computer systems in support of the budget process. Because these systems need to be integrated and modernized to achieve greater levels of flexibility and accessibility, OMB is in the midst of an effort, known as the MAX project, to develop the next generation budget support system incrementally. Effort in 1990 will focus on the building of a new budget data base structure to eventually replace the existing production and analytical data bases. OMB is involved in the data element standardization efforts of JFMIP which will be the basis for the future integration of financial management

and budget past year data bases.  
[Edward Rea, (202) 395-3172]

## ***DEPARTMENT OF THE TREASURY***

### **Asset Management**

Since 1983, the Department of the Treasury, through its Financial Management Service (FMS), has put in place the state-of-the-art, modern technology for processing the government's funds. FMS and OMB are working with agencies to encourage use of electronic funds transfer/direct deposit, lockboxes, credit cards, pre-authorized debits, and electronic benefit transfer (EBT). Currently, it is estimated that 45 percent of federal disbursements and 8 percent of collections are made electronically; the 1991 goal is 47 percent and 9 percent, respectively.

In addition, major changes to the Prompt Payment Act have imposed more rigorous limits on agency payment practices; i.e., grace periods have been eliminated and additional penalties imposed upon agencies for failure to pay interest on late payments.

The objectives of improved credit management are to ensure that credit is allocated in accordance with statutory require-

ments, to lower the level of the government's financial risk by reducing delinquencies and defaults, and to decrease administrative cost associated with managing credit.

Since its designation in December 1985 as lead agency for credit management and debt collection, the Financial Management Service has focused on improving all aspects of the credit cycle including credit extension, account servicing, debt collection, and write-off. FMS has worked with OMB in the development of credit management policy and procedures and has worked with the agencies to implement credit management improvements.

### **Cash Management Reviews**

The comprehensive cash management reviews submitted by 70 executive departments and agencies in 1986 defined agency cash flows and recommended various cash management improvements. In order to track agency progress on review recommendations, FMS instituted annual agency status updates in 1989. These yearly progress reports will be the method used to track gains until the next comprehensive cash management review scheduled for 1992. In the updates, agency officials certify cash management practices by verifying whether each cash flow meets the cash management

standards outlined in the *Treasury Financial Manual*. The review process has focused the attention of agencies toward improving their cash management practices in two tangible ways. First, agencies have institutionalized good cash management by including them in published agency procedures. Second, more agencies are making cash management progress a measure of management success. FMS began mailing the second set of yearly updates in December 1989. [Michael G. Dressler, (202) 287-0745]

### **Inventory Management**

The Financial Management Service has begun a program for improved management of inventories (i.e. operating consumables, work in progress, and items for resale) in federal agencies. The program seeks to provide federal managers with tools and incentives to improve inventory management. Such tools include accounting guidance, core requirements for inventory management systems, guidelines for improved management practices, and a system for measuring the impact of improvements. The program will include an in-depth review of the inventory management practices of private businesses to learn about off-the-shelf software tools, standards of practice, performance measures, and other management tools,

such as Electronic Data Interchange (EDI).

Inventory accounts for approximately 15 percent of the assets that are held by the federal government. Because inventories are turned over rather than held indefinitely, the dollar value of these accounts is a continuing flow of funds. A 1 percent reduction in that flow, brought about by improved practices, would free about \$2 billion annually in monies which are now diverted from agency programs. [Stephen M. Vajs, (202) 287-0751]

### **Vendor Express Electronic Payment System**

Financial Management Service's strategic direction is to make all government disbursements electronically. In support of this objective, FMS implemented an electronic payment system for making vendor and miscellaneous payments in July 1987. This system, termed Vendor Express, permits federal agencies to make such payments using the Automated Clearing House (ACH). The Vendor Express system has the capability to carry electronic invoice information with the payment that is machine processable by corporate accounts receivable systems. Federal agencies are currently paying more than 183 thousand payments per month through this system. When fully converted, there is a potential

savings of \$20 million per year to the taxpayers. [Susan Veintemillas, (202) 287-0455]

### **Automated Clearing House**

Effective September 5, 1989, the Financial Management Service implemented the currently available commercial Automated Clearing House (ACH) processing schedule for specific government payments. Under this schedule, vendor, miscellaneous, and daily adjustment ACH payments files will be processed by FMS Regional Financial Centers (RFCs) for next-day settlement. Implementation of next-day processing for Vendor Express payments allows agencies to more readily convert check payments to ACH, while still meeting Prompt Payment Act requirements. Each RFC has established a cutoff time for acceptance of ACH payment files based on current processing capabilities. [Susan Veintemillas, (202) 287-0455]

### **Electronic Benefit Transfer (EBT)**

FMS has taken the lead in developing a governmentwide program to test the delivery of benefits to the unbanked via plastic access cards, automated teller machines (ATMs), and point-of-sale (POS) terminals. The first such test, in Baltimore, Maryland, began in November 1989 to deliver Supplemental Security Income (SSI) benefits

to those without bank accounts. The next test is in development stages and will involve the delivery of multiple direct federal benefits (SSI, SSA, and VA) in Houston, Texas, beginning in October 1990 with an existing ATM and POS infrastructure. The electronic benefit transfer (EBT) program is beginning to prove that benefits can be delivered to the unbanked more efficiently and at a reasonable cost with potential conversion from paper to electronics in the billions of dollars. This alternative could ultimately be offered to unbanked recipients in all federal programs that distribute benefits to individuals. [Lyndy Layman, (202) 287-0751]

### **Automated Direct Deposit**

Paper-based Direct Deposit enrollment processes (using the SF-1199A form) have proven a strong disincentive to enrollment by recipients and to marketing Direct Deposit by financial institutions and federal agencies. Use of the form requires the recipient to physically visit the financial institution. FMS has undertaken a variety of steps to simplify this process. Several of these simplified enrollment processes have been installed successfully by the Social Security Administration, the Internal Revenue Service, and other agencies. Another simplified enrollment process, automating enrollment data at



financial institutions, is slated for feasibility testing this year.

FMS modified its regulations to encourage simplified sign-up processes. In conjunction with FMS, the Social Security Administration installed a fully paperless enrollment process. Recipients can now call SSA's "1-800" number and complete a Direct Deposit sign-up based on the information on their checks and share drafts. Social Security now also collects enrollment data as part of the adjudication to receive benefits process, which is successfully getting more than 40 percent of new beneficiaries to enroll before the first payment is made. This has the effect of dramatically increasing the savings from the Direct Deposit enrollment over the full 16.78-year Social Security account life. Automating Direct Deposit enrollments at the financial institution for transmission to Social Security Administration via the Automated Clearing House network is scheduled for a feasibility test. This process will employ the financial institution's existing payment origination software to provide a low-cost method of formatting and transmitting the sign-up data.

Other initiatives to simplify processing for salary and benefit programs are slated, including one within the banking industry

to resolve problems associated with using bank routing information printed on checks and share drafts. [James R. Finegan, (202) 287-0347]

### **CASH-LINK**

The Financial Management Service is implementing a new worldwide banking and cash concentration system, known as a CASH-LINK. Implementation of this new system, planned during fiscal year 1990, will dramatically change and streamline FMS and agency deposit- and banking-related functions. CASH-LINK will provide for concentration of agency deposits processed at over 3,500 domestic and international financial institutions, including the Federal Reserve, for an annual dollar flow of over \$387 billion. The system will further enhance collection and depository services for agencies in several ways. Primarily, it improves financial integrity by providing the ability for agencies to electronically monitor deposits made to and reported by financial institutions; accelerates the deposit reconciliation process between agencies and FMS (agencies will have on-line access to deposit information); and reduces the volume of paper transactions associated with the processing of deposit adjustments. [Cindy Johnson, (202) 287-0751]

### **Fedwire Deposit System**

The Fedwire Deposit System continues to provide for the processing of collections by wire transfer. Over \$100 billion are collected annually for approximately 200 agency locations. Wire transfer permits immediate availability of funds processed to Treasury's account at the Federal Reserve. The system provides user agencies the capability to access wire transfer collection information immediately as it is processed. [Cindy Johnson, (202) 287-0751]

### **Limited Negotiability of Government Checks**

Public Law 100-86 (the Competitive Equality Banking Act of 1987), which limits the negotiability, claimability, and reclaimability of all government checks was implemented on October 1, 1989. The law requires additional recordkeeping and systems modifications by agencies so that they can receive and process the cancellation credits that FMS will provide them for checks outstanding after 12 months from issuance. Ongoing implementation activities will be coordinated with agencies, the Federal Reserve, financial institutions, and the private sector through fiscal year 1991. [Joan Pesata and Maurice Galloway, (301) 436-6349]

### **Imprest Fund Debit Cards**

The Financial Management Service has undertaken a test program whereby imprest fund cashiers at FMS's Regional Financial Centers and selected sites within the Departments of Transportation and Commerce will be issued magnetic striped debit cards to make cash withdrawals through a nationwide automated teller machine (ATM) network. The purpose of the program is to modernize the replenishment of the imprest funds through the use of electronic means (debit cards).

- By using debit cards to replenish the imprest funds, the following benefits are expected:
- Streamlining and reducing the processing of payment vouchers,
- Reducing postage costs associated with vouchers and check mailings,
- Reducing the amount of replenishment checks, and
- Improving cash management by reducing the amount of funds held outside the Treasury by replenishing the funds more often for smaller amounts.

The initial test program installation was in September 1989 with the Department of Transportation's Federal Aviation Administration imprest fund offices in Kansas City and

Los Angeles; other offices to use the cards include three additional FAA offices and the Department of Commerce and the Treasury's Financial Management Service. Upon implementation of these sites, a 6 to 12 month evaluation is planned for measuring the success of the program. [Michael Chew, (202) 287-0336]

The Account Servicing Modernization (ASM) project was undertaken to identify systems that would improve the effectiveness of the government's credit management/debt collection functions. The project involved six major agencies: the Departments of Education, Agriculture, Housing and Urban Development, Veterans Affairs, and Health and Human Services; and the Small Business Administration. The methodology involved analyzing all components of the federal credit cycle, evaluating existing systems of these six major agencies, comparing federal and private sector credit practices, and creating a conceptual model showing how an "ideal" credit management system should operate. The project provided a comprehensive description of essential processing, data, and reporting standards; and it recommended the implementation of automated systems in the areas of loan origination, loan servicing, collection processing, and

litigation tracking. [Linda Breslau, (202) 287-0642]

### **Tax Refund Offset Program**

The Deficit Reduction Act of 1984 authorized the collection of delinquent debts owed federal agencies by offsetting federal tax refunds due the delinquent debtor. Agencies compile information on delinquent debtors after other agency collection efforts fail to collect the debt. Sixty-day notices of intent to offset are sent to delinquent debtors, and debts that are not repaid, renegotiated, or otherwise revolved are sent to the IRS for matching against tax returns and refunds due. The Financial Management Service has overall responsibility for policy direction and coordination of all phases of project activities. In calendar year 1989, \$348 million was collected. Of this amount, \$82 million was voluntarily repaid by debtors upon receipt of notices of intent, and \$266 million was collected through offset. Twelve agencies participated in the program during the past year. [Don Rouse, (202) 287-0646]

The Financial Management Service implemented the Federal Salary Offset Program. Currently, six major agencies are participating in the program: the Departments of Agriculture, Education, Health and Human

Services, Housing and Urban Development, and Veterans Affairs; and the Small Business Administration. The Federal Salary Offset Program is designed to identify, through computer matching processes, federal employees who are delinquent on their debts to the government and bring the debtors/employees back into a current status on their indebtedness. In situations where the debtor/employee refuses to voluntarily repay the amount owed, federal creditor agencies may request the employing agency to collect the debt by withholding up to 15 percent of the employee's disposable pay.

For calendar year 1989, \$45.7 million was collected, for a total of \$95.4 million since 1987 when the program was implemented. [Joel Hoffman, (202) 287-0646]

### Lockbox Collection

The IRS Estimated Tax Lockbox Collection Program was implemented by FMS in April 1989. This initiative expanded the use of lockboxes to all 10 Internal Revenue Service Centers for the collection of estimated tax payments. In fiscal year 1989, \$56.2 billion dollars were collected through these lockboxes, resulting in an interest savings to the federal government of \$47.7 million dollars due to improved

availability. [Cathryn Donchatz, (202) 287-0580]

### Debt Collection Services

FMS is the lead agency and facilitator for the General Services Administration's contract for procuring private sector debt collection services which became effective in December 1987. To date, more than 40 federal agencies and the District of Columbia have placed 248,000 accounts valued at over \$2.9 billion with six private collection contractors. Almost \$27 million has been collected, and 154,000 accounts valued at \$1.8 billion have been returned to the agencies because the debtor cannot be located, is unable to pay, or is disabled, deceased or bankrupt, or the debt has been forgiven or referred to litigation by the agency. [Margaret Fitzgerald, (202) 287-0646]

The Financial Management Service is publishing a series of documents to provide guidance to agencies on implementing effective credit management/debt collection policies, procedures and standards. The Treasury Financial Manual Credit Supplement, *Managing Government Credit*, published in January 1989, was the first in the series. The Supplement provided standards, guidelines, and procedures for the successful management of all credit and debt activities. FMS conducted extensive train-

ing on the Supplement in 6 cities for over 600 people in February 1989.

Additional documents now under development include:

- *Guidelines for the Federal Employee Salary Offset Program*, which assists federal agencies with salary offset regulations and procedures. First published in May 1988, the salary offset guidelines are being reviewed for possible revision and will be republished in August 1990.
- *Guide to Conducting Portfolio Sales*. The Guide recommends procedures for sale of agency loan portfolios to private sector investors.

Other subjects under consideration for publication include litigation and credit bureau reporting. [Kathleen Downs, (202) 287-0642]

### Improved Financial Management and Reporting

The revised SF 220-9, Report on Accounts and Loans Receivable Due From the Public, was implemented by federal agencies effective third quarter of 1989. The new report provides a better synopsis of the condition and status of agencies' receivables, and meets the information needs of both the Office of Management and Budget and Financial Management Services. It consolidates into one form both the

financial/accounting information captured in the earlier SF 220-9 and the management information captured in the previous Credit Management Report. [Tom Lusk, (202) 287-0646]

To date, credit management improvement efforts have focused primarily on direct loan programs. Since 1984, and particularly in the past 2 years, increased emphasis has been placed on using guaranteed loans to accomplish program goals. Between 1984 and 1989, direct loans outstanding decreased 1 percent, while guaranteed loans outstanding increased 52 percent. Within the 1984-1989 time period, guaranteed loan terminations due to default have more than doubled to \$11 billion.

In response to the need to address how the government is managing its guaranteed loan programs, the Financial Management Service (FMS), in consultation with the Office of Management and Budget (OMB), undertook an initiative to develop and implement governmentwide guaranteed loan management procedures and standards. Using a task force and work groups composed of FMS, OMB, the General Accounting Office (GAO); the Departments of Agriculture, Commerce, Education, Housing and Urban Development, Health and

Human Services, and Veterans Affairs; and the Small Business Administration, existing policies and procedures were reviewed, systemic problems and needs identified, and preliminary recommendations for improvements developed.

The final report now under development will include these recommendations, augmented with others developed through the findings and conclusions of earlier GAO and President's Council on Integrity and Efficiency reports. It will also include an overview of the guaranteed loan management process, governmentwide guaranteed loan management standards developed from the recommendations, and a plan for implementing the proposed standards and recommendations. The report will be presented to the Working Group on Federal Credit Policy for review and comment prior to its formal publication. [Kathleen Downs, (202) 287-0642]

The Financial Management Service conducted an extensive analysis of the Federal Agency Financial Reports (FAFR) filed for fiscal year 1988 as part of its ongoing financial management integrity efforts. This analysis isolated numerous material classification problems, amounting to approximately \$900 billion. Phone contacts to reporting en-

tities with potential problems were followed up by staff visits for further discussion of uncovered reporting problems. Follow-up letters were also sent to these reporting entities for their concurrence with the recommendations. Next year in-house programming enhancements, in planning, could increase review timeliness and effectiveness.

For fiscal year 1989, the number of FAFR reports received over the Government On-Line Accounting Link System (GOALS) increased 33 percent over the previous year. FMS provided individualized training to enhance submitters' capabilities and sponsored testing and utilization of the host-to-host (bisynchronous) mainframe submission process. Ongoing assistance was also provided to the agencies for solving system problems and technical reporting requirement questions, which increased the timeliness and efficiency of submissions for the FAFR reports. Due to better understood requirements, more timely reporting enhanced by the Accounting Database for Evaluating Performance Trends (ADEPT) was accomplished. FMS expects to expand and complete its integrity of fiscal year 1989 agency reports earlier than ever this year as a result of the attained performance increases. [David B. Strobel or Jose V. Placer, (202) 208-1863]

The Federal Reserve Bank Direct Dial Reporting System provides an automated mechanism for transmitting and assimilating critical cash and debt management data contained on daily balance wires (DBW) from the Federal Reserve Banks. The DBWs, which contain Treasury's operating and tax and loan balances, receipt and expenditure data, Public Debt security transactions and federal tax deposits, are used by Treasury to forecast and manage the daily cash and debt position of the Treasury and to prepare the Daily Treasury Statement. Under the Direct Dial System, the FRBs transmit their daily balance wire data directly to the Financial Management Service's mainframe Funds Control System using a personal computer with telecommunications software. The Direct Dial Reporting System dramatically improves the timeliness and accuracy of the FRB data resulting in more effective cash management by Treasury. The system also eliminates duplicate key entry processes and provides the FRBs with an automated printout of their daily balance wire. Estimated completion date for this initiative is calendar year 1990. [Laura Carrico, (202) 208-1771]

Accounting Database for the Evaluation of Performance Trends (ADEPT), is a relational database which contains the

financial data reported to Treasury. These reports include the Report on Financial Position, Additional Financial Information, Direct and Guaranteed Loans Reported by Agency and Program Due from the Public, Report on Operations, Report on Cash Flow, and Report on Reconciliation. Additional financial and budgetary information is being added to ADEPT in 1990.

Through ADEPT, agencies are provided with a means to compare their financial status to other programs in the federal government. Users can obtain information through standard reports, queries and downloads to personal computers. Standard reports include single year detail, comparison by years, combined agency, special programs and trend analysis. Queries provide data for selected line items of reports in a user designed report format. Downloads of data from ADEPT to a PC enable the user to perform further financial analysis through PC-based packages such as LOTUS or dBASE.

Currently, ADEPT is providing Treasury's Financial Management Service and OMB with management information for monitoring credit programs. ADEPT information is also used for reconciliation of reports and publication of portions of the

Treasury Bulletin. [Jean Holcombe, (202) 208-1467]

The Standard General Ledger (SGL) Advisory Work Group has been tracking and documenting various issues and problems from agencies as their operating systems begin to implement and fully embrace the SGL. The SGL Advisory Work Group has successfully completed and issued revisions to the SGL crosswalks section this year. The Treasury Financial Manual (TFM) Transmittal Letter S2-01 was released on June 30, 1989. The Group has prioritized those outstanding issues and has developed two subgroups, the Issues Resolution Group and the Test Group, to discuss and test final resolutions before incorporating them into the SGL. In addition, an issue summary form was developed to serve as an input mechanism for agencies' issues related to the SGL. [Holden Hogue, (202) 208-1751]

### **System Modernization**

The evaluation of proposals received in response to the Request for Proposal which was released on March 15, 1989, is in progress. Vendor selection is expected to be made in fiscal year 1990. The System 90 project will modernize and improve the agency payments system by replacing old hardware and software with an integrated system. A secure nationwide

telecommunication network will link the Regional Financial Centers to the Federal Reserve System, FMS headquarters, and the central agencies. Modernizing the payments and the claims operations will generate operational and cash management savings and enable FMS to improve delivery services. [Bill Andersen, (202) 287-0314]

FMS is currently working with the Federal Reserve Bank (FRB) of Boston on a prototype project to develop and test the use of digital check imaging in the real time production environment of the government check sorting and processing operation. This environment requires very high-speed image capture, pre-processing, compression, storage on high-density media, and subsequent retrieval and decompression. The objective of the ongoing Digital Image Project is to plan how FMS can best take advantage of digital imaging technology for modernizing its check claims function. It will increase efficiency by replacing the document-laden microfilm system with workstations capable of retrieving, displaying, and printing check images. The project is targeted for completion in 1994; two prototypes and two pilots will precede full implementation. [Thomas E. Hundley, (202) 436-6368]

FMS is currently working on a project to improve its account-

ing systems by consolidating three systems, Financial Accounting and Reporting System (FARS), Interest Billing System (IBS), and On-line Automated Reclamation System (OARS), into one system, the Treasury Receivable Accounting Collection System (TRACS). This new system, TRACS, will reduce the time for transferring unavailable check cancellation credits to agencies and issuing replacement checks to Federal Reserve Banks; improve the efficiency of the accounting and reporting functions, especially as related to the Debt Collection Act; and improve overall accounting and reporting practices in Headquarters Operations. [Lavon Warren, (202) 436-6277]

The Financial Management Service is upgrading all automated processes that support the government's budget execution system. This system integrates the fiscal activities of all agencies, disbursing offices, and banks authorized to handle government funds, and is the only source of such fundamental information as the government's surplus or deficit. The upgrade, known as the STAR Project, will improve the overall accuracy, timeliness, and integrity of the government's budget execution financial information, and will eventually support on-line information access by agencies. STAR is being developed in a

modular fashion using a data base management system. The final STAR modules are scheduled for implementation by early 1992. [Charles Barackman, (202) 208-1555]

During the past year, the Financial Management Service has expanded its role in providing administrative accounting cross-servicing to federal agencies and commissions. An additional off-the-shelf accounting package has been tested and installed at the mainframe facilities and is now being offered to clients. On October 1, 1989, two agencies, the National Mediation Board and the Board for International Broadcasting, began live accounting operations using this system on a reimbursable, time-sharing basis. Additional agencies, including the Office of the Secretary, Department of Treasury; the Small Business Administration; and the Inter-American Foundation, have also signed agreements to be cross-serviced, and are currently working with staff members in various stages of system conversion. Other agencies have also expressed interest in cross-servicing, which eliminates costs of developing and implementing accounting systems and reduces costs of operating governmentwide systems at individual agencies. [Bruce Turner, (202) 287-0344]

## Review of Agency Financial Management Systems

The Financial Management Service, in its lead agency role for financial systems improvement, continued its review of agency five-year financial systems plans. Joint FMS/OMB reviews of the cabinet level and major independent agencies determined that agencies are making progress in developing primary financial management systems and adopting the U.S. Standard General Ledger, although not as quickly as had been anticipated. To assist agencies in their financial systems improvement efforts and to give focus, FMS is working with OMB, under the auspices of the Chief Financial Officers Council, to develop a governmentwide strategic plan for financial information systems.

FMS utilized conferences, workshops, and print media to communicate to agencies what is being required of them in the systems improvement area. FMS also continued to work with federal user groups of commercial software packages, encouraging them to work closely with software vendors toward improving the packages to meet the needs of the federal government. [Mary Lee Mason, (202) 208-1393]

## OFFICE OF PERSONNEL MANAGEMENT

### Updated Classification Standards

The Office of Personnel Management initiated three studies to update and improve the position classification standards for three areas of financial management in the federal government. The new standard for the Accounting Series (GS-510) was published in December 1989; the standards for the Civilian Payroll Series (GS-544) and for the Military Pay Series (GS-545) will be available in 1990. [George Steinhauer, (202) 606-2950]

### Automated Systems Enhancements

The Office of Personnel Management (OPM) has initiated a number of automated systems enhancements in support of federal recruiting programs to increase agencies' abilities to attract qualified candidates, improve the timeliness of the applications process, and provide better job information to the general public. These are examples of these accomplishments:

## Job Information

### *The Federal Job Opportunities List (FJOL)*

The Federal Job Opportunities List is a consolidated listing of federal job vacancies. The FJOL system has recently been enhanced to make the system a much more valuable tool for providing job information. These enhancements will make the FJOL more flexible, require fewer keystrokes to be used for the entry of information, and allow examining offices to download the FJOL data to personal computers.

Currently, some agencies with delegated examining authority do not list their vacancies on the FJOL, yet still meet legal requirements on advertising opportunities to the general public. OPM intends to move further toward the concept of a unified job bank, as recommended by the Volcker Commission, by requiring agencies with delegated authority to list their open vacancies on the FJOL. This would provide a consistent and predictable way for the public to learn about available job opportunities. It will also eliminate duplicate mailings of job opportunity announcements from agencies to State Employment Service offices and other recruitment sources. [Donald Holum, (202) 606-0940]

### **Transmittal of Job Information to State Employment Service Offices**

OPM has been working with the United States Employment Service (Department of Labor) to provide for dissemination of the nationwide portion of the Federal Job Opportunities List (FJOL) to all State Job Service offices in the country via the Nationwide Job Bank system used by the Department of Labor to obtain nationwide publicity for hard-to-fill positions. This has been ongoing since April 1989.

For local vacancies, OPM has been working with the New York State Department of Labor to explore the feasibility of electronically disseminating the local FJOLs of OPM's New York and Syracuse Area Offices. This should serve as a good pilot project for FJOL distribution to State Job Service Offices through the Nationwide Job Bank, while maintaining distinct publicity areas. Currently, the status of the project is dependent upon other work projects of the New York State DOL.

Successful implementation of these initiatives will eliminate current expenditures in resources used to print and disseminate the FJOL to State Employment Service offices and other recruitment sources. [Donald Holum, (202) 606-0940]

### **Federal Job Information Touchscreen Computer System**

OPM has enhanced the availability of federal job information by combining personal computer, touchscreen, and synthetic voice technologies to create the Federal Job Information Touchscreen Computer System. Prospects merely touch color blocks on the computer screen to have requested information from numerous categories displayed and their key points verbalized by the voice synthesizer. The Federal Job Information Touchscreen Computer System was developed to augment dissemination of the Federal Job Opportunities Listing, but contains a module to accommodate agencies' internal vacancy announcements. [Rhonda Wood, (912) 744-2057]

### **Job Information 2000 Telephone System**

Job Information 2000 is designed to provide job and application information through automated telephone systems accessible through a 900 telephone number. The system will perform a job that the federal government could not normally afford using traditional methods that would require hundreds of experienced job information specialists. It will contain the following modules:

- Career America College Hotline—OPM has enhanced the federal government's college

recruiting efforts with its automated telephone job information system, the "Career America College Hotline." Since August 1989, the "College Hotline" has offered callers information about jobs for college graduates and those with equivalent experience. Callers use their touchtone telephone number pad, or their voice in the case of rotary dial telephones, to interactively choose messages regarding jobs for which they might be qualified, federal hiring procedures, and how to quickly obtain application materials. [Paul Carr, (912) 744-2168]

- General Jobline—This is an automated telephone system that provides recorded messages for applicants interested in general job listings. It is a voice response system similar to the college hotline described above. [Donald Holum, (202) 606-0940]
- Career America Recruiting Line—This module is designed to forward the telephone calls of applicants interested in shortage category occupations directly to agency recruiters. [Donald Holum, (202) 606-0940]

### **Computer Bulletin Boards**

The use of computer bulletin boards is a means through which applicants and other parties, such as college placement offices, can access information on federal employment and oppor-



tunities via personal computers and modems. A few OPM Area Offices have already implemented electronic bulletin boards that contain information from their Federal Job Opportunities Lists and general employment information. A centralized college bulletin board is part of the plans for the future. This would use information fed to it from the FJOL system about jobs of interest to recent college graduates. Other bulletin boards for different audiences are also possible. [Donald Holum, (202) 606-0940]

### *Simplified Hiring Process*

#### **Automated Applicant Referral System (AARS)**

Since mid-1989, OPM's Automated Applicant Referral System (AARS) has been in place to expedite and simplify federal hiring. The AARS allows agencies to use their touchtone telephones to request referral lists and certificates of eligible candidates from OPM computer inventories. Requested documents are then delivered in an average of 13 minutes via the requesting agency's facsimile machine. Currently it is operational for only the Engineering, Scientist, and Mathematician job groups, but plans include expansion of the Automated Applicant Referral System to other job groups. [Glenn Sutton, (912) 744-2051]

#### **Automated Case Examining System (ACES)**

OPM has developed and pilot-tested ACES, a personal computer-based program which automates competitive case examining. OPM uses case examining for most jobs at GS-9 and above. ACES minimizes manual processing, makes processing more efficient, and reduces the time needed to prepare certificates of eligibles. It provides agencies with fresh lists of available competitors for occupations that are difficult to fill. This system will be made available to the OPM area offices and federal agency delegated examining units in fiscal year 1990. [Alan L. West, (202) 606-0980]

#### **Alternative Scanning Application Process (ASAP)**

OPM has developed and pilot-tested the ASAP system. The system allows examining offices to use table top scanners and personal computers to locally process competitor applications. ASAP is an alternative to key entry or mailing documents to OPM's central processing center in Macon, Georgia. ASAP enables the offices to process during the day, to transfer files electronically for overnight loading to competitor inventories, and to prepare certificates the next day. This system significantly reduces the time it takes to process applications and notify

competitors of examination results. During fiscal year 1990, all OPM examining offices will have the opportunity to use this system. This system will also be made available to federal agency delegated examining units. [Alan L. West, (202) 606-0980]

#### **Automated Examining of Seasonal Applicants**

During fiscal year 1989, OPM developed and implemented with the Internal Revenue Service (IRS) an automated examining system to expedite the processing of seasonal applicants at the IRS Service Centers. This system reduces the overall resources required to process thousands of applicant documents for Clerk, Data Transcriber, and Tax Examiner positions. It automates many of the manual functions that IRS offices previously performed.

OPM also piloted local table top scanning in two IRS Service Centers which further improved the processing efficiencies and made it possible for IRS to begin same day employment processing of the eligible competitors. This local scanning capability will be expanded to all IRS Service Centers and additional enhancements added in fiscal year 1990. [Alan L. West, (202) 606-0980]

### **Electronic Certification Pilot**

OPM is working with the Department of the Navy in Baltimore to develop and pilot test electronic certification using personal computers (PCs). This program will allow agency personnel offices to use PCs to electronically transmit requests for certification to OPM examining offices. OPM will process these certification requests overnight, and the agency will retrieve these certificates via their PCs. These certificates will contain applicant names, addresses, and telephone numbers. The agency will then use this electronic file to prepare applicant contacts for appointment consideration, official offers of employment, preparing of SF-50s, etc. This method of processing competitive certification will significantly reduce the time it takes to provide agencies with names so that they can begin to fill vacancies. If this approach is successful, OPM will expand the use of this system in fiscal year 1991, and other agencies will have the opportunity to participate. [Alan L. West, (202) 606-0980]

### **Retirement**

#### **Retirement and Insurance Transfer System (RITS)**

OPM is in the process of developing the Retirement and Insurance Transfer System (RITS). As a subsystem of Treasury's GOALS, RITS will

provide OPM's Retirement and Insurance Group with an automated mechanism to capture Federal Employee Benefit Program monies and both financial and management information from agency payroll offices. RITS will enable payroll offices to enter data either on-line or via bulk transfer and will incorporate edits to ensure that only pure data reaches the Group's systems. Once implemented, RITS will supersede the present paper-dependent SF-2812 process and materially enhance the Group's financial stewardship over the Federal Employee Benefit Programs while realizing significant operational efficiencies. RITS is being developed under the aegis of the FERS Automated Processing System (FAPS) project and implementation will be phased-in during fiscal year 1990. [Bob Yuran, (202) 606-0660]

#### **FERS Automated Processing System (FAPS)**

The Retirement and Insurance Group is in the process of developing a state-of-the-art recordkeeping and processing system for the Federal Employees Retirement System (FERS). The FERS Automated Processing System (FAPS) project involves the design, development, and implementation of application software and the installation of hardware to support the basic benefit tier of FERS. The FAPS conceptual

design envisions the use of modern, but proven technology to provide (1) automated recordkeeping via a central data base of member salary and service history; (2) a sound financial framework to support the Group's financial stewardship over the retirement systems; and (3) efficient and flexible support systems for FERS processing. FAPS is structured to provide timely, accurate, and consistent claims adjudication and payment and to facilitate communications about benefits with active and retired employees. [George Hyder, (202) 606-0606]

### **Improved Hiring Processes**

The Office of Personnel Management (OPM), in cooperation with the Department of the Navy, is leading an interagency effort to improve the processes used to induct new employees. OPM expects to validate the need for various forms, to confirm the feasibility of electronic forms processing, and to produce software which links induction information to personnel transactions. The benefits are more efficient processing and a more professional approach to new employees. [James P. Hellings, (202) 606-2810]

### **Temporary Employment**

The Office of Personnel Management prepared a complete revision of its policies on nonpermanent employment which

represents the first total rewrite of these policies in many years. The use of nonpermanent employment, particularly temporaries, is often a critical factor in agencies' staffing plans, enabling them to maintain effective operations when an increase in the permanent workforce is not needed. The new streamlined instructions provide clearly written guidance, reduce agency paperwork, and provide new flexibility in certain critical need situations. [Donald Holum, (202) 606-0940]

### Quality Assessment Program

A competent workforce is essential to cost-effective operations throughout the federal government to monitor how well we are doing at attracting and retaining a quality workforce. In 1989, the Office of Personnel Management initiated a broad-based program of data collection and special occupational studies. This Quality Assessment Program was selected as one of OPM's milestones in the President's Management by Objectives (MBO) system for agencies. Data will be collected on the quality of applicants, new hires, and retained employees from multiple sources using automated procedures and existing systems of information whenever possible. Incumbent quality in two occupations will be

studied each year. A study of accountant-auditor occupations is scheduled. These studies will focus on the quality of the skills which individuals bring to their jobs, their job performance, and the capability of the federal workforce to meet service delivery needs and contribute to organizational effectiveness. [Sandra S. Payne, (202) 606-1366]

### Staffing Digest

The *Federal Staffing Digest* is a new, quarterly newsletter used to communicate guidance and information on workforce planning, workforce quality, recruiting, and staffing. The *Digest*, prepared by the Office of Personnel Management's Career Entry and Employee Development Group, is targeted at the federal staffing community. The goal is to highlight the kinds of information that will help personnel offices make better staffing plans and carry them out more successfully—market trends, how to's, successful efforts of others, etc. For example, the first issue in Spring 1989 addressed workforce planning. Each issue also concentrates on a different career field. The second issue covered computer careers and the third issue, clerical fields. [Donald L. Holum, (202) 606-0940]

### Preemployment Interview Expenses

The Office of Personnel Management broadened agency authority to pay preemployment interview expenses of candidates for competitive service jobs. An agency may pay these expenses when it determines that an interview would be cost effective and is essential to assess qualifications or to attract candidates for shortage category jobs. This expanded flexibility will enable agencies to be more competitive in tight labor markets. [Donald L. Holum, (202) 606-0940]

### Computer Matching

During 1989, the Office of Personnel Management (OPM) provided two data bases, the Central Personnel Data File and the Civil Service Retirement and Insurance File, for computer matching with both state and federal agencies. These matches were designed to help eliminate waste, fraud, and abuse in various governmental benefit programs and for recovery of debts owed to the government. The matches were accomplished in accordance with the requirements of the Privacy Act of 1975 (5 U.S.C. 552a) and the Office of Management and Budget's guidelines relating to computer matching. Recoveries resulting from these matches are substantial. For example, the Department of Health and Human Services

identified 65,152 absent parents who work for the federal government and who owe as much as \$284 million in past-due child support—about \$187 million pertaining to children receiving Aid to Families with Dependent Children. OPM plans to continue to offer its data bases for projects of this type, consistent with the protections required by the Computer Matching and Privacy Protection Act of 1988. [John Sanet, (202) 606-1955]

### **Manage to Budget**

In August 1989, the Office of Personnel Management published a report entitled, *Management to Budget Programs - Guidelines for Success*, which was prepared under contract. Manage to Budget is a management approach centered around the delegation of personnel, budget, and administrative authorities to lower levels of management within an organization, i.e., moving decision making as close to the point of service delivery as possible. This strategy is currently being tested in several government agencies to improve quality and productivity. The report provides federal officials with a general overview of what constitutes Manage to Budget programs and the status of current efforts in a number of agencies. [Fred Wildes, (202) 606-2308]

## **Training**

### **Computer Security Training**

Under the *Computer Security Act of 1987*, the Office of Personnel Management was responsible for the development of guidelines making agency personnel aware of the possible threats and vulnerabilities to systems and the appropriate countermeasures to take to protect sensitive information. After the guidelines and materials were developed, the Washington Area Service Center (WASC) assumed the lead role in delivering the training. Briefings were conducted for executives, managers and supervisors; a half-day training course was presented for end-users. WASC estimates that over 2,000 federal employees were trained in over a dozen single-agency sessions, and nearly 200 federal employees were trained in 10 interagency sessions. [Deborah Smith, (202) 632-0338]

### **Financial Management Training**

In 1989, the Office of Personnel Management provided interagency financial management classroom training for nearly 15,000 federal employees in Washington, D.C., and at field locations throughout the United States and the world. This training included a full range of courses for federal employees in financial management careers. OPM also conducted training in other high priority areas including federal budgeting, total

quality management, work measurement, internal control systems, and cash and debt management. OPM continued to provide computer security awareness training assistance to agencies and trained over 32,000 employees through its interagency training program in a wide range of information resources management subjects. OPM accelerated its high priority management and executive development training program by training almost 16,500 managers and members of the Senior Executive Service in 1989. [Thomas Loftis, (202) 632-0255]

### **Training Assistant Services Cadre (TASC)**

Early in fiscal year 1989, the Washington Area Service Center (WASC) asked several agencies if they would be interested in utilizing training assistance services in instructional systems design beyond traditional classroom delivery activities. A team of managers and senior staff specialists from WASC's Office of Washington Training and Development Services (OWTDS) developed publicity materials, roles and responsibilities guidance, sample interagency agreement letters and procurement documents, and a pricing model to prepare the organization for a smooth integration of the expanded services into the OWTDS mission. In fiscal year 1990, the OWTDS

senior staff, augmented by a group of competitively selected contract training professionals, will be able to provide training assistance services to the agencies. These services include conducting needs analyses, identifying and developing learning objectives, selecting instructional strategies, modifying existing training materials, identifying training resources, and performing training evaluations. Efforts will initially concentrate on short-term, relatively low-cost projects (under \$25,000) to help agency training shops with limited resources. [Robert J. Agresta, (202) 632-4410]

#### **Interactive Learning Center**

As a major Civil Service 2000 initiative, the Washington Area Service Center (WASC) established an Interactive Learning Center employing the cutting edge of learning technology and training methodology. Interactive video training has been proven to increase retention of subject material by as much as 45 percent over the level of retention of instructor-led training. The technology combined with the lower cost per student training hour makes it an ideal training medium. The systems provide individualized training, giving the student the option of proceeding as slowly or as quickly as desired. The Center

consists of six workstations with five info-window systems and one video system. The info-window systems are designed to make use of the keyboard or touch-screen monitors and are used in conjunction with video disc players. The systems provide the capabilities of teaching new skills and providing remedial training in math, reading, writing, and telephone techniques. They enable trainees to attain computer literacy through text, graphics, audio and video. [Deborah Smith, (202) 632-0338]

#### ***Federal Employee Health Benefits Program (FEHBP)***

##### **Health Benefits Provisions of Spouse Equity Act**

Historically, individuals covered by the Federal Employees Health Benefits Program (FEHBP) pay for that coverage by deductions from their salaries or annuities. The enactment of the Spouse Equity Act (P.L. 98-615) in 1984 altered this process. As these former spouses are not on a federal payroll system or annuity roll, they must remit their FEHBP premiums directly to the agency for which their ex-spouse is or was employed. The Federal Employees Health Benefits Amendment Act of 1988 (P.L. 100-654), which provides for the temporary continuation of

health benefits coverage for certain individuals not currently eligible, will expand the number of direct premium remittance accounts many-fold.

To cope with P.L. 100-654, it would have been necessary for each agency to implement systems and procedures by January 1, 1990. Believing that a requirement for the establishment of over 600 virtually identical systems is extremely wasteful, OPM evaluated the establishment of a centralized solution to the workload associated with P.L. 100-654. As a consequence, the Department of Agriculture's National Finance Center (NFC) will make available to agencies a full-range of direct premium remittance functions.. [Maurice Duckett, (202) 606-0666]

##### **Letter of Credit for FEHBP Carriers**

In February 1989, the Retirement and Insurance Group implemented a letter of credit (LOC) arrangement for the largest carriers of Federal Employees Health Benefits Program (FEHBP). Rather than disbursing approximately \$10 billion in annual premiums payments, these funds will remain in the Fund until actually required by the carriers to pay for authorized program expenses.

The move to LOC has reduced the government's cash outlays by approximately \$1.4 billion in fiscal year 1989 alone. FEHBP-LOC has required significant modifications to the Group's automated accounting systems and the development and issuance of regulations and comprehensive recipient organization guidelines. [Bob Yuran, (202) 606-0660]

#### **Insurance Audits Receivable Tracking System (IARTS)**

The Retirement and Insurance Group implemented an Insurance Audits Receivable Tracking System (IARTS). As part of the management of the Federal Employees Health Benefits Program, OPM conducts periodic financial audits of the carriers of participating plans. These audits may disclose that carriers, for a variety of reasons, owe monies to the Program. The LAN-based IARTS affords the Group the capability to track the status of audit findings; control the actual receivables stemming from findings; and bill the carriers for outstanding receivables, assessing interest and penalty charges in accordance with OMB Circular A-50, *Audit Followup*. [Doug Groft, (202) 606-0650]

### **GENERAL ACCOUNTING OFFICE**

During fiscal year 1989, the General Accounting Office (GAO) issued nearly 900 audit/evaluation reports, testified over 200 times before congressional committees, and issued more than 3,800 legal decisions and opinions. A significant portion of the assignments—80 percent—resulted from congressional requests. From an accomplishments standpoint, GAO's work contributed to legislative and executive actions that resulted in about \$8 billion in measurable financial benefits. Another 150 instances of non-monetary accomplishments in service to the public were documented.

GAO highlighted needed actions in credit and insurance programs, which represent overall risk exposure of \$5 trillion, such as improving accounting and financial reporting and conducting financial statement audits. GAO urged that decisive action be taken to address the failing savings and loan industry and played a major role in developing solutions to the thrift crisis which were incorporated into legislation. Additionally, GAO pointed out that Social Security and other trust fund surpluses, along with budgetary and accounting gimmicks, mask

the real size of the deficit each year.

#### **Federal Managers' Financial Integrity Act**

In November 1989, GAO issued its fourth summary report on federal agency efforts to implement the Federal Managers' Financial Integrity Act (FMFIA) (GAO/AFMD-90-10). The report concludes that the government still does not have adequate internal control and accounting systems and that this condition has resulted in billions of dollars of losses and wasteful spending. Greater leadership by top-level government officials is needed if this situation is to ever change.

GAO recommends intensified actions by the Office of Management and Budget (OMB) and annual hearings by congressional authorizing, appropriations, and oversight committees designed to review agency actions to improve the economy and efficiency of their programs.

The report stresses the need for a new approach to federal financial management and recommends legislation to establish a chief financial officer for the federal government, with counterpart chief financial officers in each of the major agencies, and require the annual preparation and audit of agency financial statements.

Finally, GAO urges OMB to ensure that agencies implement the actions recommended by the Internal Control Interagency Coordination Council in its July 1989 report. These recommendations include linking the Financial Integrity Act internal control review and reporting process to the budget, and providing for and promoting senior management involvement in the internal control process.

GAO and OMB have each identified programs in federal agencies that are at high risk to fraud, waste, abuse, and mismanagement. They will review and evaluate agency efforts to strengthen these programs and ensure that they run in an efficient and economical manner. [Jeffrey C. Steinhoff, (202) 275-9454]

### **Accounting Principles and Standards**

GAO issued an exposure draft entitled "Proposed Framework for Establishing Federal Government Accounting Standards" which describes a proposed new process and structure for issuing accounting principles and standards. The framework is designed to ensure that all interested parties have an opportunity to comment, that their views are fully considered, and that all decisions are rational and well documented.

The framework calls for a new Federal Government Accounting Standards Advisory Board to be established as a standing board to advise and make recommendations to the Comptroller General on all matters relating to federal accounting standards issuances. GAO is finalizing the framework to be included in a final document, establishing the new Board, and identifying agenda items for the Board to consider.

GAO revised Title 6 and Title 7 of the *GAO Policy and Procedures Manual for Guidance of Federal Agencies*. The complete revision of Title 6, "Pay, Leave, and Allowances," includes enhanced guidance on time and attendance matters, an updated order of precedence for deductions, and expanded internal control objectives.

The revised Title 7, "Fiscal Guidance," reflects changes in legal requirements and interpretations and facilitates the use of modern technology in fiscal operations. An exposure draft of the new title was released for comment during the revision process.

The new Title 7 provides frequent citations to applicable laws and regulations and cross references other guidance issued by the central agencies. Legal and accounting guidance is provided on a number of topics including appropriation, receipt,

and fund account transactions; interagency agreements; obligations; year-end closing and adjusting of account balances, including expired accounts; and settlement of accountable officers' accounts.

Also, special attention is given to the responsibilities of accountable officers. For example, agencies are encouraged to make use of modern data processing and communications technology in their payment operations, but are cautioned that the use of such technology does not relieve certifying officials from legal responsibility for the payments that they certify. Officials who rely on such systems when they certify or approve payments need to have a reasonable basis for that reliance. [Ronald S. Young, (202) 275-9487]

### **Auditing**

In preparing the 1988 revision of the Government Auditing Standards, the Comptroller General convened an Advisory Council that provided advice and assistance throughout the process. This helped ensure that the standards were generally accepted by those to whom they applied.

The Comptroller General has determined that a permanent Advisory Council should be established. The Council will advise the Comptroller General on

auditing standard issues throughout the standard-setting process. It will be involved in the identification, development, and issuance of revisions to, interpretations of, and guidance on the Government Auditing Standards. Throughout the process GAO staff will work with the Council and provide necessary staff support.

The 1988 revision of the Government Auditing Standards, with three exceptions, became effective for audits starting January 1, 1989. The requirement for continuing education and training is phased in over 2 years and the requirement for an external quality control review is phased in over 3 years. The American Institute of Certified Public Accountants (AICPA) auditing standards for field work and reporting are incorporated for financial audits and are effective on the dates established by the AICPA in each standard.

The 1988 revision of the Government Auditing Standards is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401, stock number 020-000-00243.

The members of the International Organization of Supreme Audit Institutions (INTOSAI) adopted the INTOSAI Auditing Standards at the 13th Congress held in West Berlin in June

1989. At the Direction of INTOSAI, a committee of 10 countries was established to draft the standards. The five lead countries consisted of Australia, Saudi Arabia, Sweden, United Kingdom, and the United States. The Chairman of the Governing Board of INTOSAI stated upon adoption of the standards that this was a notable event in the history of INTOSAI.

Comptroller General Charles A. Bowsher is a member of INTOSAI and is on the Governing Board. W.A. Broadus served as GAO's representative on the Auditing Standards Committee which prepared the standards. [Ronald S. Young, (202) 275-9487]

GAO continued its program of reviewing the effectiveness of Inspectors General and other audit organizations with reports on the Veterans Administration (GAO/AFMD-89-76), the Army Audit Agency (GAO/AFMD-89-1), the Air Force Audit Agency (GAO/AFMD-90-16), and the Tennessee Valley Authority (GAO/AFMD-89-68). These reviews focused on audit coverage, impact, and compliance with professional standards.

GAO also reported on the Inspector General fraud hotline operations (GAO/AFMD-90-26BR). While GAO found the hotlines generally operating well

in terms of accessibility, advertising, and staffing, GAO recommended improvements that could make the hotlines even more accessible. [Jeffrey C. Steinhoff, (202) 275-9454].

### **Budget Development and Execution**

More than 15 years have elapsed since the last reforms created the current congressional budget process and the unified budget. New policy issues and information needs require new approaches. GAO made several proposals for reforming federal budgeting practices to give policymakers better information for decisionmaking and to help taxpayers better understand the true status of the nation's finances.

*Budget Issues: Restructuring the Federal Budget—The Capital Component* (GAO/AFMD-89-52), GAO recommends restructuring the current unified budget into three major parts (general, trust, and enterprise funds) with each component divided into operating and capital budgets. This approach would provide a clearer picture of the composition of federal expenditures and would correct a budget bias against physical capital investments, more accurately report the costs of the federal government's credit programs, help focus public attention on the nation's physical infrastruc-



ture needs, and provide a direct link with agency and governmentwide financial statements.

In *Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices* (GAO/AFMD-90-1), GAO recommends reporting costs not now included in budget documents, such as pension liabilities and the use of non-cash assets, negotiating politically binding multiyear agreements on the broad shape of the budget, and streamlining the budget process to avoid fragmentation and duplication.

GAO discusses how agencies with authority to borrow are financing a large portion of their programs with debt, in a September 1989 report, *Budget Issues: Agency Authority to Borrow Should be Granted Selectively* (GAO/AFMD-89-4). From fiscal years 1978 through 1987, agencies used \$353 billion in authority to borrow to obtain funds, and they are repaying this debt with appropriations or new borrowing rather than with collections. GAO recommends that only those accounts that will, in all likelihood, be able to repay their borrowings entirely with collections be granted authority to borrow. GAO also recommends that accounts with authority to borrow be required to repay their debt with collections and that the number of

years they can use authority to borrow and the amount of debt they can accumulate be limited.

In an April 1989 report, *Budget Issues: Budgetary Treatment of Federal Credit Programs* (GAO/AFMD-89-42), GAO discusses and illustrates the “cost-to-the government” measurement of subsidy costs for federal credit programs—direct loans and loan guarantees. It also discusses how appropriated credit subsidies could be reported without altering the overall budget deficit amounts either in the current unified format or in a restructured unified budget.

In its November 1989 report, *Deficit Reductions for Fiscal Year 1990: Compliance With the Balanced Budget and Emergency Deficit Control Act of 1985* (GAO/AFMD-90-40), GAO reported that OMB and the President substantially complied with the Act’s requirements for projecting the size of the deficit and calculating the amount of a sequester. However, as GAO reported last year, compliance with the Act has not resulted in meaningful deficit reduction because budget gimmicks have been used to add billions of dollars in budget costs over the long run.

A prime example is the recent establishment of an off-budget, government-sponsored entity to borrow \$30 billion to finance

part of the government’s rescue of the savings and loan deposit insurance system. This off-budget treatment holds down the reported fiscal year 1990 deficit; however, in the long-run, the interest cost to the government will be at least \$2 billion higher than the cost would have been had the rescue remained on-budget and used funds borrowed from Treasury. Also, the Act is not correcting the basic problem—the imbalance between receipts and outlays in the nontrust fund part of the budget. The nontrust fund deficit increased from \$266 billion to \$276 billion during fiscal years 1986 through 1989, a fact masked in the unified budget totals by the large Social Security surpluses.

### **Cash and Credit Management/Debt Collection**

The nation’s experience with the savings and loan crisis raises, another, potentially larger, question: that of the government’s exposure to risk under the programs that may not be operating under the rigorous controls they warrant. In November 1989, GAO issued *Federal Credit and Insurance: Programs May Require Increased Federal Assistance in the Future* (GAO/AFMD-90-11) which said that insurance and credit assistance programs backed explicitly or implicitly by the federal government totaled over

\$5 trillion, or about a year's Gross National Product.

The programs include direct federal loans (\$222 billion); privately held, federally guaranteed loans (550 billion); loans by government-sponsored enterprises (GSEs) such as the Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae) (\$666 billion); and insurance commitments, such as those covering bank deposits and pension benefits (\$3.6 trillion). GAO concluded that the government will face the obligation of making good on credit defaults or insurance guarantees in only a small percentage of this \$5 trillion exposure, but the risk for very substantial loss is real.

Also troubling is the fact that the government does not know the full magnitude of the losses already incurred. Resolution of accounting and financial reporting problems associated with these programs and requiring financial audits of each of them would help ensure that losses are revealed as they occur. Also, such actions could lead to improvements that might reduce or avoid future losses. The GAO report also urged that estimated costs of these programs be reflected in the federal budget in the year the Congress makes commitments that will result in future outlays.

GAO issued *Borrower Loan Prepayments—OMB Guidelines need to be Strengthened* (GAO/AFMD-89-19), which said that in programs reviewed loan prepayment costs generally exceeded benefits and that non-monetary credit reform objectives were better achieved through loan asset sales than through borrower prepayment programs. The report also concluded that loan prepayments will not reduce the structural budget deficit.

OMB implemented the recommendations that called for agencies to complete cost/benefit analyses in (1) considering borrower loan prepayment programs and (2) selecting between loan asset sales and borrower prepayment programs as the most appropriate tool to achieve credit management reform goals. The revised circular A-129, *Managing Federal Credit Programs*, provides agencies with detailed guidance on how to conduct loan asset sales and borrower prepayment programs. The circular also includes requirements for and guidance on (1) evaluating the performance of loan portfolios prior to offering them for sale or prepayment and (2) completing cost/benefit analyses for proposed loan asset sales and borrower prepayment programs. [Jeffrey C. Steinhoff, (202) 275-9454]

### Financial Management Systems

In 1989, GAO completed audits at several agencies and recommended improvements in the areas of accounting, reporting, and internal control. As a result, these agencies have initiated a number of actions to improve internal controls, accounting procedures, and financial management systems. They include improved inventory control, more accurate and timely reporting of inventory status information, and improvements in oversight of inventory processes.

GAO also recommended that the Congress consider establishing a public enterprise fund to account for and report income and expenses associated with one agency's profit-making programs. A legislative proposal was submitted by that agency to establish such a fund, which will result in more accurate budget reporting and simplified accounting and reporting for these programs.

Acting on another GAO report, the Appropriations Conference Committee lowered a program agency's budget requests by \$707 million, with no anticipated adverse impact on the customer.

GAO reviewed agencies' implementation of OMB's Nine Point credit program. In some instances, agencies GAO

reviewed had not fully implemented several loan origination, account servicing, collection, and write-off initiatives as specified in OMB's Nine Point Program and as generally allowed by the Debt Collection Act of 1982. For example, agencies are not adequately screening applicants for delinquent federal debt, and, in some instances, they are not using private collection firms in the normal collection process. GAO provided the Congress with audited financial information on receivables and delinquencies and reported that credit management programs for the agencies GAO reviewed would be improved if the Congress legislatively required the use of many of the Nine Point Program initiatives [Jeffrey C. Steinhoff, (202) 275-9454]

### Financial Reporting

GAO's audits of several agencies' financial statements identified internal control weaknesses in accounting and financial reporting. GAO made recommendations to reduce the probability of material errors or irregularities not being detected in a timely manner and to improve the reliability of its financial reports.

For example, at one agency, GAO identified internal control weaknesses in controlling more than \$300 million in property assets and in procedures for reconciling general ledger balances to

subsidiary and external records. The agency implemented a major, long-term effort to improve its accounting for and control over property and, in its Federal Managers' Financial Integrity Act report, for the first time reported property as a material internal control weakness. The agency implemented improvements in its reconciliation procedure. GAO's review of the agency's fiscal year 1988 reports to Treasury and OMB found them to be free of the type of reconciliation problems GAO had previously reported.

As a result of an audit of another agency's financial statements, GAO recommended improvements of the agency's accounting and reporting procedures. The agency established procedures for performing quarterly reconciliations of the net claims liability which differed by over \$10 million in fiscal year 1987.

Another agency's assets totalled about \$152 billion, which ranks the corporation among the nation's largest entities. As a result of recommendations from GAO's audit of the agency's 1985 financial statements, the agency improved its internal accounting controls. It developed a formal accounting policies and procedures manual and began recording transactions at their gross amounts, rather than netting some transactions. In addition, the agency corrected weak-

nesses in processing interest receivable, interest payable, and administrative expense accruals. The interest receivable and interest expense accruals for 1988 were \$4.3 billion and \$4.7 billion, respectively. [Robert W. Gramling, (202) 275-9406]

### Savings and Loan Industry

As early as May 20, 1988, GAO recommended that a limitation be placed on the amount of obligations the Federal Savings and Loan Insurance Corporation (FSLIC) could incur. No limitation was put in place at the time. Throughout the rest of 1988, FSLIC issued notes and guarantees far in excess of the funds it expected to be available to repay those obligations. In total, it entered into agreements obligating over \$55 billion, most of which must now be paid by the taxpayers. To preclude this situation from recurring and to ensure that the deposit insurance funds do not issue notes, guarantees, and other similar obligations that they may be unable to repay, the Congress included in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (P.L. 101-73, section 219) a limitation on the amount of obligations that the funds could incur. GAO worked with Banking Committee staff to draft the legislative language to ensure that the limitation accomplished its objective without unduly restricting the insurer's ability to

promptly act on troubled institutions in the most effective manner.

Thrifts hold deposits of almost \$1 trillion, most of which are insured by the federal government. Current estimates put the amount of rescuing the industry at \$257 billion. GAO's work showed that the thrift crisis was partly attributable to the lack of independence and authority for the insurer. Therefore, GAO recommended that the insurer be provided examination and regulatory authority to ensure it could protect the integrity of the deposit insurance fund. FDIC's examination and regulatory authority was expanded as a result of GAO's findings and recommendations.

Section 210 of FIRREA includes provisions allowing the Federal Deposit Insurance Corporation (FDIC) to examine (1) any thrift filing an insurance application or in default, and (2) any thrift whenever the Board of Directors determines a special examination is necessary to determine its condition. Although FIRREA provides that the Office of Thrift Supervision will be the primary regulator of thrifts, section 221 provides FDIC with regulatory authority over insured thrifts to ensure that thrift activities do not pose a serious threat to the thrifts' insurance fund. [Robert W. Gramling, (202) 275-9406]

### Depository Institutions

As early as May 20, 1988, GAO recommended that a limitation be placed on the amount of obligations the Federal Savings and Loan Insurance Corporation (FSLIC) could incur.

GAO identified the need for fundamental changes in thrift institutions' management of the risks FSLIC underwrites. Recommendations called for decisive and immediate actions to resolve thrift problems and ensure that they are not repeated. In addition, GAO recommended modernization of banking laws to keep pace with the changing financial services industry.

### Prompt Payment

At the request of the Chairman, House Committee on Government Operations, GAO evaluated states' payment-timing legislation and practices for paying commercial firms when federal funds are involved. Forty-seven states and the District of Columbia have payment due date laws that often parallel the federal statute. Most require payment within 30 to 45 days and provide for interest penalties on late payments. The major difference was that state laws and administrative policies did not address as many types of payments, payment situations, or timing issues as the federal requirements.

Based on questionnaire results and visits to 12 states, GAO determined that states generally used the same payment criteria regardless of whether their outlays included federal funds. GAO also tested payment-timing performance in 12 states, finding that about 75 percent of the federally-financed state payments examined were paid by their due dates. States had not paid any interest penalties on the late payments. A primary reason was that many states required vendors to request interest, and they had not done so. Also, many state payments were made too early, contrary to good cash management practices.

This information is presented in two reports. The first, *Prompt Payment: State Laws Are Similar to the Federal Act but Less Comprehensive* (GAO/AFMD-89-33BR), contains numerous summary tables on states' criteria and legal citations for state laws, thereby serving as a useful reference tool. The second, *Prompt Payment: State and Federal Payment-Timing Practices Are Similar* (GAO/AFMD-89-91), discusses what states actually do. [Jeffrey C. Steinhoff, (202) 275-9454]

## **INTERAGENCY COUNCILS**

There are several interagency councils to facilitate the improvement of government operations, processes and systems. Many of these councils have significantly contributed to financial management improvements during the past few years. We have highlighted the objectives, structure, and accomplishments of these councils in the following section.

### **Chief Financial Officer Council**

The Chief Financial Officer of the United States was first established in 1987 and placed organizationally within the Office of Management and Budget. In November of 1987, major departments and agencies were requested to designate a Chief Financial Officer (CFO) for each entity. Subsequently, in December 1987, a CFO Council was established with representatives from major departments and agencies, the General Accounting Office, JFMIP, Independent Agency Financial Managers Council, and the Private Sector Council. Frank Hodsoll, the current governmentwide CFO and the Executive Associate Director for Management at OMB, chairs this Council, while Gerald Murphy, Fiscal Assistant Secretary, Department of the Treasury, is the vice chair.

The CFO Council meets monthly to discuss salient financial management issues. The Council activities are completed by the various committees of the CFO Council, which are:

- Executive Committee, composed of the chair, vice chair and a chairperson from each of the committees listed below.
- Human Resources Committee
- Financial Systems and Information Committee
- Central Agency Requirements Committee
- Organization and Structure Committee.

The primary issues addressed by the CFO committees during the past year concerned the long range strategy for financial management systems in the federal government, the development of agency financial statements, management reporting of recommendations made by audit reports under the amendments to the Inspector General Act, development of the governmentwide electronic benefit transfer (EBT) program, and human resource issues.

The CFO Council completed the following projects: requirements for agency CFOs; criteria for publication and audit of federal financial statements; guidelines for implementation of Inspector General Act amendments and les-

sons learned in the first year of reporting; review of legislation for a CFO program; advice on priorities within the OMB High Risk List; development of alternatives for a permanent federal management organization structure; and a compendium of projects supporting the long-range financial management strategy. [David Gribble, (202) 395-3993].

### **President's Council on Integrity and Efficiency**

The President's Council on Integrity and Efficiency (PCIE) was established by Executive Order in 1981 to coordinate and implement governmentwide activities to combat fraud and waste in federal programs and operations.

The PCIE is chaired by the Deputy Director of the Office of Management and Budget (OMB). The Council's membership during fiscal year 1989 included the 24 Presidentially-appointed Inspectors General, the Executive Associate Director for Investigations of the Federal Bureau of Investigation, the Director of the Office of Government Ethics, the Associate Deputy Attorney General of the Department of Justice, the Deputy Director of the Office of Personnel Management, and the Special Counsel of the Office of Special Counsel.

The Council coordinated inter-agency efforts through standing committees and projects chaired by its members. By sharing past experiences and applying new ideas, PCIE committees have developed useful guidance for application throughout the government. Standing PCIE committees for fiscal year 1989 included the Audit Committee, Communications Committee, Executive Development Committee, Inspections and Special Reviews Committee, Integrity and Law Enforcement Committee, Internal Operations Committee, Legislation Committee, and Technology Committee.

The significant achievements during 1989 are presented in two President's Council On Integrity and Efficiency annual reports: *Report of Audit And Inspection Accomplishments* and *Report of Investigative Accomplishments*. The *Report of Investigative Accomplishments* notes that Inspectors General reported 5,639 successful prosecutions, \$727 million in investigative recoveries, and 2,851 debarment or suspension actions against persons or firms doing business with the government.

In addition, the *Report of Audit and Inspection Accomplishments* highlights the savings or recovery of funds made by Inspectors General as a result of audit and inspection activities. During 1989, Inspectors

General recommended recovery or restitution of \$4.9 billion in federal funds and better or more efficient use of \$37.2 billion. In response to Inspectors General recommendations made in this or prior periods, federal managers issued final decisions to recover funds or call loans involving \$2.9 billion and to put \$17.3 billion to better or more efficient use.

Members of the PCIE and their respective agencies have developed a number of ethics and preventative initiatives. These efforts are designed to educate federal employees and the public on how to detect fraud. PCIE has developed an early-warning system which will enable program managers and federal officials to act prudently to eliminate the opportunities for fraud and abuse.

Inspectors General have coordinated their efforts through PCIE to accomplish more together than they could otherwise accomplish individually. [Dick Feezle, (202) 395-5670]

### **President's Council on Management Improvement**

The President's Council on Management Improvement (PCMI) was established in 1984 to assist in making the federal government more efficient and responsive to the public. William Diefenderfer, the Deputy Director of the Office of Management

and Budget, is the chair of this Council. The Council includes the Assistant Secretaries for Management, or equivalent, of 20 departments and agencies, the Chair of the Small Agency Council, and the Assistants to the President for Policy Development and Presidential Personnel.

The PCMI and its committees meet monthly to address the status of projects, identify new opportunities for management improvement, and develop strategies to implement these initiatives on a governmentwide scale. Since its inception, the Council has initiated over 80 projects through its committees. Management improvement priorities have encompassed six broad themes: credit management, financial management, quality and productivity improvement, improved services through technology, procurement management, and management of government operations. The Council has been particularly active in government efforts to recognize the contributions of federal employees through events like Public Service Recognition Week and individual contributions to improved management through the PCMI-sponsored Quality and Productivity Conference. Working through the Council, federal agencies have established a strong partnership directed at mutual assistance and support in bringing

about comprehensive management reform in the federal government. [Steve Martens, (202) 395-6911]

### **Federal Financial Managers Council**

The Federal Financial Managers Council (FFMC) is comprised of senior financial managers from major federal departments and agencies and serves as a forum for financial managers in these operating agencies to discuss information, share experiences, and develop appropriate strategies for implementing financial management improvements. Its broad purpose is to further the goals of financial management governmentwide and to promote improvements in federal financial management. The Council members meet monthly in Washington, D.C. Sessions typically include guest representatives from the central agencies and from Regional Federal Financial Managers Councils (RFFMCs).

The Council has contributed to governmentwide financial policy formulation and implementation on such issues as the pending legislation for a Chief Financial Officer and other financial management initiatives and programs. The Executive Director of the Joint Financial Management Improvement Program (JFMIP) is also a Council member and this affiliation has

resulted in strong ties between JFMIP and the Council.

The Council has established its own Financial Policies Committee. Now in its fourth year, the Committee has continued to support the efforts of the Council by establishing a viable program agency network and maintaining a good communication avenue for the JFMIP and the central agencies to present and discuss current or proposed initiatives.

The Council has placed great emphasis on promoting and supporting new and existing Regional Federal Financial Managers Councils (RFFMCs). This is done by promoting increased involvement of Council members' organizations in the regional councils, by improving communication between the Washington, D.C., Council and the regions, and by encouraging the formation of additional regional councils. There are currently 13 regional councils with active membership and programs. [Joyce Shelton, (202) 366-1306]

### **Independent Agency Financial Managers Council**

The Independent Agency Financial Managers Council (IAFMC) provides a forum for discussing common financial management issues among independent agencies in the federal government. This Council also works with the central financial agencies to cre-

ate positive incentives for better financial management. The Council meets monthly, except for the summer months, to discuss unique needs, problems and capabilities of small independent federal agencies. The Council is currently chaired by Dwight Foster, Comptroller, National Transportation Safety Board. The Committees under this Council include Communication/Coordination, Personnel, and Education/Programs for Meetings. [Dwight Foster, (202) 382-6704]

# Chapter 3

## *Agencies' Initiatives to Improve Financial Management*

### **INTRODUCTION**

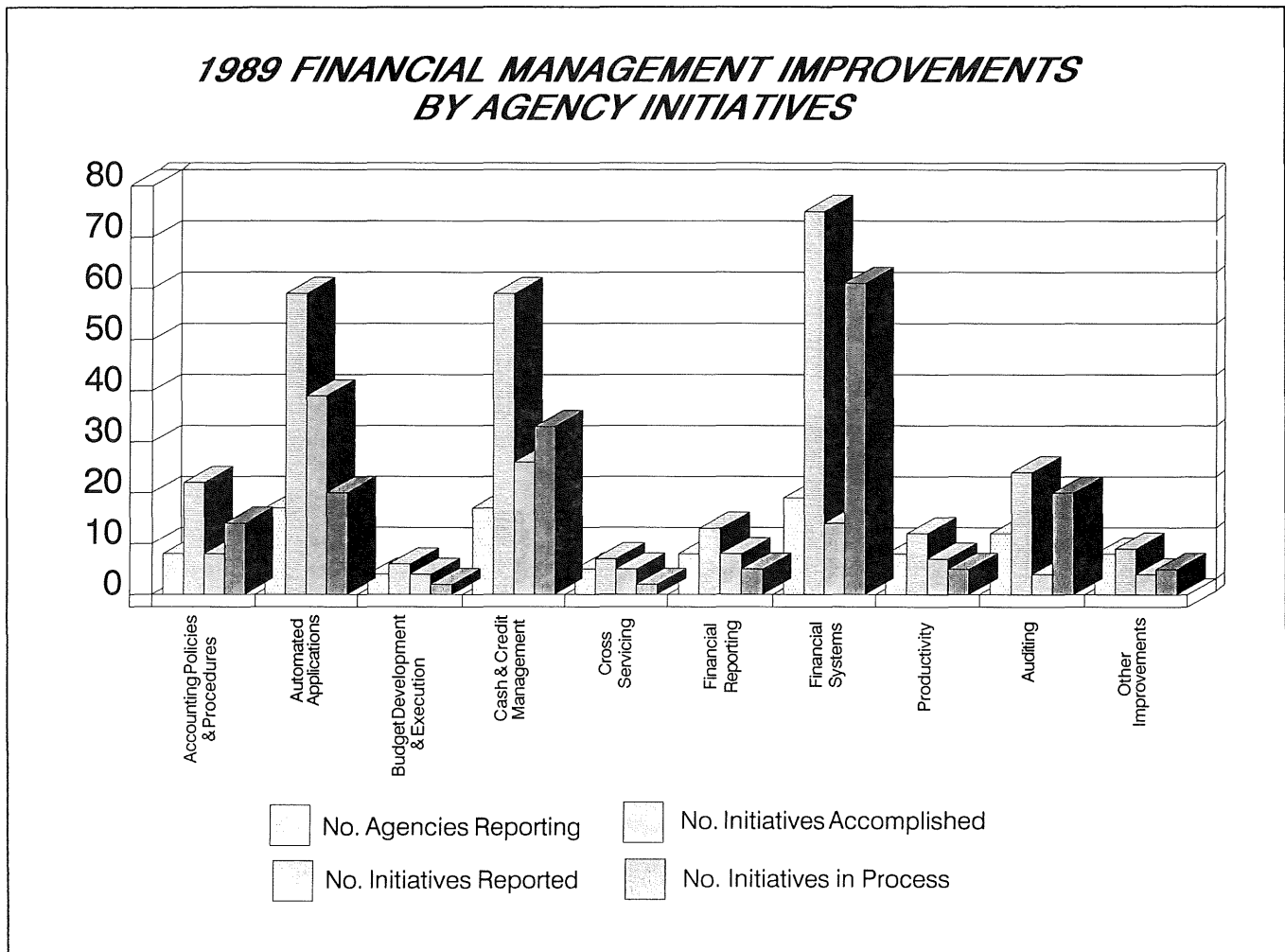
The 1989 agency submissions on improvements in financial management reflect a continued effort to modernize and consolidate systems, provide and/or use cross-servicing, and use modern technology to save time and dollars. Also, many initiatives were reported where agencies implemented off-the-shelf software or are in the process of acquiring a system. Presented in the following sections are

descriptions of the more significant or unique management actions in the areas of

- modernization of financial systems
- cross servicing
- accounting policies and procedures
- financial reporting
- automated applications
- cash and credit management
- productivity

- budget development and execution
- other improvements
- auditing.

The graph below depicts the total number of agencies that reported financial management improvements to JFMIP for 1989. The initiatives described on the following pages are a representative sample of the financial management improvements reported.





Agency contact persons and their telephone numbers are provided in brackets following the project descriptions so that readers can obtain additional information about any of the improvement activities.

### **MODERNIZATION OF FINANCIAL SYSTEMS**

The Office of Management and Budget (OMB) Circular A-127, *Financial Management Systems*, requires federal agencies to establish and maintain a modern, single, integrated financial management system. OMB Circular A-130, *Management of Federal Information Resources*, requires agencies to acquire off-the-shelf software from commercial sources, unless the cost-effectiveness of developing custom software is clear and documented. OMB is also encouraging agencies to adopt the use of other agencies' systems. Some of the financial systems improvements that agencies initiated during 1989 are discussed below.

#### **Financial Management/Accounting Systems**

The **Administrative Office of the U.S. Courts** implemented an off-the-shelf financial software package at the beginning of fiscal year 1990. The software package was modified

to meet the accounting requirements of the federal judiciary. The Central Accounting System (CAS) accepts accounting transactions input manually at the Administrative Office and through an interface and accepts accounting transactions from the mini-computer based Courts' Financial System (CFS). CAS features single entry transaction processing; on-line data entry, processing, and inquiry for all functions; table-driven processing; and an audit trail and documentation. A major benefit is the on-line inquiry for status of funds. CAS performs integrated funds control; incorporates the U.S. Government Standard General Ledger; includes purchasing, travel, and budget execution subsystems; provides document tracking; performs the accounts payable and disbursement process including prompt pay computation; and incorporates an accounts receivables/collections process. [Stuart Kurlancheek, (202) 633-6017]

The **Administrative Office of the U.S. Courts** redesigned and reprogrammed the 5-year old Courts' Financial System (CFS) to use the U.S. Government Standard General Ledger and to interface with the Judiciary's Central Accounting System (CAS). CFS, a UNIX-based mini-computer system, provides automated financial manage

ment capabilities for all facets of District Court operations. Automated functions include case management, jury attendance and payment, budget/obligation planning tools, fiscal management, financial reports, receipt processing, and record archiving. It allows procurement staffs to plan purchases and then automatically update the accounting system with purchase order obligations. The application assists personnel in 43 courts in doing their jobs while capturing the data needed for the accounting system locally (at the courts) and judiciary-wide. Month-end transactions are transmitted electronically to the central system for processing. [Stuart Kurlancheek, (202) 633-6017]

In 1989, the **Administrative Office of the U.S. Courts** began designing and programming a personal computer-based system to provide transaction data from Federal District and Bankruptcy Courts which will interface with the Central Accounting System. The system will provide automated input for individual courts, automated reports, and financial management tools for the individual courts. The system, patterned after the Courts' mini-computer based financial system, will be implemented in courts with lighter case loads

which do not require a mini-computer based system. [Stuart Kurlancheek, (202) 633-6017]

The **Department of the Army** initiated a major project to enhance and standardize finance and accounting support for the Army's posts, camps, and stations. Subsystem II is comprised of four major functions: general accounting, cost accounting, cost accounting standards, and budget execution. The functional system design has been completed. Physical design and programming are nearing completion. The system is being programmed in Ada and is expected to require about 1.8 million lines of code. Field testing of the system is in three phases; the first two phases have been completed and the last is scheduled for August 1990. [Bill Cannon, (317) 542-3153]

The Army's fund distribution and order control process is an Army-wide database system servicing some 25 appropriation managers, 37 major commands, and 210 other activities. Using a central data store with remote terminals, the system controls the issuance of program and fund authorizations of more than \$100 billion in about 40 appropriations. The distributions result in about 4,000 allocation actions and 40,000 allotment actions annually. The system also controls obligation and expenditure authority for about 8,000

active Foreign Military Sales cases.

Enhancements continue to be made to improve the system. For example, during the year additional automated controls were added for reimbursable orders, distribution of construction and procurement appropriations, and financial management of foreign military sales. A current effort involves expanding the centralized control and distribution process to include Air Force and Civil Works appropriations managed by the Army Corps of Engineers. [Jim Willaford, (317) 542-3092]

A new automated general and cost accounting system has been developed and is being installed at U.S. Army field finance and accounting offices. The system known as SOMARDS (HQ AMC Standard Operation and Maintenance, Army Research and Development System) is designed to perform accounting and reporting functions for the Army's operation and maintenance, research and development, and miscellaneous appropriations. Major functions include fund control, budget execution, cost accounting, and financial reporting. The double-entry accounting system uses the standard general ledger. Transactions are entered into the system via remote terminals. Also, a direct interface exists with the standard

civilian payroll system. [Steve Trimble, (202) 274-9238]

During the past five years, use of merchandise coupons in Army commissaries has grown over 300 percent. A new automated accounting and control system has been installed to provide better control over this process. The commissaries submit coupons to a redemption contractor for sorting, summarization, and submission to manufacturers for redemption. The contractor provides the Army reports on remits due by manufacturer. The Army receives payment directly from the manufacturer via a lock-box depository. The new system reconciles the information received from the contractor and the manufacturer; posts transactions to the coupon general ledger; and provides a balance sheet, income statement, and various management reports. The system also calculates the amount of payment due to the coupon redemption contractor based on work processed. Coupons annually produce about \$47 million in face value and \$6 million in handling fees. [Christine Clark, (804) 734-4552]

During 1989, the **Environmental Protection Agency (EPA)** continued to enhance financial management of the agency's resources by implementing the first phase of its new accounting system, developing a current

technology Superfund document management system, and publishing new procedures for the Leaking Underground Storage Tanks (LUST) Trust Fund program. Also, the agency continued to operate and support a model financial management quality assurance program.

EPA implemented Phase One of its Integrated Financial Management System (IFMS). During 1989, several financial management functions were converted to IFMS, including travel, accounts payable, and budget execution. The agency is in the process of fully implementing the IFMS financial reporting, general ledger, and accounts receivable functions.

To strengthen financial management of the Superfund Trust Fund program, the EPA continued development and testing of its Superfund Transactions Automated Retrieval System (STARS), which uses optical disk storage technology to maintain financial records required to support claims for recovery of costs incurred to clean-up Superfund sites. The STARS technology will result in quicker and more accurate documentation to support cost-recovery negotiations and litigation.

Financial management of the LUST Trust Fund program was strengthened by the development and publication of new

procedures and guidelines. The agency issued state financial management handbooks, developed a fiscal review guide, and published a new directive covering LUST cost recovery provisions and documentation.

The EPA's financial management quality assurance program continued an aggressive schedule of internal and external reviews to ensure consistently reliable operations at the agency's Financial Management Division and 14 finance offices. Other initiatives during the year included successful completion of a pilot test to directly pay contractor invoices for work performed under agreements with other agencies, development of a process to capitalize fixed assets, initiation of procedures to use private debt collection agencies, and refinement of plans for EPA to provide payroll services to other agencies. [Sallyanne Harper, (202) 382-5097]

In calendar year 1989, the **Department of Health and Human Services'** Division of Fiscal Services implemented an automated off-the-shelf accounts payable system and automated debt management collection system. Currently, the accounts payable system is being modified to accommodate the procurement needs of the Public Health Service; the accounts payable/purchase order system is expected to

be fully operational in calendar year 1990.

The systems support the accounting, fiscal, and debt management services that the Division of Fiscal Services provides for various customer agencies including Indian Health Service; Alcohol, Drug Abuse and Mental Health Administration; Office of the Assistant Secretary for Health; and Family Support Administration. The procurement has conformed to all requirements mandated by the department in relation to systems centralization under the Phoenix Project.

The debt management and collection system brings together all information related to debtors. This system enables program offices and finance offices to access identical information. It is not necessary to maintain separate systems and many manual processes have been replaced. [Don Pooton, (301) 433-2480]

The **Department of Housing and Urban Development** (HUD) redesigned the accounting systems for the Section 202 program to provide automated interface with one-time data entry. This will completely automate the accounting processes for the Housing for the Elderly and Handicapped Program, eliminate manual processing and duplicate entries, and improve reporting. [Gail B. Dise, (202) 755-1757]

**The Department of Housing and Urban Development** (HUD) is continuing in its efforts to implement the Standard General Ledger. During fiscal year 1989, the general ledger accounts of its three major automated accounting systems were crosswalked to the accounts in the Standard General Ledger. The reports produced as a result of this effort are being compared to the reports produced in the traditional manner. The crosswalks will be changed as needed. In addition to revising the crosswalks, the department is incorporating the Standard General Ledger accounting structure into one of its three major automated accounting systems. [Russell Bee, (202) 755-6904]

**The Department of the Interior** is implementing a single standardized accounting system for all bureaus using an off-the-shelf package. Geological Survey and Bureau of Reclamation installed the system in October 1988. Bureau of Mines and Fish and Wildlife Service commenced operating under the new system in October 1989. National Park Service and Bureau of Land Management are scheduled to install the system during October 1990, while the remaining bureaus will implement it at a later date. [Wayne D. Howard, (202) 208-4701]

**The Department of Justice, Justice Management Division**, is developing an enhanced accounts payable module. This module will support tracking of invoices from receipt through payment. It provides enhanced invoice control, document retrieval, and workload statistics; and it virtually assures payment of late payment penalties in compliance with the Prompt Payment Act. The enhanced accounts payable module will be implemented in January 1991. [Lee Lofthus, (202) 272-4468]

**The Department of Labor** installed an off-the-shelf package for its financial management system. This system serves as the core accounting software for all of the department's programs. Within the department, the new system has been named the Department of Labor Accounting and Related Systems (DOLAR\$) and will provide DOL with enhanced accounting functionality. The core of that new system has become the system of record for fiscal year 1990. Other departmental operating subsystems such as procurement, accounts payable, travel management, grant accounting, and payroll time distribution will become operational in the future. [Bill Furman, (202) 523-6891]

**The Department of Labor's Central Payment System (CPS)** consolidates invoices that are

received from 10 regional and 5 area offices. Approximately 250 invoices are paid daily by magnetic tapes that are submitted to Treasury. For invoice payments, the CPS generates a magnetic tape for paper checks whenever the number of invoices exceeds 100; for direct deposit payments, regardless of the number of invoices, a magnetic tape is generated each day. [James Smoot, (202) 523-8184]

**The National Aeronautics and Space Administration (NASA)** is in the process of upgrading its accounting systems to meet internal needs, the requirements of OMB Circular A-127, *Financial Management Systems*, and to fully implement the Standard General Ledger. The effort will result in the development of a single standard system which will replace the nine installation-level systems currently in use. In addition, the six agencywide systems used at the headquarters level will be upgraded.

During fiscal year 1988, a pre-definition study was completed which recommended the use of existing NASA software as the foundation for developing the standard system for the installation level. The software will be implemented on a decentralized basis. During fiscal year 1989, a detailed project plan was developed and the functional requirements definitions were started. The initial benefit/cost

analysis indicates that approximately \$73 million can be saved over a 15-year life cycle by reducing the number of separate systems. The timeliness and accessibility of data will be improved, manual effort will be reduced, capability will be developed which will lead towards a paperless environment, single entry of data will be facilitated, and current ADP technology will be maximized. [Arthur W. Frater, (202) 453-2288]

**The National Endowment for the Arts** is currently modifying the Department of Education's MIDAS system to provide an integrated financial management information system (FMIS). The JFMIP Core Financial Systems Requirements were incorporated in the request for proposals (RFP) for these modifications. The Endowment's system will provide a standard general ledger with accounts payable and budget execution modules, interface with payroll (cross-serviced through the National Finance Center/Department of Agriculture), and the Endowment's grants management system. [Marvin A. Marks, (202) 682-5407]

In 1989, the **Securities and Exchange Commission (SEC)** completed one year of operation on its new off-the-shelf accounting system. It consists of a core system and optional modules,

e.g., travel, accounts receivable, and purchasing. The vendor maintains the core system by issuance of annual updates, which can require reprogramming to accommodate agency-unique interfaces.

The new system provides the SEC significant automation improvements over the 17-year-old system it replaced. With the new system, voucher and payment data is entered real time through personal computers and batch-updated overnight. Data input of travel authorization and procurement documents is being decentralized throughout the SEC's headquarter offices and will be provided to regional office locations within two years. Also, voucher processing is accomplished on-line, thereby reducing the staff time required for data search and retrieval, and management data is more readily available. [Darrell Dockery, (202) 272-2049]

**The Smithsonian Institution** is using a commercially available general ledger and budgeting package to implement a labor accounting system (LAS). The LAS integrates personnel data with payroll data and accounting accruals/adjustments to form an integrated database. The LAS operates as a subsidiary ledger to the existing accounting system and serves as the source of data for a personnel cost projection system (PCPS). Personnel costs

are a considerable part of the budget of the Institution and implementation of the labor accounting system represents the first major step in the development of a new accounting system. It is expected that the LAS will be completed in fiscal year 1990. [John Clarke, (202) 287-3156]

**The Department of State** has developed a new Overseas Financial Management System (Overseas FMS) to automate local processing performed at posts, replacing or incorporating multiple, nonstandard, antiquated existing systems. Implementation of the Overseas FMS automates financial management procedures performed at posts overseas, modernizes labor intensive existing systems, and establishes a system with appropriate controls and in accordance with accounting principles and standards prescribed by the Comptroller General. The Overseas FMS provides financial processing for the department and over 30 foreign affairs agencies operating overseas that require such services as disbursing, vouchering, allotment accounting, and budget preparation.

The Overseas FMS has been installed at 21 Financial Management Centers (FMCs) located at major embassies worldwide. Each FMC provides a full range of financial management services to the embassy at which it is lo-

cated and in most cases to neighboring posts as well. The Overseas FMS is also operational at two of three Regional Administrative Management Centers (RAMCs) overseas. More than one-half of all overseas financial transactions are now being processed using the Overseas FMS.

An interface with the new primary accounting system, the Central Financial Management System, is now functioning for those posts using the Overseas FMS. Full system implementation is expected to be achieved in the next 2 years with the conversion of all posts now currently receiving financial processing services from the RAMCs.  
[Howard A. Renman, (703) 875-6906]

The Department of State is presently implementing a new primary accounting system that will meet governmentwide internal controls and financial management system requirements, including the Core Financial System Requirements, comply with Section 4 of the Federal Managers Financial Integrity Act, and provide for using the Standard General Ledger. State has procured application software as a basis for the Central Financial Management System (CFMS). One half of the department's 30 operating bureaus are presently using CFMS for fiscal year 1990 trans-

actions. Plans call for departmentwide system implementation for current year transactions by October 1, 1990.

In the final phase of implementation, all prior year financial information will be converted to the new accounting system with full operating capability. This includes refinement of reports, program, and activity structures and reporting of accounting information derived from the department's payroll systems. The full operating capability for fiscal year 1992 transactions is scheduled for October 1, 1991. Financial management benefits that will accrue with full implementation of the CFMS include enhanced financial management reporting for decision making, availability of more timely financial management information, enhanced external reporting capabilities, and improved financial controls.  
[Howard A. Renman, (703) 875-6906]

The Tennessee Valley Authority (TVA) is adding additional formats for Corporate Trade Exchange (CTX) and Cash Concentration and Disbursement (CCD) to its Accounts Payable System, which will expand the universe of vendors able to receive electronic payments. [Wilson Taylor III, (615) 751-8133]

The Department of Transportation (DOT) developed the Departmental Accounting and Financial Information System (DAFIS) using the Federal Aviation Administration's (FAA) Uniform Accounting System (UAS) as the baseline system. DAFIS will eventually replace the primary accounting systems for all DOT Operating Administrations and the Office of the Secretary. Prior to 1989, DAFIS was implemented by the FAA, National Highway Traffic Safety Administration (NHTSA), and a Coast Guard pilot site in Boston, Massachusetts. During 1989, Coast Guard implemented DAFIS in conjunction with the opening of their new Finance Center in Chesapeake, Virginia. The implementation permitted consolidation of current year (fiscal year 1990) accounting for seven district offices. Conversion of prior year accounting, shutdown of the seven district accounting operations, and consolidation of the Boston site will be accomplished during the upcoming year. A similar DAFIS implementation/consolidation approach for West coast operations will begin in October 1990 (fiscal year 1991). Once the Coast Guard's implementation is completed, 90 percent of all of the department's accounting transactions will be processed by the DAFIS. The balance of the department is scheduled for

implementation in the 1991-1992 time frame.

The DAFIS incorporates a standard departmental accounting classification code, the U.S. Standard General Ledger (SGL) accounting structure at the transaction entry level, debt collection and cash management, and the Prompt Payment Act. DAFIS has several operational and planned interfaces with subsidiary systems to reduce duplication of data input. [Doug Sawin, (202) 366-5625]

The U.S. Secret Service, **Department of the Treasury**, completed its first fiscal year of operation using the core accounting module, including the U.S. Government Standard General Ledger, the accounts payable module, and an off-the-shelf budget execution software package as its Financial Management and Accounting System. Enhancements for the systems, including enhanced travel accounting capabilities and interfaces with the Service's procurement tracking and property accounting systems, are to be completed during 1990. [Dale Burkett, (202) 535-6009]

The accounting system for the **Department of the Treasury** Financial Management Service's trust and deposit funds was replaced by an off-the-shelf software package. The system,

implemented in March 1989, was user-modified to handle the requirements for governmental trust and deposit fund accounting using the Standard General Ledger Accounting System. [Ronald Iroff, (202) 287-0789]

**Treasury's** Bureau of the Public Debt initiated a United States Savings Bond (USSB) Accounting System to provide summary accounting control from the time bonds are printed until they are redeemed and destroyed. The system performs zero balancing; prepares journals, ledgers, and interest accrual reports; supplies statistical data for budgetary and managerial requirements; and generates information for USSB Redemption Tables, the Monthly Statement of the Public Debt, and the Daily Treasury Statement. [Debra Hines, (202) 447-1284]

During 1989, the **Department of Veterans Affairs (VA)** achieved a major milestone in its project to implement a single integrated financial management system. Although much remains to be done before the system goes into production (scheduled for September 1992), the baseline system has been installed and is operating at the VA's data center in Austin, Texas. Customization for VA's unique requirements and the development of interfaces with over 30 existing systems has necessitated the 3-year implementation schedule.

Eight of VA's existing systems will be totally replaced. The system will be accessed by an estimated 5,000 users at some 225 VA facilities nationwide. Processing an average of 50,000 to 60,000 transactions per day, the system will collect general ledger data on all of VA's appropriations and funds and it will control and disburse \$4 to \$5 billion annually. [Robert Bevilacqua, (202) 233-8030]

#### **Accounts Receivable Systems**

The **General Services Administration (GSA)** has developed a new on-line query system for accounts receivable called the Accounts Receivable Information and Evaluation System (ARIES). ARIES is written in a relational database using data from the current financial system. Implemented on a mainframe, ARIES can be accessed using PCs and display terminals. The programming, testing, and implementation phases were completed in January, 1990.

ARIES is menu-driven and will provide the most current data available. As an administrative tool, ARIES will minimize delinquency by directing administrative and management attention to those overdue accounts according to either chronological or dollar amount criteria. ARIES has on-line support for

contacts, notes, status codes, and suspend dates; the system will ensure proper followup and assist in the collection of overdue funds. [Dennis F. Schroff, (202) 501-1056]

On November 1, 1989, the **Railroad Retirement Board (RRB)** implemented an automated system to administer accounts receivable which originate from overpayments of benefits under the Railroad Retirement and the Railroad Unemployment Insurance Acts. The new system uses off-the-shelf software which meets many of the agency's requirements; the remaining requirements were installed under a contract with the software vendor and will be fully integrated into the RRB's current automated financial management system.

The Program Accounts Receivable (PAR) system maintains a history of accounts receivable data; automatically generates periodic billing notices and assesses administrative, penalty, and interest charges; and applies adjustments for administrative offsets, waivers, writeoffs, and actuarial adjustments of annuity payments. In addition, current information on debts owed the RRB is available on-line to the field offices to respond to inquiries from the railroad public. Inquirers need only to provide their railroad retirement claim number or social security num-

ber to receive information on a debt. [Peter A. Larson, (312) 751-4590]

The Social Security Administration (SSA), **Department of Health and Human Services**, implemented a new Accounts Receivable System (ARS) in 1989 for the Title II and Title XVI benefit payment processes. The agency will have effective controls over receivables from the Department of the Treasury, which will also facilitate disclosure of their value for financial reporting. Until this system was implemented, SSA did not have a true accounting system for incorrect payments. Except for some situations, no actual control system existed for all reclamation and debit actions received from the Treasury.

The goal of the accounts receivable system is to control and monitor all requests to Treasury resulting from an allegation of nonreceipt or SF-1184 stop payment nonentitlement action. The new system not only creates an automated control system for these Treasury reclamation and debit transactions, but also produces reports reflecting money amounts requested from Treasury, money amounts received, and the outstanding balance on a regular basis. The ARS controls the certification of additional funds to Treasury and the return on nonused funds. Therefore, it keeps track of all

debits and credits resulting from stop-payment actions. In addition, the system maintains this information for a specific period of time for use in the regular accounting process. These controls include all Title II, Title XVI, and black lung stop-payment actions. [Joe Maran, (301) 965-9351]

### **Procurement and Property Systems**

The Defense Contract Audit Agency (DCAA), **Department of Defense**, is using an automated property system known as "DAISY" that provides for the identification, inventory, and overall management of DCAA property. The software provided by the vendor includes 24 pre-established fields of information commonly used in most property systems. However, the major advantage of this software is that the information fields can be customized by the user to meet any unique requirements of the user's organization. It comes equipped with on-line instructions, help screens, and a comprehensive user's manual. The system also produces up to 25 printed reports that are defined by the user.

Among the major information fields to be used in the DAISY are the property description, acquisition information, physical location of the property, disposal data, organizations and



individuals responsible for property items, and cost and appropriations data. Several other unique information fields are also included. In the second phase of implementing the system, DCAA has integrated the software with barcode technology. A barcode label has been affixed to each piece of accountable property; for physical inventories, a barcode reader uses a laser gun to access the code; this significantly reduces the time required to take physical inventories. The software and the barcode hardware supply a state-of-the-art property system which provides a significant productivity savings with a very minimal investment. [Edward Migliore or Paul Earley, (703) 274-5151]

The Department of State's Office of Supply and Transportation has developed the Non-Expendable Property and Accounting System (NEPA), an automated inventory application used both domestically and at posts overseas to account for non-expendable property items. NEPA replaces several antiquated, nonstandard existing inventory systems. For non-expendable property, the NEPA system records basic information, tracks locations, keeps maintenance records, provides management reports on items due for replacement, provides an

audit trail for items that have been disposed of and changes made to sensitive data fields, calculates depreciation expense of capitalized property, and accepts inventory data from bar code scanning equipment and reconciles data with inventory records.

NEPA is being used in all departmental offices, except the Executive Secretariat, and at 132 posts overseas. [James L. Murphy, (703) 875-6092]

The Office of Acquisition, as the principal Department of State (DOS) procuring activity, has initiated an efficient and convenient ordering system using blanket purchase agreements and recurring service orders. The new system provides a fast and cost effective method of ordering commonly used goods and services. The program offices within the department now have more responsibility for controlling the use of blanket purchase agreements and managing their own funds.

Using its automated systems and facilities and the technical expertise of its staff, the Office of Acquisition has developed the methodology, standard language, and internal processing procedures for this departmentwide system which will manage the processing of several thousand procurement actions.

A blanket purchase agreement permits individuals to place orders for items or classes of items by telephone, over-the-counter, or by letter directly to the vendor in lieu of a written purchase order. It also permits consolidated invoicing for all purchases made during its previous billing period. It is a convenient arrangement for both DOS program offices and vendors. A recurring service order is an arrangement whereby services are procured on a continuing basis, with a set price or rate of payment determined in advance, e.g., rentals, leases, and preventive maintenance agreements. [Jeanne Ely, (703) 875-6040]

Treasury's Financial Management Service (FMS) is currently developing a requisition and procurement tracking system for the creation, transmittal, and processing of electronic documents. The system, called "COMET," will be supported by the FMS's minicomputer, connected to personal computers at locations throughout FMS. The system will eventually be tied into the administrative accounting system, and a property system will be added. The entire system will provide FMS with a single integrated financial management system. [Sherman B. Eisner, (202) 287-3897]

### Personnel/Payroll Systems

The Air Force is working on centralizing all civilian payroll processing at the USAF Accounting and Finance Center (AFAFC) in Denver, Colorado. This will reduce base-level manpower requirements with a new overall savings in manpower resources. In addition, the centralized system allows better management of information to respond to inquiries since there will be 1 database instead of 191. It will also respond to legislative changes faster and save resources since duplicate systems are eliminated. [Gary Raisio, (303) 370-5282]

The Army has completed development of a single automated payroll system to pay all appropriated funded U.S. civilian employees. Final field testing of the system is nearing completion. Software programs are in COBOL and comprise 1.2 million lines of code. The system, designed as an integral part of the Army's accounting system, uses single-source entry for time and attendance, labor costs, and performance data. A modular design facilitates changes necessary by revisions in legislation and regulations. Additional benefits of implementing a new payroll system Army-wide include standardization of payroll operations through use of standard software; facilitation of technological changes, system

modifications, and adjustments in a timely manner; elimination of labor intensive applications; and improved fraud prevention and error detection capabilities. The elimination of labor-intensive applications and establishment of automated interfaces with personnel and general accounting systems should result in significant manpower savings. The new system will replace multiple payroll systems in use and will commence implementation at Army payroll offices following completion of field testing. [Jerry Griffin, (317) 542-3216]

In the Department of Defense, the Army and the Air Force agreed to use standard software to pay both active and Reserve component members. Today, the Army and Air Force use similar computerized military pay systems to compute military pay and entitlements for each individual member. Each service is responsible for maintenance of their respective military pay systems. In June 1988, the Under Secretary of the Army ordered a comparison study be made of Army and Air Force military pay systems to determine if they could use the Air Force software to pay Army personnel. Army conducted an in-depth study starting in June 1988 to determine the feasibility of using the Air Force military pay systems to pay active duty and Reserve Forces. Because several ad

vantages were identified in adopting the Air Force systems, such as improved service, lower operational costs, and a huge cost saving in developmental tests, the Army decided in September 1988 to transition to Air Force pay systems.

In January 1989, the Under Secretaries of the Army and Air Force signed a memorandum of agreement for the Army to use the Air Force systems. As a result, the Air Force systems became the Joint Service Software (JSS) (active and Reserve components) and changes to the system will now be considered in light of their impact on both services.

Standard software will be jointly maintained by Army and Air Force personnel at the Air Force Accounting and Finance Center (AFAFC) in Denver. Interfaces unique to the Army will continue to be maintained at the U.S. Army Finance and Accounting Center (USAFAC) in Indianapolis. The Army will operate (at USAFAC) ADP hardware compatible with the Air Force system. Army will change its military pay input procedures to interface with Air Force software. During the initial operation, Army finance and accounting offices will input personnel transactions. Subsequently, the Army personnel system will be modified to provide direct input as is currently

done in the Air Force. All check payments and related documentation for Army active and Reserve component personnel will be centrally processed at USAFAC. Plans are being developed to have training teams, consisting of Army and Air Force technicians, accomplish the Army's conversion at its 86 finance and accounting offices. Joint Service Software, scheduled for implementation in mid-1991, has significant benefits to the Department of Defense. Centralization of improved efficiency and effectiveness is important for the continued success of financial management systems. [Col Ronald A. Swenka, (303) 370-7112]

The Social Security Administration (SSA), Department of Health and Human Services, establishes and maintains earnings records for all wages of employees and earnings of self-employed individuals. The earnings records are the basis for SSA's (1) determining the amount of Social Security taxes the trust funds should receive; (2) determining whether individuals are entitled to benefits and, if so; (3) calculating benefit entitlement in initial claims, earnings enforcement, personal earnings and benefit estimate statements, and other programmatic operations.

Since Congress enacted the Combined Annual Wage Reporting (CAWR) Act, which requires employers to provide an annual wage report (AWR) to SSA and a quarterly report with only aggregate wage data to the Internal Revenue Service (IRS), discrepancies have occurred between the amounts reported to SSA and the IRS.

To assist the private sector, reduce SSA resource expenditures, and improve the integrity of the CAWR process, SSA is developing software standards and edit criteria for both paper filers and magnetic media reporters. When completed, the software standards and edit criteria will improve the timeliness and accuracy of posting to SSA's system of records, thereby enhancing benefit computations and other programmatic operations. The standards should substantially reduce the number of electronic manipulations of reported data needed to effect verification.

To solicit feedback on the standards, SSA has disseminated copies of the edit criteria and standards to payroll processors, service bureaus and professional associations. Final software standards based upon feedback dialogue should be available later this year. [Lois Sheppard, (301) 625-0386]

Labor's Employment Standards Administration completed an automated fiscal system for the management of back wage collections and disbursements. This automation, known as the Back Wage Collection and Disbursement System (BCDS), provides accounting, internal control, and monitoring and reporting of regional back wage payments. [Alice A. Niner, (202) 523-7060]

In November 1989, the Navy implemented the Navy Standard Civilian Payroll System (NAVSCIPS) at a second site, the Naval Supply Center, Charleston, S.C. NAVSCIPS is currently paying 12,000 Navy civilian employees at more than 128 Navy installations. NAVSCIPS is a technically and functionally sound system and sufficiently flexible to run in other IBM compatible environments.

NAVSCIPS will replace 10 non-standard Navy civilian payroll systems with one single payroll system, which will be maintained by one central design agency (CDA). The objectives of the system are to achieve cost savings through increased productivity and elimination of redundancies; establish uniformity in payroll policies and procedures through the standardization of hardware, software, system documentation, and input/output documents;

generate correct and consistent payments; provide proper disposition of deductions; combine duplicative Time and Attendance (T&A) and labor data entry into one input; increase space; and automate controls over pay and leave records.

NAVSCIPS is being implemented under a phased approach to be completed by December 1992. It will pay 310,000 Navy civilian employees at 34 payroll offices, and will save the Navy \$46 million through 1999. [LCDR Chris Pratt, (202) 695-7906]

The **Smithsonian Institution** (SI) is developing a personnel cost projection system (PCPS). With PCPS, Smithsonian bureaus and offices will be able to accurately monitor personnel costs, and also use it as a planning tool. The development of PCPS is divided into two phases. The first phase, which is already completed, provides up-to-date actual personnel/payroll cost data. The second phase, which encompasses cost projection and reporting capabilities, is under development and is expected to be implemented before the end of fiscal year 1990.

PCPS encompasses the function of tracking actual-year-to-date personnel costs in the present fiscal year and projecting these costs for the remainder of the fis-

cal year and future fiscal years. The system will allow some 80 authorized SI fund managers to track both the SI federal and trust fund personnel costs for comparison to budget. [Nancy Sutenfield, (202) 357-2917]

The **Department of Veterans Affairs** (VA) developed a requirements document that will provide payroll accounting data to the Financial Management System (FMS) through a labor distribution interface. The purpose of the labor distribution subsystem of the Personnel Accounting and Integrated Data (PAID) system is to capture, calculate, and distribute payroll hours and costs at a required level of detail to satisfy the requirements of all VA organizations. The requirements document was completed in November 1989, and will be modified as needed to adjust to the redesigned system in order to capture and deliver data for the FMS. Costs of furnishing required data will be kept at a minimum due to the standardization of accounting codes. The major benefits from the requirements document are that each employees' master record will contain one set of standard FMS accounting codes; the standard uniform codes eliminate the need for each organization within the VA to maintain its own accounting system and provides a standard accounting

system easily accessible through the FMS.

Another modification to the PAID system was the elimination of keypunch equipment and card readers as the means of entering data to the PAID central system. During the calendar year ending on December 31, 1989, a total of 241 Veterans Health Services and Research Administration (VHS&RA) and all 53 Veterans Benefits Administration (VBA) sites were successfully converted. Plans are to convert the remaining four VHS&RA sites also. This initiative has eliminated the cost of punching over 200,000 cards and mailing them to over 200 locations each pay period. VA facilities will be able to reduce the utilization of outdated equipment (punch card readers used to transmit payroll data); data input into the central payroll system will be pre-edited and therefore reduce the amount of rejects during central processing; and turnaround time for error corrections will be greatly reduced. [Vidal Falcon, (202) 254-5290]

### **CROSS-SERVICING**

The **Department of Commerce** is automating its personal property management departmentwide through implementing the Department of

Agriculture's Personal Property System (PPS). Conversion of Commerce components to the PPS began in October 1988. This initiative will be completed in September 1990 with the planned transfer of the National Institute of Standards and Technology's property records and financial data to USDA's National Finance Center. By using Agriculture's PPS, Commerce has avoided a costly and time consuming personal property system development process and will provide its bureau components with a facility for the timely and accurate management of its personal property assets and related financial accounting. [Hugh Brennan, 377-1200]

The **Securities and Exchange Commission (SEC)** is providing payroll and personnel system services to small regulatory agencies. Personnel data is maintained by user input, payroll data through the electronic update of "effective" personnel data and user input of time and attendance data. User input can be decentralized and is entered into the system real-time. Calculations, reporting, and electronic updates are performed in batch. Orientation and training sessions are initially provided by SEC staff through formal instruction and subsequently through staff interaction. User manuals and system documentation are available. [Henry Hoffman, (202) 272-2639]

An interagency agreement was signed by the **Small Business Administration (SBA)** in March 1989 with the U.S. Department of Agriculture, National Finance Center (NFC), to cross-service the SBA using the USDA Personnel/Payroll System. This cross-servicing agreement benefits the SBA in terms of its being an integrated personnel and payroll system which is cost effective and which may provide future systems improvements implemented by NFC. [Matthew A. McCroddan, (202) 653-6225]

The **Department of the Treasury Office of Thrift Supervision (OTS)** began providing accounting, travel, and payroll services to the Federal Housing Finance Board (FHFB) commencing October 8, 1989. This generated \$215,500 income in 1989 and is estimated to generate approximately \$800,000 in 1990. [Paul Nagao, (202) 906-7954]

Commerce is providing cross-servicing to the **Department of the Treasury** to use the Commerce Procurement Data System (CPDS). The CPDS features 1) the on-line entry and editing of status reports for federal contracts and other major procurement actions; 2) a database management system environment to facilitate rapid information retrieval; 3) a variety of comprehensive reports designed

to support the information needs of procurement officials and program managers; and 4) the quarterly generation of departmentwide input to the Federal Procurement Data System. Treasury began using the CPDS in October 1989, thereby avoiding both a further delay in its procurement information support needs and significant systems development costs. [Ronald P. Hack, (202) 377-0120]

Under a cross-servicing agreement with the U.S. Department of Agriculture (USDA), **Treasury's Bureau of Alcohol, Tobacco and Firearms (ATF)** has arranged for personnel/payroll processing to be performed by the USDA's National Finance Center (NFC) in New Orleans, Louisiana. The new electronic time and attendance process eliminates the manually-prepared hard-copy timecards. All time and attendance transactions are entered directly by the timekeepers. Also, the NFC system cross-checks and integrates payroll information with the personnel database, thereby ensuring greater internal controls and reliability. [William Wright, (202) 566-7521]

## **ACCOUNTING POLICIES AND PROCEDURES**

The **Department of the Army** has developed a Standard Installation Accounting Office (SIAO) structure in order to better align professional staffing at field accounting offices with the skills required to sustain prescribed accounting standards and implement the new standard Army accounting systems. The structure fosters a stronger relationship between accounting and budgeting. Fourteen accounting offices have fully reorganized into the SIAO structure; 18 other sites are in various stages of transition. Standard job descriptions for all professional accounting positions, model performance plans, and various standard operating procedures have been provided to these sites.

To facilitate SIAO staffing and transitioning to the new standard accounting systems, a centralized GS-510 Accountant intern training program was established at the U.S. Army Finance and Accounting Center. The intensive 120 days of training comprises both classroom theory and practical exercise. As part of the training curriculum, an Army Management Accounting and Analysis Course was developed. This course focuses on appropriated fund accounting and stresses accounting analysis.

Three classes of 25 interns have graduated so far.

Work is being done to develop model job sheets for the GS-525 Accounting Technician positions and to update the Army regulation that deals with finance and accounting offices. Standard operating procedures have been developed to take advantage of personal computers and increase automated analysis products. Developmental efforts are directed at task restructuring and assessment of regionalization benefits. [Greg Bitz, (317) 543-6564]

During the past two years, the **Department of the Army** conducted a research project comparing its accounting systems and financial management practices with two major corporations. The purpose of the project was to determine whether the Army could adopt a private-sector accounting system. The research involved analyzing the accounting systems, reporting process, payroll, and system development efforts of General Motors and Boeing. Briefings were provided and discussions held with top financial managers in both corporations and the Army. This was supplemented by a review of organization literature, system documentation, and financial reports. Research was conducted in two phases. In phase one, a one-on-one comparison was made be-

tween General Motors and the Army, which resulted in a 43-page report. The second phase provided a broader analysis comparing Army financial functions with those of the private sector. A 20-page report highlighted the previous GM comparison and similar exchanges with Boeing. The research concluded that while, on the whole, the Army could not adopt a private-sector accounting system for appropriation accounting, certain financial applications could possibly be used (such as GM's freight transportation payment system).

The comparative analysis provided insights helpful to both the government and the private sector. The GM comparison has been used as an educational tool to brief accountant interns and senior-level officials on similarities and differences between corporate and government accounting. [Cliff Terry, (317) 542-3031]

The **Army** has reviewed its procedures for royalty payment to patent holders. The Federal Technology Transfer Act (PL 99-502) allows federal government employees who are patent holders to receive income from a patent when it is licensed through a cooperative research agreement with a private concern. Prior to the Act, royalty income derived from patent agree-

ments was deposited to the general fund of the Treasury.

The royalty monies are paid in part to the patent holders; residual monies, however, are usable for administration and licensing of inventions, rewarding of scientific/technical and engineering employees, scientific exchange among the government-operated laboratories, and education and training of employees consistent with agency research and development missions. The thrust of this program is to increase the licensing potential for transfer of technology from the government to the private sector. For the Department of the Army, the royalty monies are managed centrally; patent holders are paid and residual funds are distributed to the various laboratories in the research and development community for use in the program. [Ron Ashdown, (317) 542-3067]

The Department of Labor, Employment Standards Administration (ESA), is implementing a cost accounting and cost allocation system for data processing services which complies with OMB Circular A-130, *Management of Federal Information Resources*, and related requirements. This initiative will significantly improve data on the costs of operation of the ESA programs using the system. Accurate information on operation-

al costs will improve the quality of planning, budgeting, and management decision making. The procedure, which utilizes built-in features of a new regional data processing system, is expected to require minimal cost and effort. [Robert L. Hodges, (202) 523-6448]

The Navy's Automated Cashbook System (ACS) has been designed and developed by the Cash Accountability Reporting Enhancements (CARE) branch of the Navy Accounting and Finance Center. The ACS system is an outgrowth of the CARE initiative, which is a coordinated Navy effort to provide more accurate and timely expenditure and collection data to the Navy's Financial Reporting Systems (FRS) and authorization accounting activities. The system provides front-end, automated, and edited expenditure, collection, and accountability data into the FRS for all shore Navy disbursing officers. ACS users are able to key-enter voucher data at the source and are provided instant validation of critical accounting data elements against the Navy's Centralized Master Edit Table and other editing criteria. The ACS also automates current labor-intensive and error-prone cash accounting processes for deputy, associate, and central disbursing offices. The ACS can automatically generate a mechanized

Cashbook, Daily Balance Sheet, Statement of Accountability, daily and monthly disbursing returns, and other schedules and management reports. [Karen Davis, (202) 697-0581]

The Customs Service, Department of the Treasury, has developed internal budget and accounting manuals for use by Budget Division, National Finance Center, field, and headquarters personnel. The manuals were written and developed to meet the internal operating needs of the Customs Service, but also provide information that can be of use to any federal agency.

The Budget Manual was designed to provide guidance to budget analysts working in the Budget Division on various procedural requirements and specific directions for program officials and field budget personnel that participate in the Customs budget and resource allocation process. It covers many topics and is designed so that it can be updated easily when procedures and policies change.

The Accounting Manual was designed to provide standard operating procedures for accounting technicians and accountants at Customs' centralized National Finance Center and an adequate training tool for the National Finance Center for assuring that there is little if any

disruption in workload as staff comes and goes. It is designed to meet the needs of the National Finance Center and does not include overall accounting and financial management procedures for Customs. [Tom Disforli and Christine Gaugler, (202) 535-9035]

Through the efforts of the Bureau of the Public Debt, **Department of the Treasury Circular Number 3-80**, the regulations governing United States Bonds, Series EE and HH, was amended on September 29, 1989, to require that interest payments on Series HH bonds issued on or after October 1, 1989, whether issued in exchange for Series E/EE bonds or upon reinvestment of matured Series H bonds, be made electronically via the Automated Clearing House (ACH) method. The electronic payment of interest eliminates difficulties encountered by bondowners caused by late or missing checks, reduces operating costs for financial institutions, and benefits the Bureau by reducing the paperwork associated with handling claims for missing checks and responding to inquiries concerning late check payments. The introduction of this program has also provided the Bureau the opportunity to convert many existing owner accounts from check payments to electronic payments. [Arthur A. Klass, (304) 420-6515]

## **FINANCIAL REPORTING**

The **Army's** monthly Statement of Transactions submitted to Treasury averages about \$10 billion with specific identification of appropriations with disbursement/collection activities. The departmental reports comprise a consolidation of feeder reports from field finance offices worldwide. In the past, the consolidation process lacked adequate time for appropriate review and editing to ensure data accuracy. To minimize this problem, the departmental system has been enhanced. Improvements include establishment of a message-driven system to advise field offices of missing reports, use of file transfer capabilities to receive incoming reports, and application of automated error correction routines. [Dave Stegman, (317) 542-2537]

The **Army** is developing an automated input system to receive finance and accounting performance reports for field offices located worldwide. The report provides indicators of an office's overall efficiency and problem areas. By using a telecommunications network, the performance information will be received more timely and the manual process of entering the information into the central database will be eliminated. Im-

plementation is underway on a site-by-site basis and is expected to be completed during 1990. [Scott Tinsely, (317) 542-4963]

Currently, 131 customer countries and international organizations have open purchase contracts with the **Department of Defense (DOD)** valued in excess of \$156 billion. The centralized accounting and billing is performed by the Air Force Accounting and Finance Center, Denver, Colorado. Over 100 procurement, logistical, transportation, and financial systems within DOD interact to provide data to perform the accounting and billing mission.

Military departments have implemented the Foreign Military Sales Integrated Control System (FICS) which standardizes and controls input to the central accounting system. Input sources to the central system have decreased ten-fold from approximately 70 to 7. In October 1988, Positive Transaction Control software was implemented at the central site to ensure edit, suspending, and feedback of data as input occurs. In March 1989, the central accounting system was modified to establish cash accounting records for over 17,000 sales agreements. This provides compatibility between accounting and billing records.



As of September 1989, out-of-balance conditions have been reduced from approximately \$600 million to \$67 million through the use of new data analysis techniques and a dedicated staff of reconcilers within the military departments and the central accounting site. Design and development is also underway to replace the current central accounting and billing system which is non-compliant with GAO internal control requirements.

The necessary structure and standardization to ensure a total fiscally responsible accounting system for the Foreign Military Sales program is in place and working. [Larry D. Crocker, (303) 926-7384]

As part of a continuing program to review and improve its financial system, the **Department of Energy** has enhanced the financial reporting module of the Financial Information System (FIS) to facilitate Treasury report submissions. The FIS was revised to produce the TFS-2108, Year-End Closing Statement, directly from the mainframe application. The report is produced in accordance with Treasury specifications and eliminates an error-prone and resource-intensive process previously required to produce the report. The current process allows report production directly

from DOE's primary accounting system. Additionally, FIS was revised to include a direct link to Treasury's mainframe system for the purposes of providing the Federal Agency Financial Reports (FAFR) and some of the supporting schedules. This link eliminated the requirement to access the GOALS (Government On-line Accounting System) for report submission, or the requirement to download data from our mainframe system to a personal computer prior to submission to Treasury through GOALS. With this link, Treasury is receiving the year-end financial statements directly from DOE's primary accounting system.

In addition to these systems changes, DOE has increased its financial reporting and analysis capabilities by undertaking a comprehensive program to produce, review, and analyze financial information utilizing a traditional comparative financial statement approach. The department produced a set of draft financial statements for fiscal year 1988, based on the FAFR reports provided to Treasury; and for fiscal year 1989, DOE developed pro forma consolidated financial statements. [Jean Morgan, (301) 353-4521]

The **National Endowment for the Arts** is using a database package to implement a system to

record and track prompt payment activity. The system was used successfully in fiscal year 1989 for reporting purposes only. The agency is currently working on the policy changes needed to comply with the fiscal year 1990 regulations.. [Marvin A. Marks, (202) 682-5407]

The **Urban Mass Transportation Administration, Department of Transportation**, automated the production of the TFS-2108 Year-End Closing Statement and the SF-220 Statement of Financial Condition and accompanying schedules during calendar year 1989. The reports are produced directly from the general ledger. The SF-133 Report on Budget Execution, SF-225 Report on Obligations, and SF-224 Statement of Transactions were previously automated. [Jim Bradley, (202) 366-9748]

The **Department of Transportation's** Status of Federal Funds Report used to monitor cash drawdowns on Urban Mass Transportation Administration letters of credit (LOC) was automated during the calendar year. It is now being produced directly from an automated LOC subsystem for submission to the LOC recipient. The report shows, for a given month and day, the amount of funds disbursed to the LOC recipient. The recipient

completes the form showing the day the funds were actually disbursed and returns it for examination. [Bill Eargle, (202) 366-9748]

In fiscal year 1989, U.S. Customs Service, **Department of the Treasury**, developed a system that enhanced internal controls over the reconciliation of collections and deposits. Each collection document processed through Customs Automated Collection System is related to a specific deposit. This enables Customs to reconcile collections and deposits daily and identify any shortcomings in collections or deposits that were not processed correctly through the system. As a result of these system enhancements, since December 1989, the Customs Statement of Accountability Report to the Financial Management Service (FMS) reconciles daily collections and deposit data with the summary deposit data reported to FMS. [Robert B. Hamilton, Jr., (202) 335-1308]

The Treasury's Bureau of Engraving and Printing is continuing to enhance its Management Information System (BEP-MIS) with additional management reports with both on-line and hard-copy reporting capabilities. The on-line improvements will provide managers with immediate manufacturing and financial data to make informed decisions. The BEPMIS

system will be expanded to include the new production plant in Fort Worth, Texas, during fiscal years 1990 and 1991. [Joel C. Taub, (202) 447-9845]

### ***AUTOMATED APPLICATIONS***

The **Department of the Army** is implementing a new accounts payable system for subsistence operations. The system, operating on a minicomputer, was installed at the Midwest Commissary Region in June 1988 and at the Northwest Commissary Region in June 1989. The system matches contract data to receiving reports and, using prompt pay and debt management criteria, computes payment amount, payment due date, and workload statistics. Interfaces are provided with the subsistence inventory system and the general accounting system. The Standard Automated Voucher Examination System (SAVES) has improved the accounts payable process at the offices that have installed the system. [JoAnne Boutelle, (804) 734-4552]

Microcomputer software continued to be installed in **Department of the Army** field finance and accounting offices to support the functions of travel entitlements, accounts payable, and disbursing. The software is for small operations or those which

lack acceptable main-frame computer capabilities. User training is provided along with installation. Efforts also continued to improve the systems to better meet the needs of the field offices. To date, applications are operational as follows:

<u>Application</u>	<u>Sites</u>
Travel	208
Accounts payable	136
Disbursing	58

[Steve Young, (317) 542-3160]

**New Department of Commerce** time and attendance software is programmed to capture leave share data and allows payment of Commerce employees overseas. Financial information concerning these new programs, captured within the National Finance Center system, can be fed into the department's seven accounting systems; this creates a more complete picture of department financial obligations. This new software is now in the test phase, but should be operational throughout the department in the third quarter of FY 1990. [Sheila Fleishell, (202) 377-1141]

The National Institutes of Health, **Department of Health and Human Services**, has implemented an automated Travel Management System (TMS).

Phase One, Domestic Travel Order, of the TMS has been completed. This phase enables users to enter travel orders. These orders must be electronically approved by an approving official. This approval generates the obligation accounting transaction(s) and calculates and schedules a travel advance. An approving official can elect to override the calculation of the travel advance and either lower or not issue the advance. While accounting transactions to record advances are generated by the TMS for advances issued through Treasury, accounting transactions for the advances picked up from the cashier are processed through the Cashier Draft System (CDS). A more direct interphase of the CDS and TMS is currently under development.

Phase Two, Domestic Travel Voucher, will allow clerical staff to enter nominal information to complete the travel voucher. It is not a very complex procedure as long as the traveler provides receipts. All calculations will be performed by the system; thus knowledge of travel regulations would not be required to prepare travel vouchers. When fully operational, the TMS will save data entry time and facilitate submission and payment of travel advances and vouchers. [Sandra R. Walters, (301) 496-6871]

The **Department of the Interior's** Office of the Secretary moved several administrative processes from personal computer-based electronic spreadsheets to stand-alone database management systems to minimize data entry and transfer costs. The General Services Administration's Simplified Intragovernment Billing and Collection (SIBAC) charges for supplies and telephones are now distributed and transportation expenses are tracked, more accurately, in one-fifth the time previously required by macro-driven electronic spreadsheets. Both current and historical data is maintained in electronic form for reporting purposes and it is readily transferrable to other software for analysis, e.g., electronic spreadsheets.

Government bills of lading are tracked from the time that they are received through completion of all services obtained in about one fourth of the time previously required. Both programs archive data electronically and are 100% compatible with the leading commercial spreadsheet and word processing programs. This transportability assures a capability for meaningful trend, series, and program analysis. [Dennis Clark, (202) 208-5768]

In calendar year 1989, the **Department of Interior** completed a large portion of the preliminary work required to im-

plement a pilot Electronic Data Interchange (EDI) project. Under the General Services Administration teleservicing process (TSP) contract, services are provided at no cost to federal agencies and will be used for sending and receiving the EDI documents. Following a pilot project, other vendors will be asked to transmit and receive business documents using EDI. The potential benefits of EDI are increased accuracy of data (eliminates re-keying data), reduction of paper, improved customer-vendor relationships, and improved cash management. Interior estimates that converting 10% of the procurement transaction workload to EDI will result in an annual cost avoidance of \$26,000. [Karen Baker, (202) 208-5773]

In calendar year 1989, the **Department of the Interior** implemented the Department of the Treasury's micro-computer-based Electronic Certification System that allows federal program agencies to certify and transmit small volume payments to a mainframe host computer at the Washington Financial Center. The microprocessor is equipped with a special security module and software which applies an electronic signature to each payment and schedule. Certifying officers have a unique key contained in a token which is used in generating the electronic signatures. Signature verification

and payment processing are performed automatically by the host system. It is estimated that using this system will result in a cost avoidance of \$8,000 on an annual basis in the Division of Fiscal Services. The benefits include the elimination of manual voucher typing and the loss or delay of vouchers in the mail. The system also provides positive control over payment dates and protects against forged certifications and altered vouchers. [Teresa Ogburn-Evans, (202) 208-3399]

Justice's Federal Bureau of Investigation is extending its Financial Management System to 58 major field offices. The first phase is the extension of the Budgetary Control System for remote inquiry. This provides on-line status of an office's discretionary funds. The near-future plans are to provide the field offices with the capability for remote entry of requisitions, inventory adjustments, vouchers, invoices, and other documents. [Kevin P. Kaporch, (202) 324-5974]

In October 1988, the Bureau of Prisons, Department of Justice, installed an automated small-purchase system in the central office on a trial basis. This system was designed to accommodate the purchase order format used by the Bureau of Prisons and to provide procurement reports required by the Federal Procure-

ment Data Statistics system. [David Nelson, (202) 724-3069]

The Department of Labor, Division of Coal Mine Worker's Compensation (DCMWC), during 1989 enhanced its automated accounting system to permit the accounting section staff using on-line data to issue certain checks to beneficiaries, responsible mine operators, medical providers, or other parties. The enhancement permits reissuance of checks previously issued but returned uncashed to the Department of the Treasury; it also permits issuance of checks to parties who paid DCMWC in error, who are entitled to reimbursement for overpayments, or who otherwise are entitled to special payment from DCMWC. Issuance of these checks can be accomplished using on-line data relating to the check amount, payee name, address, and identifier. Use of on-line data permits reissuance of a check with a minimum of data-entry keystrokes, while allowing correction of system data where necessary. Data to create payments are processed onto a magnetic tape which is routinely forwarded to the Department of Treasury and processed for check issuance. Use of the special check function also permits all authorized users access to information on checks issued under this process, which is es-

sential in avoiding the possibility of duplicate payments. This enhancement replaced the need for most manual payments which required labor-intensive individual typing, handling, and record-keeping. [Joe W. Hammonds, (202) 523-6737]

The Department of Labor's time and attendance reporting system was modernized to eliminate the use of punch cards as the reporting vehicle. The new system uses locally-produced plain paper forms that are then key-entered in the local payroll offices to provide the hours worked data necessary to produce a paycheck. This was the first of four phases planned for time and attendance modernization; the next phases will consolidate all time and leave reporting forms, decentralize editing for time and attendance data to the local payroll offices, and eliminate reliance on forms with direct timekeeper input of data. [Ted Kontek, (202) 523-8184]

The National Science Foundation's (NSF) Division of Financial Management electronically notifies travelers of past-due travel advance balances via E-Mail, thereby enabling prompt resolution of outstanding advance balances. Consequently, the amount outstanding has been significantly reduced.

NSF has made operable the ability for procurement staff to

electronically update the accounting system with purchase order obligations. This enhancement enables the purchase orders to update the financial database at the time of issuance, thereby providing more timely and complete financial information.

NSF is distributing ADP maintenance charges to the NSF organizations for which the repairs were made. The information systems staff inputs individual charges by benefiting organizations; charges are recorded and the result of this charge is transferred to information systems as a reimbursement of total ADP maintenance charges recorded, thereby resulting in real-time recording of said charges and reimbursements. [Martin T. Engle, (202) 357-7757]

The Department of the Navy is currently installing automatic teller machines (ATMs) on ships as part of a new Navy pay delivery system. Not tied to a banking institution, the ATM system aboard ship downloads pay entitlement for each member with an ATM account from the existing pay system. The member's funds are then available on demand without the normal payday process of issuing and cashing checks. Proven benefits to date include the elimination of pay lines and check processing, unnecessary cash movement (40 percent of funds disbursed on payday are

returned to disbursing through the ship's store and post office), safekeeping and nearly 24-hour access to personal funds. Ultimately, any pay entitlement entered into the member's pay account (travel, promotions, claims) can be downloaded to the ATM system. Twenty-five systems have been installed with an additional 23 scheduled by 1990. Installations on as many as 118 Navy ships are planned through 1992. [Sue Minnis, (202) 697-4937]

**The Railroad Retirement Board's** collection of contributions from hundreds of railroad employers to fund the unemployment insurance program has been extensively automated using a database DOS package operating on microcomputers. The system maintains information reported by employers, verifies their computations of contributions due, generates management reports (including key reports identifying employers who have not filed, filed late, or underpaid or overpaid contributions), and generates follow-up letters to these employers. The system will also generate contribution information for uploading to a mainframe system being developed to implement recent legislation converting railroad unemployment insurance contributions from a flat rate to ex-

perience rating. [Peter A. Larson, (312) 751-4590]

**The Tennessee Valley Authority (TVA)** converted from a manual to an automated process the maintenance of outstanding checks for its Retirement General Account. During a 4-month period when there was an unusually large number of checks issued as early-retirement incentives, internal processing costs were reduced by approximately \$2,000. With a normal level of outstanding checks, the internal processing costs will be reduced by approximately \$1,000 annually. [John F. Rymer, (615) 632-8144]

**The Tennessee Valley Authority** has contracted with the Federal Reserve Bank of New York (FED) to act as fiscal agent for issuance of book-entry securities. A condition of the agreement required that TVA be a participant in "FEDLINE II," a personal computer-based electronic delivery system that provides access to the Federal Reserve System services and information. Subsequent to the signing of the agreement, TVA has issued power bonds totaling \$8 billion in the FED's book entry system. Payments to the underwriters of the power bonds were also transacted via FEDLINE II. The system is of particular significance in providing payees with immediate collected funds. Prior to the availability of

FEDLINE II, TVA was required to deliver Treasury checks to the local Federal Reserve Bank, some 200 miles from TVA's headquarters, in order to provide immediate collected funds to the payees. FEDLINE II has reduced the risks involved with delivery of Treasury checks and provided a more reliable and efficient operation. [Wilson Taylor III, (615) 632-8133]

The Travel Accountability System (TAS), developed by the **Department of Transportation**, Federal Aviation Administration (FAA), Eastern Region accounting office, will be implemented FAA-wide during fiscal year 1990. The system resides on a Data General (DG) computer and interfaces with the Departmental Accounting and Financial Information System (DAFIS). Travel vouchers are logged in to the TAS and automatically updated by DAFIS when they are processed.

The TAS provides document tracking of travel vouchers including statistical reports, inventories of outstanding vouchers, and average processing times for both temporary duty and permanent change of station vouchers. The system also provides a variety of travel advance outstanding reports, a delinquency report with an automated analysis, and a system-generated letter to employees

with delinquent advances. The TAS has a remote access capability via local personal computers with appropriate telecommunications software to inquire about the status of a particular account. Savings resulting from the TAS are reduced research and manual record-keeping processing time. Managers and travelers benefit from remote access to the status of individual travel accounts and the simplified advance reports. [Martin Finkelstein, (202) 267-8954]

The Internal Revenue Service (IRS), **Department of the Treasury**, is developing the Contracts Office Information System (COINS), which is a requisition tracking system operating in a UNIX environment on a mini-computer. COINS produces purchase orders, delivery orders, and modifications; provides financial data for all completed actions in the Division of Contracts and Acquisition; and generates management reports. An automated document generation system (DGS) was acquired, which enables a contract specialist to rapidly produce various types of contracts including all appropriate clauses; use of this system will be extended to IRS regions. [Sidelle Wertheimer, (202) 343-0538]

The **Department of Veterans Affairs'** Centralized Accounts for Local Management (CALM) Code Sheet Elimination is a sys-

tem in which data is entered into the CALM system via terminals instead of completing paper code sheets. This project was implemented in September 1987 and has been phased in on a station-by-station basis. The completion date was March 1990 and the cost savings are anticipated to be \$4.3 million. This project, which eliminates the use of code sheets by providing on-line data entry capability, has demonstrated that the automated method reduces both the processing time and the transaction reject rate. [Paul Mulligan, (202) 233-5899]

## **CASH AND CREDIT MANAGEMENT**

### **Credit Cards for Small Purchases**

The **Department of Commerce** initiated a pilot program using a commercial credit card for small purchases. The bank card eliminates use of the Imprest Fund and SF 44 for making small purchases. The administrative cost of using the bank card is much less than the former costs of preparing a purchase order; controls in the program make it less susceptible to fraud and abuse than Imprest Fund and SF 44 actions. The pilot program was expanded to other agencies and very successfully completed; in September 1989, GSA took over the program and

offered credit card services under a Federal Supply Schedule.

To encourage use of the bank card, the Department of Commerce established management by objectives goals for all Commerce bureaus to reduce the number of purchase orders and SF 44 actions by 5 percent during fiscal year 1989. The goal was exceeded by a 9 percent reduction in purchase orders and a 32 percent reduction in SF 44 actions. During fiscal year 1989, bank cards were used to make 66,375 purchases totaling approximately \$10.4 million. Through the use of the bank card, cost avoidance savings for last year have been calculated at \$995,000. [Sonya G. Stewart, (202) 377-4299]

The Department of Defense's Defense Logistics Agency (DLA) tested the IMPAC credit card at the Defense Contract Administration Services Region (DCASR) Atlanta in November 1988. In May 1989, the program was expanded agencywide. The card allows DLA personnel to make purchases, reduces lead time for those purchases, and maintains a strong level of internal control. [George Keilkopf, (703) 274-6222]

In October 1989, the Department of the Army began using credit cards to make purchases of less than \$25,000. It con-

ducted a test at Fort Stewart, GA, in March 1989. Test results were positive, and the program was rolled out to other installations in October 1989. As of March 1990, 505 cards had been issued to purchase goods and services valued at \$372,000. Formally, payments for these purchases were made by an imprest fund cashier or a contracting officer who issued a contractual document which was processed through commercial accounts. The new process decreases the document flow through commercial accounts sections and saves state and local taxes. [Joan Simmons, (317) 572-2647]

The Federal Maritime Commission has initiated an effort to limit travel advances to manage cash more effectively. Also, permanent travel advances have been recalled from individuals issued government charge cards. [Karon E. Douglass, (202) 523-5770]

In January 1989, the General Services Administration awarded a contract for governmentwide commercial credit card services. These credit cards will be used for the authorized purchase of expendable goods and services costing \$1,000 or less. The policies and procedures manual relating to the card has been developed for departmental implementation. The use of credit cards will improve the agency's control over

small purchases through the establishment of a centralized, consolidated system that will provide the means to reconcile and acknowledge the receipt of all goods and services purchased under the plan. [Norman Hall, (202) 732-5564]

The Department of Interior, Bureau of Reclamation (BOR), participated with the Department of Commerce in the bank card pilot program beginning October 1987. The Acquisition and Assistance Division recently implemented this program on a bureauwide basis on October 1, 1989. Currently, four regions in the BOR are participating with the rest to follow. The bank card system authorizes individuals to use "government specific" credit cards to make purchases for items and services that meet specified dollar amount restrictions. The use of bank cards is a cost-effective substitute for Imprest Funds, Blanket Purchase Agreements, and Standard Form 44s. While the cost savings for the Bureau are not yet available, use of the bank card has improved cash management and funds control, shortened acquisition lead-time for small purchases, provided immediate payments to vendors, and required only one monthly payment rather than a payment for each purchase. The use of bank cards has proven successful in simplifying the acquisition and payment process in addition to providing

adequate controls and review to assure that individual actions are in compliance with acquisition regulations. [John Cunningham, (202) 236-3757]

The Justice Management Division, **Department of Justice**, was the first federal participant in the new General Services Administration, governmentwide credit card program. This program allows employees with delegated procurement authority to make small purchases of supplies and services with a credit card. Use of the credit card reduces the number of procurement actions, permits consolidation of multiple vendor invoices into a single payment, and expedites vendor payments. The pilot program was implemented in March 1989. The number of credit card holders is expected to increase substantially in the future. [Edward Dolan, (202) 272-5700]

During the past year, the **Department of Justice**, Justice Management Division, has achieved several milestones in regard to enhancing compliance with the Prompt Payment Act. The Division has issued detailed written guidance and provided training to administrative and payment personnel. It has also revised the payment audit procedures and input documents to include critical additional information relative to Prompt Payment Act compliance, conducted

quarterly reviews on compliance with the Act by using statistical sampling methods, and implemented a prompt payment incentive awards program for payment clerk personnel. [Edward Dolan, (202) 272-5700]

The **National Endowment for the Arts** has been very active in setting up procedures to process payments relating to the use of the credit card for small purchases. The Endowment took part in the Department of Commerce pilot program and arranged for Endowment offices to be trained in the use of the credit card program. Currently, the Endowment is part of the GSA contract and advises other small agencies on the program. [Marvin A. Marks, (202) 682-5407]

The **Department of Transportation** began making small purchases using credit cards in August 1989. Under the GSA contract, federal agencies are authorized to acquire goods and services under \$25,000 with the credit card. The department has implemented the credit card program in several field offices of the Federal Aviation Administration and the United States Coast Guard.

The Office of the Secretary, **Department of Transportation**, implemented in February 1989 an electronic interface with the bank for the electronic

receipt of monthly statements and detailed accounting transactions. In addition to earning a discount on administrative International Merchant Purchase Authorization Card (I.M.P.A.C.) charges, the implementation of the interface saves accounting document review and coding time while providing an automated audit trail of all credit card transactions. [John W. Roberts, (202) 366-0318]

### **Credit Cards for Collection**

The **Department of Commerce** expanded its acceptance of personal credit cards when collecting funds owed from the public to the federal government. During fiscal year 1989, four additional Commerce bureaus began accepting credit cards from the public which contributed to the department's \$3.2 million in collections by credit cards. [Sonya G. Stewart, (202) 377-4299]

In October 1986, **Treasury's** U.S. Customs Service expanded its credit card program to include acceptance of another credit card at major airports for payments made by travelers returning to the United States. The program has been expanded under the Financial Management Services' (FMS) credit card services master agreement as of October 1987. Customs has implemented a cash register network



which includes automatic credit card authorization and reporting. As of January 1990, 70 locations comprised the cash register network for the automatic credit card authorization and reporting system and 20 more locations are planned to join the network by the end of fiscal year 1990. [Richard Trent, (202) 566-8256]

### Debit Cards

The Department of Commerce, in conjunction with the Department of the Treasury, has developed a pilot program to issue debit cards to imprest fund cashiers. By using debit cards, imprest fund cashiers can obtain cash from bank automated teller machines to replenish their fund balances rather than by the check processing method currently used. If successful, the program will reduce the cash needed by cashiers for financial transactions. The pilot began in January 1990 with six cashiers from the National Oceanic and Atmospheric Administration participating. [Sonya G. Stewart, (202) 377-4299]

The Department of the Navy is pioneering the use of debit cards with automated teller machines (ATM) on ships at sea. The automated teller machines at sea program is an automated pay delivery and safekeeping system. As a subset of the Navy's direct deposit system, ATMs eliminate

check production and reduce shipboard cash requirements. The first system was installed on the USS Hunley in August 1988. By the end of September 1990, 52 ships will have ATM systems onboard. These ships will generate over \$6 million in annual savings in labor cost by reducing paylines, avoiding interest on Treasury borrowings, and eliminating Treasury check processing costs. Installations for 118 ships are scheduled through 1992.

The system features an automated interface with the shipboard pay systems. This interface downloads net pay data into a customer's ATM account, releasing the member's net pay into his/her account at midnight on payday. The ATM system offers many of the same features found in a commercial bank's ATM system except, in this case, it accesses the member's pay account instead of his bank account. A member may withdraw funds or make an account balance inquiry 24 hours a day at any of the ATM locations on the ship (between two and eight, depending on ship size). An added feature of this program utilizes point-of-sale terminals in the ship's retail outlets and the ship's post office. The same debit cards are accepted in these facilities, thus adding more utility and savings to the ATMs at sea program. This added fea-

ture further reduces cash holding and handling requirements onboard ship. [LCDR Thomas Snyder, (202) 695-2883]

In September 1989, the Federal Aviation Administration, Department of Transportation, became the first federal agency to use a debit card for replenishing cash at several imprest fund sites under a pilot program funded by the Financial Management Service (FMS). The United States Coast Guard, also a participant in the pilot program, began making imprest fund cash replenishment by debit card during the first quarter of 1990. The pilot program enables imprest fund cashiers to withdraw cash at automated teller machines (ATM) connected to a bank network to replenish their imprest funds. The network services over 26,000 ATM locations in over 5,000 cities throughout the United States and Canada.

Under the pilot program, imprest fund cashiers are issued debit cards from a contractor. Each cardholder is issued a unique personal identification number (PIN) and is limited to cash withdrawals of \$1,000 each business day. When a cash withdrawal is made by a cardholder at an ATM connected to the network, the contracting bank's account is charged for the amount of cash withdrawn. The bank is then reimbursed daily by agen-

cies through the Letter-of-Credit FEDLINE System for the total amount of funds withdrawn by its imprest fund cashiers. The debit card eliminates imprest fund replenishment by Treasury check, which accelerates imprest fund replenishment by 2 to 5 business days. [Rick Polhamus, (202) 366-5626]

### **Other Cash Management Efforts**

Inmates of the Department of Justice's Bureau of Prison (BOP) institutions who owe fines or special assessments or who are required to make restitution are responsible for making payments while incarcerated. A mechanism has been implemented which electronically transfers funds to the Department of Treasury from inmate accounts at federal institutions. The mechanism also electronically transmits payment information to the Justice Management Division which credits funds to appropriate agencies and notifies United States Attorney Offices of payments for posting to debtor accounts. Benefits of the enhancement are that fewer checks are scheduled by BOP institutions and issued by the Treasury, United States Attorney Offices no longer process and deposit checks as done formerly, and cash management is improved. This program was fully implemented in October 1989. [Steven Benda, (202) 272-6326]

The Department of Transportation has contracted for monitoring and review of unemployment compensation benefit compliance. Key services provided by the contractor include verifications of claimants' employment, processing of protests and appeals, and verification of detailed state benefit data. Once an unemployment claim is submitted by a state, the department has only 10 calendar days to review and submit an appeal for claims which the department contests are ineligible for unemployment compensation. During this 10-day review period, the contractor verifies that the claimant has been previously employed by the department, reviews the reason for separation, and submit appeals for contested claims. In the first 9 months of calendar year 1989, the contractor reduced the department's unemployment liability costs by approximately \$830,000. [Rosie Roberson, (202) 366-0318]

Treasury's Internal Revenue Service has developed the Cash Management System (CMS) to provide for the integration and modernization of its remittance processing activities. The CMS project bundles several remittance initiatives under one umbrella to provide a logical, integrated approach for receiving, validating, balancing, and posting remittance transactions. The

major project components of CMS are the Check Handling Enhancement and Expert System (CHEXS), the District Remittance Processing System (DRPS), and the Electronic Deposit Processing System (EDPS).

CHEXS will be installed at the ten IRS service centers and will employ Optical Character Recognition (OCR) and image processing technologies. The system will reduce paper check processing burdens enabling a timely deposit of remittances. Labor costs will be reduced and deposit remittance time frames will improve. Installation is scheduled for October 1991, to be operational by 1993.

DRPS will be installed at 46 IRS district offices and will include the addition of programmable check encoder/endorsers and software interfaces to correct IRS systems. In addition to improving paper check processing time frames, the system will reduce labor and bank processing costs. The initial installation of DRPS will be November 1990, the system will be operational by 1991.

EDPS will employ Electronic Funds Transfer (EFT) technology to facilitate the receipt and processing of all remittance transactions in a paperless environment. The system will enable direct taxpayer input of remit-

tance transaction data via various electronic mechanisms. EDPS will improve efficiency in remittance transaction processing while also improving federal government financial operations by accelerating the credit of funds to the Treasury General Account. The EDPS prototype will be operational in April, 1991. [Kathy Jantzen, (202) 723-3514]

## Electronic Payments

### *Electronic Funds Transfer (EFT)*

During 1988, the U.S. Army's Finance and Accounting Center modified its Standard Civilian Payroll System to provide users the capability to use electronic funds transfer (EFT) to make direct deposits to financial institutions. Previously, system users had to rely on composite checks to make direct deposits. Accelerated efforts were made by civilian payroll offices during 1989 to implement EFT. To date, EFT is operational at 53 of the Army's 70 payroll offices which use the standard system. Use of EFT reduces the costs associated with producing composite checks and eliminates the risks involved in mailing checks. [Bob Cash, (317) 542-3213]

The U.S. Army Information Systems Command has installed a data transfer system utilizing a microcomputer, modem, and data lines to transfer the civilian

payroll system's electronic funds transfer information to the Federal Reserve Bank. This system, called FEDLINE, eliminates the need for overnight mail of a magnetic tape to the Federal Bank and provides better service to participants. [Judy Beal, (301) 878-5302]

On November 14, 1989, the **Government Printing Office (GPO)** implemented Electronic Funds Transfer-Direct Deposit (EFT) for employees' pay and saving allotments. Employees were given the option of participating in EFT or continuing to receive their paychecks at their work stations. Over 2,000 of GPO's more than 5,000 employees elected the option of having their pay go directly to their financial institutions. Saving allotments, which numbered over 4,000, were also converted to EFT, bringing the total payments that are made electronically to financial institutions to over 6,400 biweekly. [DuWayne Brown, (202) 275-2796]

In 1989, the **Securities and Exchange Commission (SEC)** continued to improve its collection of more than \$200 million in annual fee revenue through electronic funds transfer (EFT) and a Treasury sponsored lock-box depository. Accomplishments included a favorable review of the acceptance of filer credit card charges for the pay-

ment of filing fees and the beginning design of an automated fee tracking, reporting, and accounts receivable system. The SEC's fee volume consists of 43,000 annual payments of differing amounts for required and elective reports from about 15,000 companies. Filings are received by mail, over-the-counter at the SEC home office, or electronically through the agency's paperless electronic filing "EDGAR" system. Fees (and fee data) are received over-the-counter, by mail, and, in growing numbers, electronically through a lock-box depository. Future fee deposits will also be collected by credit card through the "EDGAR" system. Now in design, the automated fee tracking, reporting, and accounts receivable system will interface with the agency's accounting system to generate daily deposit tickets, electronically record and match filings and fees within "corporate accounts," maintain accounts receivable records, produce required billing notices, and perform periodic reconciliation. [Henry Hoffman, (202) 272-2639]

Since fiscal year 1986, the **Department of Transportation (DOT)** has had an active campaign to increase participation in the direct deposit/electronic funds transfer (DD/EFT) program. Within the past 3 years, the department has added ap-

proximately 38,000 military and civilian personnel onto DD/EFT. During this period the DOT's DD/EFT participation rate has increased from 45 to 84 percent, regarded as one of the best in the federal government. [Rick Polhamus, (202) 366-5626]

Treasury's Office of Thrift Supervision (OTS) is currently working on incorporating the Treasury Vendor Express and Personnel Express electronic transfer programs into its automated system. This incorporation should be implemented by the summer of 1990. The headquarters alone potentially could save over \$3,000 per year with the cooperation of vendors and OTS travelers, with further savings provided in OTS districts. This savings amount will increase to approximately \$13,000 annually when the field offices are added to the system this January. [Alvin Shelton, (202) 906-6236]

In February 1989, Treasury's Office of Thrift Supervision (OTS) eliminated paycheck delivery to the worksite which increased the average 1988 Electronic Funds Transfer (EFT) usage by 16%. This directly increased the cash flow savings by approximately \$5,000, as well as reducing the administrative work associated with manual check distribution. [Michael Bajos, (202) 906-7074]

**The Department of Veterans Affairs' DD/EFT direct pay initiative** was installed in May 1989. This system provides Treasury with a monthly DD/EFT payment tape in lieu of cyclical payment changes. By providing a direct payment tape, the issuance of over \$20 million in erroneous payments will be prevented annually. The major benefits are reduction of overpayments and their associated collection efforts, and improvements in system efficiency. In addition, the Department of the Treasury will realize savings since they no longer have to maintain the VA's DD/EFT payment master file and its related program applications. Phase II will increase the DD/EFT participation rate, thus increasing the benefits derived from the system improvements in Phase I. Some initiatives under consideration for Phase II are Electronic Benefit Services, Simplified DD/EFT Enrollment, and International DD/EFT. The VA hopes to begin this phase sometime in 1990. [Paul Mulligan, (202) 233-5899]

#### *Automated Clearing House (ACH)*

The Health Care Financing Administration (HCFA) of the **Department of Health and Human Services (HHS)** has switched medicare contractors from the Federal Reserve Bank letter-of-credit payment

mechanism to an ACH Smartlink payment mechanism operated by HHS' payment management system. This new process requires the contractors to request and obtain approval for the desired amount of funds needed to pay administrative costs. The letter-of-credit payment mechanism allowed these contractors to draw funds at will without obtaining any prior approval, permitting, at times, some medicare contractors to draw down funds in excess of their approved administrative cost budgets.

On April 1, HCFA began a pilot to demonstrate that the contractors' cash needs could be met via the Smartlink process. The use of Smartlink improved cash management by insuring that cash outlays do not exceed a pre-established outlay plan. The contractors use a personal computer to telecommunicate requests for funds. Approval is normally obtained automatically by the payment management system if all the cash management and payment authorization checks are met. Payment is credited to the contractor's bank account the following work day.

All of the medicare contractors were converted to the Smartlink payment mechanism by the end of fiscal year 1989. HCFA expects over \$1.4 billion to be paid to contractors through this new process during fiscal

year 1990. [Gerald Hankin, (202) 646-5774]

Social Security Administration (SSA), **Department of Health and Human Services**, implemented the SecureCard pilot on November 1, 1989. For the first time, a federally-administered monthly benefit was paid through a commercial bank card system. Targeted at individuals previously paid by check, participating Social Security Insurance (SSI) recipients were able to withdraw their monthly benefits from automated teller machines and point-of-sale terminals using the SecureCard.

SecureCard is being funded by Treasury's Financial Management Service because of its desire to save resources by shifting payments to individuals from checks to electronic processes. SSA agreed to jointly develop and test the alternative payment delivery method because of the potential to improve services to SSI recipients who do not have bank accounts and cannot take advantage of the safety and convenience of direct deposit. Individuals who are paid electronically are 16 times less likely to experience a problem with their payment being lost, stolen, or not received. SecureCard participants also benefit because they will not be paying check cashing fees during the 12 months covered by the pilot and may open a new check-

ing account when the pilot ends. The bank has agreed to waive for an additional 12 months its normal fees and the minimum balance requirements for checking accounts. The SecureCard pilot is voluntary and provision was made for a maximum of 1,000 participants. Approximately 100 SSI recipients have elected to participate thus far and a second mailing to encourage enrollment for those eligible was completed in January. [William Farrell, (301) 965-2411]

**The Department of Housing and Urban Development** (HUD) continues its on-going pursuit and support to the Treasury's Automated Clearing House (ACH) Direct Deposit/Electronic Funds Program. In fiscal year 1989, HUD extended its previous efforts of mass conversions from paper check to direct deposit by converting another block of annual repetitive payments amounting to \$1.7 billion. The estimated yearly savings on the conversions amount to \$3.4 million. New programs will be added to this effort in fiscal year 1990. [Gail B. Dise, (202) 755-1757]

During the past calendar year the **Department of Transportation's** Urban Mass Transportation Administration (UMTA) mandated the use of the Automated Clearing House (ACH) method of payment for

grantees (for those not on letter of credit), employee travel payments, and vendors. UMTA's goal is to become a checkless office. All grantee and employee travel payments, previously paid by check, and the majority of vendors are being paid by ACH. UMTA was successful in achieving its goal of having the remaining vendors converted by March 31, 1990. Also, an effort to increase participation in electronic funds transfer (EFT) for employee salary payments from 87 percent to 100 percent was accomplished. [Charles Ferguson, (202) 366-9748]

The U.S. Customs Service, **Department of the Treasury**, has implemented an Automated Commercial System (ACS). Through it, brokers and importers can file merchandise entries using the Automated Broker Interface (ABI). The ABI Daily Statement process enables users to make a single payment for estimated duties covering multiple entries. ACS has been enhanced to enable ABI daily statement users to make Automated Clearing House (ACH) payments which are processed by a bank. The ACH reduces costs associated with both Customs and Treasury General Account (TGA) check processing.

Effective January 2, 1990, the ACH process was expanded to include quota merchandise

entries. ACH is now mandatory for ABI daily statement quota entries. The process was also modified to eliminate the need for a separate interface between the ABI user and the bank. To date, a total of 90 companies have applied for ACH. Currently, there are 30 core companies using ACH with approximately \$2.5 million in daily ACH transactions. During January 1990, the ACH total cash flow was \$12 million. The ACH process will be expanded in the future to add bill and excise tax payments. [Ed Matthews, (202) 535-5066]

### Lockbox

The Superintendent of Documents, **Government Printing Office** (GPO), began using lockbox systems in 1989 to improve their collection and processing of customer orders. Riding the Treasury Department's contract, the first lockbox application was implemented in April 1989 with a large volume of book orders required to be processed for a few months. The sale of IRS tax forms and subscription renewals were placed on a lockbox system. Renewal forms were redesigned for the lockbox system and not only does this expedite collection of the monies, but the renewal data is electronically captured by the lockbox bank who submits this information electronically to GPO's computer for fulfillment. This has cut the average time required to

renew a subscription to 1 week. [DuWayne Brown, (202) 275-2796]

The **Department of Justice** established a lockbox facility to receive remittances for applications and petitions, Freedom of Information Act and Privacy Act requests, cash bonds, and miscellaneous collection. Use of the lockbox will expedite deposits with the Department of the Treasury, permit deposit data keyed by the bank to be entered into the accounting system on a daily basis, ensure agreement of accounting system and Treasury deposit data, and assure the crediting of remittances to the proper accounts. The lockbox was implemented on July 1, 1989. The anticipated savings for fiscal year 1990 is \$83,000. [Edwin Fost, (202) 514-3027]

The Office of Passport Services, Bureau of Consular Affairs, within the **Department of State** has successfully tested a lockbox project designed to improve cash management. The lockbox project has been successful at passport agencies in Chicago, San Francisco, and Washington, D.C. Passport applications and accompanying fees taken by acceptance agents in the three regions serviced by these office are being mailed to the bank lockbox depository in Pittsburgh, Pennsylvania. The money is deposited to a federal account within 24 hours, and then the

passport application is forwarded to the appropriate agency for citizenship adjudication and passport issuance. As a cash management technique, this procedure provides for speedier deposit of interest earning monies to the federal account and enhanced internal controls. [Charles Koeneman, (202) 875-5610]

A lockbox arrangement has been established by the **Tennessee Valley Authority** (TVA) with a commercial bank to facilitate timely deposit of receipts from power sales. Once the system has been proven effective with the power sales, all receipts currently mailed to TVA will be directed to lockbox addresses in Chattanooga, Johnson City, Knoxville, Memphis, or Nashville. Nashville and Johnson City have been added as collection sites with a potential savings to TVA of \$116,000 annually. Internal processing costs will be reduced by approximately \$10,000 annually. [John F. Rymer, (615) 632-8144]

The **Department of the Treasury**, Office of the Comptroller of the Currency (OCC), expanded its use of the lockbox system to include collection of payment for unused airline tickets. Approximately 400 of these transactions are processed each month. Use of the lockbox system increased the availability of funds and decreased OCC's

work load by automating the recording of individual transactions. [Robert L. Teets, (202) 447-1721]

During calendar year 1989, Treasury's Internal Revenue Service converted the remaining 6 service centers to the lockbox, processing Forms 1040ES. In 1989 the commercial lockbox operations processed over 29 million payment documents (Forms 1040ES) and deposited over \$57 billion in revenue receipts. Beginning on April 1, 1990, a bank began receiving and processing Forms 1041ES for all taxpayers who make estimated fiduciary tax payments (except magnetic page filers). The Austin Service Center will be responsible for processing the magnetic transaction tapes and resolving any account/deposit discrepancies. It is estimated that the bank will receive approximately 165,000 payment vouchers each quarter. The lockbox operation is a process whereby an agreement is made between a commercial bank and a government agency to have the bank process certain payments. The bank receives payments directly from the taxpayers, processes the payment document, and deposits the funds directly into the Treasury's General Account. The use of a lockbox reduces mail, processing, and availability "float." [Tom Kelleher, (202) 233-1143]

### *Third Party Drafts*

The Social Security Administration (SSA), Department of Health and Human Services, conducted a pilot to test the use of Third Party Drafts in lieu of imprest funds. The pilot was a complete success and the results are currently being used to develop and implement a plan for SSA-wide use of drafts. The drafts are used to pay for small purchase, medical and financial evidence, local travel, monthly telephone service, emergency salary payments, travel advances, and emergency beneficiary payments. Use of drafts improves cash management, security, and internal controls; they offer greater administrative convenience and flexibility. Currently, 73 offices are participating in the pilot. In early 1990, imprest funds totaling \$2 million in 1,400 SSA offices will be converted to Third Party Drafts. [Gerry Glaser, (301) 965-0533]

During 1989, the Department of Health and Human Services (HHS) developed and implemented a personal computer-based third party draft system to be used in lieu of cash for imprest fund transactions. As a menu-driven payment system, third party drafts enable the agency to write checks and generate standard general ledger transactions in a single process. The system provides a number of query and hard copy reports

used to manage and control drafts issued and cleared within the system. The system is currently operational at HHS headquarters and regional offices. [William Shelton, (202) 245-8085]

The Department of Interior's Finance Division is evaluating a pilot test by the Bureau of Reclamation of the Treasury Department's Third Party Draft (TPD) cash management initiative as an alternative to the traditional cash mechanism for imprest fund transactions. Informal feedback supports Treasury's predicted ease of use by the cashiers, with elimination of cash shortages/outages and the potential for a significant reduction in the balance of cash outstanding. [Marilyn Barclay (303) 776-8846]

Expansion of the Generic Third Party Draft system will continue throughout the Department of Justice. Use of drafts reduces the need for imprest funds or cash held outside of the Department of the Treasury (Treasury). The Treasury cited the Department of Justice as having a model draft system. It particularly applauded the automated system, on-line funds control, draft policy manual, and ongoing compliance reviews. The volume in the Generic Third Party Draft system has nearly doubled in the first two years. In 1988, 66,042 drafts were issued for the

amount of \$14,266,713. In 1989, 120,000 drafts were issued for the amount of \$26,200,000. [Lee Lofthus, (202) 501-7868]

In July 1989, the **Department of State** implemented the Treasury initiative of Third Party Drafts for this service for its Foreign Service Institute. The Institute's transaction volumes in fiscal year 1989 and the forecast for fiscal year 1990 are as follows:

Third Party Drafts, Foreign Service Institute		
	Number of Drafts Issued	Dollar Value
July 1989	104	\$ 18,473
August 1989	255	51,416
Sept. 1989	177	32,622
FY 1989, 4th qtr.	536	102,511
FY 1990, estimate	3000	\$600,000

In fiscal year 1990, the department will contract for Third Party Drafts in other domestic locations. [Charles Koeneman, (202) 875-5610]

### Travel

The **Department of the Army** has implemented the use of the government-supported credit

card for travel. All CONUS locations were participating at the close of 1989. Cards are used for permanent change of station costs. Annual savings approximate \$800,000. The Army is implementing a centrally-billed charge account for the purchase of airline tickets. All schedule airline ticket offices and the 5th Army are now operational; all CONUS installations are scheduled to be operational by January 1991. [Joan Simmons, (317) 572-2647]

The **Department of the Navy** has reviewed its travel procedures and updated travel policy for claims processing, claimant actions, and outstanding advances. As a result of this action, the Navy discovered that five percent of travel advances were over-advanced. Cash management savings approximate \$1 million annually. The Navy also implemented the use of the government-supported travel card in August 1989. Approximately \$820,000 in annual savings is achieved through the use of the cards. [Brian White, (202) 697-4422]

The **Bureau of Mines, Department of the Interior**, has initiated a program to implement a credit card program for the Government Transportation System bureauwide. This program provides for airline tickets to be charged to a Bureau credit card. The benefits of this program in-

clude reduced financial burden to the employee (airline tickets are no longer charged to personal credit cards) and reduced administrative processing costs associated with processing and payment of government travel. [Tim Hamilton, (303) 236-0404]

The **Justice Management Division, Department of Justice**, is implementing a travel accounts payable module. This enhancement will provide improved tracking of employee travel vouchers throughout the payment process and provide quicker reimbursement. It will permit on-line data entry and query of voucher processing status from remote sites. The modules will have the capability of being used for centralized or decentralized travel processing. Implementation is expected on a pilot basis in June 1990. [Edward Dolan, (202) 501-6600]

The **National Endowment for the Arts** is working on the implementation of a DATAEASE database tracking system for travel. Policy and procedures are being developed before full implementation occurs. Testing has been very successful in helping employees realize the need to clear advances on a timely basis. The DATAEASE database system tracks the authorization, advance, and vouchers. It calculates any outstanding advances or open authorization amounts;



provides reports for monitoring status; and creates first, second, and third "dunning" letters and individual status reports. [Marvin A. Marks, (202) 682-5407]

### *Credit Management*

The Department of the Army has developed a debt management report card which rates the Communications Electronics Command in two categories of performance: (1) debt reduction targets and (2) aging trends. The statistical performance report assigns weighted values and potential points to these two critical areas. For debt reduction, performance is measured by how well a (predetermined) pro rata share of the reduction target is met for a given quarter; each quarterly rating provides management immediate feedback on whether the annual target will be met. For aging trends, performance is measured by the degree to which outstanding debt is current. Management is provided a composite rating which results from a combination of the two elements. The report card has worked well, as it provides feedback, promotes awareness, and motivates managers to improve performance. As a result, public debt reduction targets have been exceeded. [Ron Vadala, (201) 532-1292]

The Army has undertaken two projects named Contract Financing I and II. These projects were started to ensure that the Army contract financing office took appropriate action to effect the collection of contract debts, including the referral of debt cases to the Department of Justice. The entire process of collecting the contract debt was reviewed and the procedures and systems were revised and improved. Total contract debt collections in the 12 months ended May 31, 1989, were \$8.7 million, compared to \$380,000 for the previous 12 months. [J. E. Simmons, (317) 542-2642]

The Department of the Navy implemented in January 1989 the use of a direct debit to collect out-of-service debt. The direct debit allows the Navy to deduct automatically a payment each month from the debtor's checking account. Initially, the pilot was tested for accounts aged 180 days and older. The Navy has expanded this program to all out-of-service debt. [Brian White, (202) 697-4422]

The Department of Education's guaranteed student loan debt management and collection system is being developed with advanced processing features and offers great potential for cross-servicing other federal loan-making agencies. The system is designed to link and consolidate into one

database debts from individuals who have defaulted under various programs. It will accept new debt listings from guarantee agencies; update the database; and perform proper accounting with audit trails, security, and balancing functions. One feature of the system allows collection personnel to use the system directly on-line. The system is generalized to handle all program types. When processing a new debt, the system will search for an existing account (even if closed and archived) with which it may attach the incoming debt. This new system will improve controls over debt management and result in more efficient collection effort. [Tom Pestka, (202) 732-4464]

The Department of Housing and Urban Development's Financial Control and Accounting Division has taken several actions to improve collection of department debts. HUD has referred 110 cases totaling \$466,568 to an outside collection agency for recovery; these cases represented individuals who fraudulently obtained Section 8 funds. Further, HUD has reported outstanding debts to credit reporting agencies, referred delinquent debts to IRS for tax refund offset, referred delinquent debts to the Department of Justice for write-off approval, written off delinquent debts that did not require

Justice's approval, initiated salary and administrative offsets, and referred delinquent debts to Justice for litigation. [Thomas J. Stewart, (202) 755-5154]

In the summer of 1989, four of the **Department of Transportation's (DOT)** Operating Administrations began participating in the Income Tax Offset Program. The four DOT participants in the Income Tax Offset Program are the Office of the Secretary, Federal Aviation Administration, Federal Highway Administration, and the United States Coast Guard.

In the fall of 1989, DOT's participants sent 60-day notification letters to their delinquent individual debtors advising them that, unless arrangements were made to repay their debts, DOT would refer their accounts to the Internal Revenue Service for offset against any income tax refund due to them. In January 1990, approximately 600 delinquent accounts totalling an estimated \$600,000 were referred to the Internal Revenue Service for offset. [Steve Swanson, (202) 366-5643]

During 1989, the **Department of Treasury**, Bureau of the Public Debt, continued its participation in the Federal Salary Offset Program. The collection of delinquent debts was greatly

enhanced as a result of an existing agreement with the Department of Defense for debt collection computer matching. Collections by salary offset for 1989 were \$5,855.98. The Bureau secured its debt collection program by extending its agreement with the Internal Revenue Service (IRS) for the 1989 Tax Refund Offset Program. Collections by tax refund offset for 1989 were \$31,516.62. The agreements with the Department of Defense and the IRS have reinforced the activities of the Bureau's Debt Collection Program. [Eugene Schulman, (202) 447-9829]

### **PRODUCTIVITY**

The **Department of the Army** has established a secure communications system. The Ground-Based Surveillance and Tracking System (GSTS) Project Office and its prime contractor have established a real time and secure data transmission system between the project office in Huntsville, AL and the contractor's facilities in Huntington Beach, CA. The personal computer system was established in April 1989, and has been used extensively to transmit classified data between the two offices. The system is configured with a FAX machine, laser printer, optical scanner, and STU III telephone. Results have been a significant reduction from the

normal classified mail time. The resulting savings is at least 2 weeks' transfer time for each classified document sent by regular mail; the avoidance of express mail and/or a savings associated with the use of courier. As one example, the cost of express mail is about \$10 per time (average of 3 or 4 per week) versus \$.17 per minute (maximum of 10-15 minutes per time) for use of the communications network. In addition, contract documentation, computer files, and other technical information have been transmitted via this communication link. [Dave Lacy, (205) 722-1630]

The **Department of Commerce** has established a Quick Reaction Task Order (QRTO) system which provides a contractual vehicle to acquire professional services rapidly and competitively. Under this system, multiple master contracts are initially competitively awarded, and, as work is needed, tasks are further competed among QRTO contractors before an award is made. This system provides better management control for acquiring advisory and assistance services and does so in a competitive and more timely manner. The system was first implemented in 1986 within one of the agency bureaus. While it is difficult to determine the actual savings from using the QRTO system, clearly there are increases in productivity due to

reductions in the time and effort needed to award individual tasks. The typical procurement lead time for an award is 3 to 4 weeks versus several months using other procurement procedures. One bureau estimates a time saving of over 5 months and a cost avoidance of \$20,000 per task. [Greg Crider, (202) 377-4248]

**The Department of Commerce Quality and Productivity Improvement Program** was initiated in 1985. Its underlying theme is that quality and productivity improvement must be addressed systematically to produce continuing and significant results. The program highlights the fact that productivity improvement must go hand-in-hand with quality, reliability of product, dependability of service, and commitment to excellence.

The improvement initiatives officially began in September, 1986, and have grown to currently cover 55% of the eligible workforce. The 21 major quality and productivity improvement projects represent a range of management improvement techniques such as automation, work simplification, quality circles, and reorganizations.

Examples of quality and productivity improvements include the following:

- reduction in patent application processing time from 36 months to 18 months,
- reduction in trademark application processing time from 24.9 months to 13 months, and
- reduction in export licensing application processing time from 60 days to 11 days.

More recently the key elements of the program have included establishment of a Secretary of Commerce Quality Award for Commerce organizations, development of quality and productivity management plans by each bureau to be monitored through the management by objectives (MBO) process; and the formation of a Commerce Quality Council. [Stephen C. Browning, (202) 377-3707]

**The Environmental Protection Agency's Productivity Improvement Investment Fund** serves as a catalyst to promote innovations in service delivery, encourage more efficient use of limited resources, and improve management throughout the agency. The Fund has generated enthusiastic support and encouraged employees to be creative and more actively involved in their work. In 1989, 112 project proposals were submitted by EPA laboratories, regions, and headquarters offices; the Fund was able to fund 16 of the best proposals. Since

its inception in 1987, the Fund has awarded over \$1.9 million in seed money for 54 projects that are making a difference in EPA's activities with ADP, work processes improvement, laboratory enhancement, human resources development, and technology transfer. The FY 1991 Superfund allocation will enable EPA, by extending the fund to include Superfund activities, to provide the same incentives for quality and productivity improvement to a broader spectrum of employees.

Working in an era where concern for the environment and the way EPA is managed is at the highest level in history, the need for innovations in service delivery, cost effective solutions, and promotion of best management practices in the federal government have never been greater. At EPA, the Productivity Improvement Fund is an ideal mechanism to foster high priority management improvement efforts. [Sallyanne Harper, (202) 382-5097]

**The General Services Administration** designed special programs which allow regions to interactively inquire against live vendor files instead of having to review massive microfiche reports. This has saved a significant amount of research time and reduced the number of duplicate vendors on file. In

order to make a payment, an accounting technician must code the vendor number on the purchase order. Research must be done to determine if the vendor has an existing number or must be assigned a new one. When the technicians are trying to research different vendor names on various purchase orders, they can now type the vendor name and zip code at the terminal and have instant access to the vendor number. Before, when using the reports, they would have to scan many pages of microfiche to identify the vendor numbers. The programs were implemented in January 1989 and cost savings of 2 work years annually are anticipated. [Jolene Romanyshyn, (202) 501-1084]

In June, 1988, based on the success of a carefully conducted pilot project and a well developed system of existing internal controls, the Food and Drug Administration (FDA), **Department of Health and Human Services (HHS)**, initiated payment of most commercial invoices for \$750 or less without receiving reports. This has resulted in substantially improved performance under the Prompt Pay Act and significant cost savings. After the pilot project in 1988, the FDA staff received permission from the

HHS Office of Finance and the Office of Management and Budget to initiate payments without receiving reports immediately for commercial invoices of \$750 or less, excluding payments both for training and for personal service contracts, and subject to quarterly post-payment statistical sampling. The results of FDA's statistical sample for its first quarter operating under this new procedure are now complete. During the period FDA paid 8,843 invoices of \$750 or less without receiving reports for a total of \$1,873,427. A randomized statistical sample of these payments was selected by a computer program, with the sample size and distribution determined by criteria set out in this HHS Voucher Audit Manual. The 265 payments selected, totaling \$58,709, were subject to 100 percent post-audit. When the post-audit was done, only one payment was identified which might have been a problem and which was not corrected as a result of internal controls in place.

The FDA continued this process throughout 1989 with results showing improvements over traditional payment operations (see exhibit):

Performance Comparison		
	1988, 1st Half	1989 Actuals
Late payments	30%	7%
Payments with interest	8%	2%
Interest paid	\$49,800 annualized	\$35,100
Savings Projected and Actual		
	<u>Savings</u>	Actual 1989 <u>Savings</u>
Overtime	\$23,000	\$19,780
Interest payments	29,000	14,090
FTE savings estimate	44,000	36,220
Discounts saved	5,000	—
Totals	\$101,000	\$70,090

As a result of this experience, the FDA has decided to raise the limit from \$750 to \$1,000. [Frank P. Claunts, (202) 443-3260]

The National Park Service, **Department of the Interior**, has consolidated its administrative accounting and payment functions. The consolidation of work previously performed in the Regional Offices permits the Service to standardize these functions and allows the opportunity to use techniques that enhance the Service's capability to process payment vouchers. [Jon Shrun, (703) 487-9177]

The **Tennessee Valley Authority (TVA)** consolidated its fixed assets accounting function under the Controller. The consolidation provided the framework to more efficiently account for TVA's fixed assets. Streamlined work methods, elimination of duplication, and computerization have already reduced staffing requirements. Additional improvements, particularly in record-keeping and reporting, are planned which will provide further efficiencies. Consolidation of fixed assets accounting has enabled the available staff to focus on the job to be done and has provided more flexibility among the staff to address shifting workloads. [Billy R. Turner, (615) 751-5536]

In August, 1989, the **Tennessee Valley Authority's (TVA)** accounts payable function was consolidated under the Controller. By eliminating duplication of effort and improving work methods, a 20 percent staffing

reduction was initially accomplished. Implementation of additional improvements in work methods and increased utilization of automated processing methods are anticipated by fiscal year 1992 to provide further efficiencies and reduce staffing requirements by an additional 20 percent. Consolidation of the accounts payable function has provided a more orderly and uniform processing of invoices and has provided more flexibility among the staff to address shifting workloads. Vendors now send all invoices to one location rather than having to deal with six separate locations. [Linda M. Delozier, (615) 632-4422]

The **Department of Transportation's Office of Financial Management** has implemented an on-the-spot travel voucher processing service for its customers. Travel vouchers that are \$250 or less can be submitted directly to a walk-up window for immediate voucher examination and payment through the Imprest Fund. In what is normally 10 minutes or less, the traveler can complete voucher processing and receive authorized reimbursement upon completion. The implementation of the walk-up service has encouraged travelers to submit their vouchers promptly while allowing the accounting office to dedicate voucher examination time to more complex examina-

tions. Future plans include the use of Automated Clearing House (ACH) payments to travelers so their bank accounts can be immediately credited. Overall, the walk-up window has increased the level of service delivered to customers and provided more efficient use of resources within the accounting office. [Rosie Roberson, (202) 366-0310]

The **EZ CLEAR** system, implemented by **Treasury** nationwide in October 1988, streamlines the processing of U.S. Savings Bond redemptions by eliminating special batching requirements that have been in place for over forty years. Authorized paying agents who are participating in the **EZ CLEAR** program can process paid bonds along with other cash items and submit them for credit through the existing check collection system. The final deliverable for the **EZ CLEAR** initiative—truncation of paid savings bonds at the Federal Reserve Bank (FRB) Pittsburgh Branch Central Site—was implemented on October 2, 1989. In December of 1989, the Federal Reserve Banks and Branches were notified that **EZ CLEAR** will be made mandatory for all paying agents effective February 1, 1991. **EZ CLEAR** reduces both operating and agent fee costs, improves funds availability, and simplifies inter-

nal accounting procedures. [Arthur A. Klass, (304) 420-6515]

Upon successful completion of a pilot test in the State of Ohio, in January 1989, the **Department of the Treasury** announced the expansion of the **Regional Delivery System (RDS)**, wherein Series EE savings bonds sold over-the-counter by local financial institution are inscribed and delivered by Federal Reserve Banks designated as regional processing sites. Nationwide implementation began in June 1989 and is scheduled to be completed in Fiscal Year 1993. When fully implemented, RDS is expected to reduce appropriated costs of administering the Savings Bond Program and to create significant cash management benefits from the accelerated remittance of bond sales proceeds. [Arthur A. Klass, (304) 420-6515]

### **BUDGET DEVELOPMENT AND EXECUTION**

The U. S. Army Depot Systems Command is developing a fully integrated planning, programming, budgeting, and execution system for the depot level Industrial Fund budgeting process. Phase I is operational. It involves staffhour, workyear, and cost projections. This is accomplished by downloading historical and

current cost accounting data from the accounting system to personal computer applications. Phase II will involve additional modules for projected revenue, orders received, net operating results, pay and benefits, productivity, and inflation factors. This phase is expected to be completed in 2 years. [Susan Linn, (717) 267-9176]

The **Department of the Interior's** Bureau of Land Management is working on the **Program Management System (PRMS)** which is designed to provide management information on budget and program plans and status. It provides for developing and justifying budgets; planning and allocating the levels of funds and personnel for use in completing planned accomplishments (i.e., number of recreation plans completed, acres of timber improved, etc.); reporting and monitoring use of funds and staff and comparing usage to actual accomplishment; and adjusting planned levels of funds, staff, and accomplishment, as required. PRMS enhances management accountability by using financial data, personnel use data from the departmental payroll system, and accomplishment data to create management reports necessary to monitor program progress in an environment of complex multiple fund sources and decentralized program execution by 148 field or

other offices. [Bob Henry, (202) 208-8571]

The Office of the Comptroller of the Currency, **Department of the Treasury**, designed a **Budget Execution Workshop** for district and Washington staff involved in any portion of the financial process, including payroll, relocation, time and travel reporting, accounts payable, and budget. The goal of this program was to assist people in knowing what to do after their budget is approved. This program has resulted in better financial and resource management initiatives. [Roy C. Madsen, (202) 447-0956]

The **Department of the Treasury** Office of Thrift Supervision's budget development process has been completely automated with individual offices entering their own approved budgets onto an automated spreadsheet. This was instituted in the Fall of 1989. The automation process reduces potential errors and the amount of time previously required to compile the budget. Further, it increases the budget officer's ability to respond to ad hoc reporting requests. [John S. Kinyon, (202) 906-6149]

The Internal Revenue Service, **Department of the Treasury**, develops and prepares its budget utilizing contracted time-sharing services. The system is linked by

telecommunications to IRS microcomputers. The Budget Preparation System (BPS), developed in-house, is compatible with the Automated Accounting and Budget Execution System (AABES) and accepts AABES-generated tapes. The Budget Preparation System will be interfaced and fully integrated into the Automated Financial System, including the automatic transfer of information for generating obligations and calculating estimates. [Robert Eisenhower, (202) 566-4225]

### ***OTHER IMPROVEMENTS***

The Air Force's Case Management Control System (CMCS) is a large computer system designed to manage, control, and support the Foreign Military Sales (FMS) program and international cooperative agreements. It is comprised of integrated systems and numerous external interfaces. The component parts of the system are categorized into systems groups including planning, management support, logistics, interface, and financial systems. The high-level objectives of the system are to consolidate all Air Force FMS transactions into a single interface with the Security Assistance Accounting Center (SAAC) to ensure that cash transactions reported to SAAC and the U.S.

Treasury are identical, to improve the quality of pricing data to ensure full recovery of costs, to match physical deliveries with disbursements to improve the progress billing schedule, and finally, to increase the responsiveness to Air Force managers as well as FMS customers. [Lt. Col Curtis, (303) 370-7581]

The Department of Commerce's Advisory and Assistance Services Review System was established on March 1, 1985, by the Deputy Secretary to provide high-level review of proposed contracts for advisory and assistance services. The Deputy Secretary is responsible for overall control of the system. The Associate Deputy Secretary has been designated to oversee the ongoing operations of the system and approve or disapprove proposed contracts. The Associate Deputy Secretary is assisted by a review panel that meets weekly to consider proposals and make recommendations to the Associate Deputy Secretary.

During the last year, action was completed on 100 proposals totalling \$63 million. Of these, six requests totalling \$1 million were disapproved or withdrawn, and 36 others totalling \$40 million were revised, returned for additional justification, or approved subject to conditions. The recommendations of the Review Panel have resulted in

\$6 million in savings since its establishment. [Stephen C. Browning, (202) 377-3707]

To improve the reliability of financial data in the Department of Education's primary accounting system, the Offices of Management and Inspector General joined forces to survey the adequacy of internal controls over financial data originating within subsidiary "feeder" systems throughout the department. The survey results demonstrated numerous problems which are being addressed in an on-going, long-term project expected to be completed in fiscal year 1994. Corrective actions taken during calendar year 1989, included:

- better control of receivables resulting from unallowable or excess costs discovered on site visits,
- establishment of written procedures to improve follow-up action on delinquent accounts,
- improvements which provide for the processing and accounting for collection data among multiple fiscal years, and
- institution of controls to eliminate duplicate posting of collections from grant recipients.

[Greg Ulans, (202) 732-5561]

The **Environmental Protection Agency (EPA)** initiated its Public-Private Partnership program in fiscal year 1988 to help meet the growing environmental challenges facing this country in the 1990s and beyond. Its intent is to increase private sector involvement in meeting environmental goals. EPA is pursuing the following activities and products to meet that objective:

- **Demonstration Projects:** Selection of 10 demonstration projects in fiscal year 1990 to illustrate, in a hands-on fashion, how local communities can successfully initiate public-private partnerships. These projects will involve the private sector with drinking water, wastewater treatment, and solid waste disposal.
- **Environmental Financial Advisory Board:** Senior executives from business, industry, finance, banking, and government have been selected to serve on the board which was established in fiscal year 1990 to provide authoritative advice and opinions to EPA managers on tax policy, financing strategies for small communities, incentives to increase private participation in environmental services, and public sector environmental financing options.
- **Venture Fund:** Establishment of a fund consisting of both public and private resources to support innovative approaches to financing environ-

mental infrastructure using public-private partnerships. In addition to a federal contribution, the agency will solicit resources from private businesses, foundations, and associations.

- **Conferences:** Assistance will be given to states to support workshops on partnerships in fiscal year 1991. Two national and six regional conferences have been conducted to provide forums for business, financial, federal, state, and local officials to exchange information and relay experience concerning partnerships.
- **Self-Help Guide:** Distribution of a "how-to" guide designed for local governments to small and high-risk communities to assist them in financing environmental infrastructure.

[Sallyanne Harper, (202) 382-5097]

The **Department of Health & Human Services (HHS)**, Division of Federal Assistance Financing, recently implemented a procedure whereby grant recipients can easily and quickly request funds for next-day payment. The process, called Smart-Link II, operates at the National Institutes of Health using a mainframe computer. The grant recipient, with a personal computer or a terminal connected to a modem, accesses the mainframe software through appropriate security paths; com-

munication is facilitated because recipients are provided software with parameters set to communicate to the NIH computer. Once connected, the proper data entry screen is provided depending upon the account information that is requested during the security validation. The necessary funds amount is entered; funds may be allocated to various programs or projects. The request is then processed through pre-programmed procedures that validate funds availability and update account balances. A properly formatted Automated Clearing House (ACH) payment message is subsequently created and transmitted electronically to the Federal Reserve Bank in Richmond for transfer to the recipient's bank. The new system, an evolution of earlier successful processes, uses a full screen for data input with entry fields formatted according to the type of account a recipient has with HHS. Security features allow user control over access. The system, with the supporting fund control processes and rapid next-day payment, services HHS, and also the Department of the Interior's Fish and Wildlife Service. [Thomas F. Greene, (301) 443-1660]

On October 24, 1989, the Social Security Administration (SSA), **Department of Health and Human Services**, was presented



an achievement award in connection with the 1989 Awards Program of the Employee Relocation Council, a national organization of corporations involved in employee transfer. This award, announced and presented at the Fall Relocation Workshop in Hilton Head, South Carolina, was made to honor SSA's exceptional relocation communication program for transferring employees and their families. SSA's relocation booklet is titled *Relocation Services: Employee Handbook*.

Of the nearly 1,000 members of the Employee Relocation Council, only ten were selected to receive this award; SSA was the only government agency. The chairperson of the 1989 awards committee stated that the quality of the materials submitted this year for competition was unparalleled in the 12-year history of the achievement awards program. Contracted relocation services are administered by SSA Headquarters Travel Policy Staff and coordinated through 10 relocation coordinators in the Regional Administrative Support Centers. [Kevin Lanagan, (301) 625-0544]

The **Department of Housing and Urban Development** is currently involved in an effort to eliminate manual payments and manual reporting, minimize the number of disbursement systems, and perform the

disbursement and accounting functions by systems which will integrate more effectively with Treasury's disbursement system. In order to accomplish this, the Letter of Credit Control System (LOCCS) will be modified to make all disbursements. Phase one was completed and phase two began in fiscal year 1989. Phase two will be completed the second quarter of fiscal year 1990, at which time two of HUD's six payment systems will be eliminated. Plans are in place to have payments for loan programs to be disbursed from LOCCS in fiscal year 1991 (phase three). HUD anticipates having only one payment system by fiscal year 1992. [Gail B. Dise, (202) 755-1757]

During fiscal year 1989, the **Department of the Interior** implemented several initiatives aimed at strengthening its management controls in response to the recommendations in the President's Council on Management Improvements (PCMI) report titled *Improving the Management Control Process*. A Management Control and Audit Follow-up Council was established to monitor and direct the department's management control process and FMFIA reporting process. The Council is comprised of the Under Secretary, Inspector General, and Assistant Secretary—Policy, Budget and Administration. The Council meets quarterly with As-

sistant Secretaries to monitor material weakness corrective action progress and the status of the current year's management control process. To provide for the early warning of control weaknesses a "FLASH Report" was implemented to alert senior management of potential mission-critical control weaknesses. The department held a two-day Management Control Conference for 45 of its top executives at Quantico, Virginia. The purpose of the Conference was to heighten management's awareness about management controls and audit follow-up responsibilities and gain a firm commitment to improving the process. Finally, the department implemented procedures to better link corrective action funding with the budget process to ensure that funding is provided to correct reported material weaknesses. [William L. Kendig, (202) 208-4701]

The **Department of Transportation** (DOT) completed a fresh assessment of its FMFIA process including:

- improvements to the DOT FMFIA process by establishing the Program Integrity and Management Improvement Council (PIMIC) to provide the senior DOT officials a forum for their involvement in the departmental management control process;

- meetings with the Office of Inspector General, General Accounting Office representatives, and each of the modal administration's top management to discuss past and ongoing audit work as well as their management control environment and vulnerabilities; and
- linking the FMFIA process with the budget process. Operating administrations requested additional resources, where needed, to correct material weaknesses and were successful in obtaining the Office of Management and Budget's approval in the fiscal year 1991 budget.

One benefit to increased FMFIA awareness is that DOT managers are taking a more active role in identifying and correcting material weaknesses. In prior years, almost all material weaknesses reported (99.5 percent) were based upon audit reports. In 1989, over 30 percent of the weaknesses reported were identified by departmental managers. [Rolf Wold, (202) 366-9874]

**The Department of the Treasury** Financial Management Service is developing a prototype travel manager system to improve the processing of travel documents. This system allows employees to initiate and process travel authorizations and travel vouchers through a personal computer. The system is being tested and all indications are that

it will save considerable preparation and processing time for travelers. [Spencer Sakai, (202) 287-3909]

The Internal Revenue Service, **Department of the Treasury**, in fiscal year 1989 conducted a pilot of its Facilities Integrated Management System's (FIMS) requisition tracking and small purchases applications in the Atlanta district, service center, and regional office; trained about 300 users; and concluded with deciding to redirect FIMS resources to higher priority applications. Subsequently, resources have been redirected to the IRS's capitalized assets inventory management (Property/Assets Tracking System) and minimum requirements for space (Space Management and Rent Tracking System). Further logistics systems for requisitioning, purchasing, and support funds management are planned. [Steve Hales, (202) 535-4043]

## **AUDITING**

The Audit Committee of the **President's Council on Integrity and Efficiency (PCIE)** evaluated the effectiveness of the policies and procedures relating to establishing and collecting user charges. The User Charge Statute; Office of Management and Budget Circular A-25, *User Charges*; and implementing

directives authorize the departments to establish and collect user charges, except when prohibited by statute, for services and special benefits provided by federal departments to such recipients. The Office of Inspector General, Department of the Interior, was the lead organization for the audit, with the Inspectors General of four other departments participating in the review: the Departments of Defense, Transportation, Housing and Urban Development, and Health and Human Services.

Specifically, the audit was made to determine whether (1) appropriate methods were used to establish user charge rates, (2) current user charge rate calculations included all applicable costs, (3) user charges were being established for all reasonable qualifying sources, and (4) any statutory and/or regulatory impediments existed that affected implementation of user charges.

The PCIE findings indicated that the six departments included in this audit have not maximized the opportunity to establish and collect user charges as a method of recovering costs incurred in providing benefits to identifiable recipients. Also, the departments did not place adequate emphasis on user charges as a means to recover the government's costs of providing

services and special benefits and did not maintain adequate control over their respective user charge programs. The PCIE report also suggested that the Office of Management and Budget could provide more oversight of the departments' user charge programs to ensure full implementation of existing criteria. Consequently, the audit of the six departments showed that new or increased user charges amounting to about \$476 million could be collected on existing programs. The PCIE report concluded that user charges can be an alternative means to obtain funds necessary to carry out required programs. The audit of the six departments showed that about \$476 million in program costs could be recovered in new or increased user charges if the departments sufficiently emphasize the program and implement user charge criteria.

The PCIE report recommended that the Office of Management and Budget provide guidance and oversight to ensure that all the departments:

- Emphasize user charge programs by appointing a "high level" official at the departmental level to become the central manager responsible for achieving maximum compliance with existing criteria in the establishment and collection of user fees.
- Reestablish the annual data reporting requirement for the

departments to report the status of their user charges program and follow up on reports where the data supplied is incomplete or inaccurate.

- Require that all exemptions be approved by the central official appointed and maintain these exemptions. Also, provide for a periodic review of the exemptions to ensure their propriety.
- Revise Office of Management and Budget Circular A-25, *User Charges*, to include a more precise definition and explanation of the terms "beneficiary of service," "special benefits," and "full cost recovery."

[Dick Feezle, (202) 395-5670]

The Department of Defense's Office of Inspector General developed the Contractor Risk Assessment Guide (CRAG), a year-old initiative designed to encourage contractors to demonstrate that the government can rely on their internal controls. To the extent it is demonstrated that contractors are doing a better job of "self-governance," government oversight can be more effectively used on other priorities or at other locations. The underlying principle involved with this approach is to place the primary responsibility for adherence with federal laws and regulations on the contractor.

The CRAG sets control objectives in five areas of financial management: indirect cost submissions, labor charging, material management and accounting systems, estimating systems, and purchasing. Under the CRAG program, auditors would have access to contractor tests of internal control systems for those areas. When the tests provide that the systems are reliable, auditors would be able to reduce audit oversight accordingly. [Guillermo Mata, (202) 695-9599]

The Department of Education (Education) prepared a compilation report listing all financial audits, contracted studies, and in-house reviews performed from 1981 to 1989. The purpose of this compilation report was to help to more effectively plan future audits and to more efficiently follow up on key deficiencies identified in Financial Management Accounting System Reviews. The compilation report is divided into the six sections listed below:

- a flowchart of the accounting system and subsystems,
- a brief description of each component of the system,
- a list of reviews completed by the Education, the General Accounting Office, and private contractors,

- a list of key deficiencies and appropriate recommendations identified in the reviews,
- a list of key deficiencies and appropriate recommendations that are still outstanding, and
- a list of reviews planned or in progress.

The compilation report was completed in October, 1989. The compilation review provided a better understanding of the accounting system and allowed better targeting of future audit areas. [Mitchell L. Laine, (202) 732-5600]

The Department of Health and Human Services had two significant areas which were reported in the operations of the "M" appropriation accounts. The first of these disclosed that timely closing of grants and contracts is needed. Significant delays in closing out completed grants and contracts by two HHS components precluded the Division of Accounting Operations from maintaining an accurate balance of unliquidated obligations. Untimely closing of contracts and grants resulted in reporting inaccurate balances to Treasury.

It was reported that documentation to support amounts maintained and expended from the "M" account was inadequate. Department policy requiring timely receipt and recording of

expenditures had not been adhered to. The untimely receipt and recording of expenses increases the potential risk of loss since unliquidated balances may remain available even after some grantees or contractors have gone out of business. Department officials concurred with this recommendation. A contractor has been hired to close out old contracts, and a plan has been developed whereby the accounting section will close out old grants. [Jack Ferris, (202) 472-3175]

The Department of Health and Human Services audited the Social Security Administration's combined financial statements for fiscal year 1988. This audit illustrated the value of preparing and auditing agency financial statements. In this case, the audit discipline imposed on the financial management process used in the day-to-day management of the Social Security programs resulted in three major administrative management improvements.

- Improved accounting controls over administrative obligations—the audit disclosed and reported weaknesses in the internal controls over (1) reconciling estimated with actual obligations, (2) recording obligation estimates consistently, and (3) documenting obligation transactions
- Redesigned property accountability system: The audit dis-

closed that both the manual and automated accounting systems did not adequately account for and control equipment; a redesigned system is scheduled for nationwide implementation by the end of fiscal year 1990.

- Revised accounting procedures that recognize the appropriate amount of receivables as a budgetary resource: The audit disclosed that the department's accounting procedures recognized uncollected receivables as a budgetary resource, although OMB Circular A-34, *Instructions on Budget Execution*, only permits the restoration of budget authority up to the amount of the receivables collected in the fiscal year the budgetary resource is used. Effective with the final financial reports of fiscal year 1989, the department revised its accounting policy for receivables to bring the policy in line with OMB Circular A-34. In September, 1989, the Treasury issued a warrant for \$700 million using the indefinite authority in the Supplemental Security Income program to correct the effect of the incorrect accounting procedures. [Jim A. Nycum, (202) 625-9710]

The Department of Health and Human Services (HHS) developed a guide for public accounting firms to use in performing organizationwide audits of

nonprofit grantees. The guide provided the impetus necessary for widespread implementation of the organizationwide audit, also referred to as the single audit concept, for the government's nonprofit grantees. The single audit concept was established for state and local governments by the Congress through the Single Audit Act of 1984. However, the same problems which made the single audit concept useful for government entities were also applicable to nonprofit entities. These problems included duplicative audits, a plethora of inconsistent audit requirements for different programs, outdated audit guides, and overlapping federal audit oversight. These problems were a major reason that the quality of audits for nonprofit entities was worse than for other types of organizations receiving federal funds. The Office of the Inspector General developed this audit guide to overcome these problems.

The OIG's issuance of the guide has been met with widespread acclaim. The President's Council on Integrity and Efficiency (PCIE) adopted the audit guide for governmentwide use in its Position Statement No. 5. The guide is now used by several of the Inspectors General, many state governments, and other types of grantees. Also, most of the large public accounting firms now encourage their nonprofit

organization clients to have audits performed in accordance with the guide. [Richard Calahan, (202) 245-3072]

An audit was performed by the Office of the Inspector General, Department of Justice, of the payment and obligation modules of the Financial Management Information System (FMIS) to ascertain the effectiveness of the internal accounting controls for processing payments and recording expenditures, and to evaluate the automatic data processing general and application controls in place. General control weaknesses were noted in the areas of segregation of functions, computer security, program change and modification procedures, and documentation. Because of the pervasive effects of the general control weaknesses, the FMIS application controls did not provide reasonable assurance that payment and obligation data were accurate, timely, and complete. OIG auditors recommended that the FMIS be improved by enhancing documentation and procedures for program changes and modifications and segregating functions within FMIS to properly safeguard assets from waste, fraud, and abuse. The timely completion of these recommendations will help the department more accurately account for obligations and payments and ensure valid accounting data. [Guy K. Zimmerman, (202) 756-6121]

The Department of Labor prepares and audits consolidated financial statements. These audited financial statements have shown, in supplemental schedules, that there are major discrepancies between the audited financial statements and the final reports sent to Treasury. To remedy this situation, the OIG provided technical assistance and training to the departmental management and agency accounting personnel compiling the Treasury's financial reports to minimize or eliminate the discrepancies. As a result, the Department of the Treasury was provided more accurate financial reports for inclusion in the *U.S. Government's Consolidated Financial Statements for Fiscal Year 1989*. This was a first-time accomplishment for both the Department of Labor and the Inspector General. This project is planned to continue with the routine annual financial statement preparation. [Bob McGregor, (202) 523-5906]

The technical support staff established computer-to-computer connections between the Department of Transportation's Office of Inspector General (OIG) super minicomputer and the mainframe systems at the Transportation Computer Center (TCC) in Washington, D.C., and the Federal Aviation Administration's Mike Monroney Data Center in Oklahoma City, Oklahoma. The TCC

connection, completed in January 1989, allows OIG users—auditors, investigators, and support personnel—to access data resident in TCC's automated files without incurring TCC on-line charges. It has also enabled OIG users to access TCC data using time-saving, user-friendly software tools available only on the OIG super minicomputer. The Monroney connection, completed in June 1989, supports direct log-on capability with that facility for any interactive work being conducted by the technical support staff. This link, along with the Network Job Entry link already in place, enables OIG auditors and investigators to access/process information resident on Monroney's mainframe and have the output returned to the OIG super minicomputer, without incurring the time and money expenditures normally associated with traveling to Oklahoma City. The Monroney link was successfully used in two recent audits to develop (1) disk storage utilization data for the Monroney Center and (2) payroll statistics to respond to a hotline complaint. In addition, the communication links will enable data transfers between the OIG, the Transportation Computer Center, and the Monroney Data Center. [Edward M. Glagola, Jr., (202) 366-1496]

**The Department of Transportation's** technical support staff, working with the Office of the Secretary's Departmental Accounting and Financial Information System (DAFIS) accounting manager and operations personnel at the Federal Aviation Administration's Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma, developed and implemented a methodology by which the OIG receives monthly updates of automated DAFIS transaction data. DAFIS contains data on a wide range of departmental financial transactions including appropriations, accounts receivable, accounts payable, travel, contracts, grants, interagency agreements, purchase orders, utility costs, and summary payroll information. The accounting office maintains the files for about 6 months. The OIG office, however, retains the files of monthly database updates of all DAFIS transactions, enabling them to maintain a historically complete transaction record. This comprehensive transaction information will become increasingly valuable for audit purposes as the automated accounting systems of each of the nine Operating Administrations within the department are converted to DAFIS. [Edward M. Glagola, Jr., (202) 366-1496]

In January 1989, the Internal Revenue Service (IRS), **Department of the Treasury**, established Internal Revenue Manual guidelines requiring regional and national office executives to use internal audit abstracts to assess the vulnerability of their operations and ensure that conditions identified in the abstracts are corrected or prevented. Internal audit prepares an abstract of each audit finding requiring management action. It transmits these abstracts each month to officials throughout IRS who now must assess their own operations for similar problems. In addition, when a serious control breakdown is identified during an audit and an immediate need exists for sharing this information, the Assistant Commissioner (Inspection) issues a memorandum to all Regional Commissioners and District Directors alerting them to the conditions found. Alerts are also sent internally to notify internal audit managers and staff of significant changes to IRS programs. [Stewart Silhol, (202) 343-6288]

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Appendix A  
*1989 Officials and Staff of JFMIP*

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*Principals*

Secretary of the Treasury	Nicholas Brady
Comptroller General of the U.S.	Charles A. Bowsher
Director, Office of Management and Budget	Richard Darman
Director, Office of Personnel Management	Constance B. Newman

*Steering Committee*

Fiscal Assistant Secretary, Department of the Treasury	Gerald Murphy
Assistant Comptroller General for Accounting and Financial Management, General Accounting Office	Donald Chapin
Chief, Financial Systems and Policy Branch, Office of Management and Budget	Jimmie Brown
Associate Director for Administration, Office of Personnel Management	James B. Lancaster, Jr.
Deputy Assistant Secretary for Finance, Department of Health and Human Services	Dennis Fischer
Executive Director, Joint Financial Management Improvement Program	Virginia Robinson

*JFMIP Staff*

Executive Director	Virginia Robinson
Assistant Executive Director	Doris A. Chew
Senior Project Director	Kenneth Winne
Executive Secretary	Donna Tebeau
Publication Assistant	Frank Kramer

*Detailed Project Directors and Project Team Members*

General Accounting Office	Judith Fuerstenberg
Department of Health and Human Services	Edward Wadding
Department of the Treasury (Until 8/89)	Darlene Schongalla
Department of the Treasury (from 8/89)	Geraldine Beard

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**Standardization of Financial Data Team**

Project Director	Susumu Uyeda
Department of Agriculture	George Williams
Department of Defense	Tom Short
Department of Energy	Ed DeNeane
Federal Energy Regulatory Commission	Steve Forman
General Accounting Office	Janett Smith
General Accounting Office	Vandana Talwar
Department of Health and Human Services	Ed Martin
JFMIP	Kenneth Winne
Office of Management and Budget	Frank Stidman
Office of Management and Budget	Beverly Thierwechter
Department of the Treasury	Allan Lund
Department of the Treasury	Brian Shaboski



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## Appendix B

### *JFMIP Liaison Representatives*

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ACTION	Kenneth George
Administrative Conference of the U.S.	Daniel F. Mann
Administrative Office of the U.S. Courts	Dewey R. Heising
African Development Foundation	Thomas Wilson
Agency for International Development	Michael Usnick
Agriculture, Department of	Larry Wilson
Air Force, Department of the	Gary Amlin
Appalachian Regional Commission	David Meuser
Arms Control and Disarmament Agency	William Amoroso
Army, Department of the	John Nabil
Board for International Broadcasting	Patricia Schlueter
Central Intelligence Agency	Leo Hazelwood
Commerce, Department of	Sonya Stewart
Commission of Fine Art	Charles Atherton
Commission on Civil Rights	George Harbison
Commodity Futures Trading Commission	Madge Bollinger
Congressional Budget Office	Reta Broadnax
Consumer Product Safety Commission	Thomas W. Murr, Jr.
Defense, Department of	Alvin Tucker
Education, Department of	J. Bruce Holmberg
Energy, Department of	James E. Reid
Environmental Protection Agency	Sally Ann Harper
Equal Employment Opportunity Commission	Kassie Billingsley
Executive Office of the President	Ronnie Rasmussen
Export-Import Bank of the U.S.	James K. Hess
Farm Credit Administration	Michael A. Bronson
Federal Communications Commission	Thomas Holleran
Federal Deposit Insurance Corporation	Robert D. Hoffman
Federal Election Commission	Richard C. Pullen
Federal Emergency Management Agency	Jon Wolz
Federal Energy Regulatory Commission	Anthony F. Toronto
Federal Labor Relations Authority	Clyde Blanford
Federal Maritime Commission	Frederick Trutkoff
Federal Mediation and Conciliation Service	Richard A. Nelson
Federal Reserve System	George E. Livingston

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Appendix B  
JFMIP Liaison Representatives

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Federal Trade Commission	Richard Arnold
Financial Management Service	Michael Smokovich
Foreign Claims Settlement Commission of the U.S.	Judith H. Lock
General Accounting Office	Jeffrey Steinhoff
General Services Administration	Leroy P. Boucher
Government Printing Office	Thomas Muldon
Health and Human Services, Department of	Dennis J. Fischer
Housing and Urban Development, Department of	Thomas Sholedice
Information Agency, U.S.	Stanley M. Silverman
Inter-American Foundation	Dorothy Burruss
Interior, Department of	Ted Woronka
International Trade Commission	Philip Katz
Interstate Commerce Commission	Tony Jacobik
Justice, Department of	James E. Williams
Labor, Department of	Michael N. Griffin
Library of Congress	John Webster
Merit Systems Protection Board	Robert Lawshe
National Academy of Sciences	David Williams
National Aeronautics and Space Administration	Richard J. Powell
National Archives and Records Administration	Patricia Denny Dews
National Capital Planning Commission	Connie Harshaw
National Credit Union Administration	Herbert S. Yolles
National Endowment for the Arts	Marvin A. Marks
National Endowment for the Humanities	Ray Gleason
National Gallery of Art	William H. Roache
National Labor Relations Board	Lee D. Vincent
National Mediation Board	Charles R. Barnes
National Railroad Passenger Corporation	Charles W. Hayward
National Science Foundation	Kenneth B. Foster
National Security Council	Janis K. Whitley
National Transportation Safety Board	Dwight Foster
Navy, Department of the	Bill Daeschner
Nuclear Regulatory Commission	Graham D. Johnson

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Appendix B  
JFMIP Liaison Representatives

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Occupational Safety and Health Review Commission	Larry A. Hoss
Office of Management and Budget	David Gribble
Office of Personnel Management	Brenda Benadom
Office of Science and Technology Policy	Barbara Diering
Office of Technology Assessment	Catherine Singleton
Office of Thrift Supervision	James Deemer
Overseas Private Investment Corporation	Ann Predieri
Panama Canal Commission	Michael Rhode, Jr.
Peace Corps	Ronald Passero
Pennsylvania Avenue Development Corporation	Alexander K. Milin
Pension Benefit Guaranty Corporation	Lawrence Maslan
Postal Rate Commission	Charles Clapp
Postal Service, U.S.	M. Richard Porras
Railroad Retirement Board	Kenneth P. Boehne
Securities and Exchange Commission	Lawrence H. Haynes
Selective Service System	Huntington Banister
Small Business Administration	Lawrence Rosenbaum
Smithsonian Institution	Ann R. Leven
Soldiers' and Airmen's Home, U.S.	Elizabeth Walker
State, Department of	Elizabeth Gibbons
Tax Court, United States	Washington B. Bowie
Tennessee Valley Authority	Larry H. Edwards
Transportation, Department of	Joyce D. Shelton
Treasury, Department of	Samuel T. Mok
Veterans Affairs, Department of	Chris Sale

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## Appendix C

### *Available JFMIP Publications*

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#### **1984**

*Proceedings of the 13th Annual Financial Management Conference  
Annual Report—1983  
Financial Handbook for Federal Executives and Managers*

#### **1985**

*Proceedings of the 14th Annual Financial Management Conference  
Annual Report—1984*

#### **1986**

*Proceedings of the 15th Annual Financial Management Conference  
Annual Report—1985  
Meeting the Challenge of Modernizing the Government's Financial Systems by  
Using Off-the-Shelf Software and Systems*

#### **1987**

*Proceedings of the 16th Annual Financial Management Conference  
Annual Report—1986  
Forum on Implementing Off-the-Shelf Financial Systems  
Proceedings of Workshops on Implementing Off-the-Shelf Financial Systems*

#### **1988**

*Proceedings of the 17th Annual Financial Management Conference  
Annual Report—1987  
Core Financial Systems Requirements*

#### **1989**

*Proceedings of the 18th Annual Financial Management Conference  
Annual Report—1988  
JFMIP Fortieth Anniversary Report  
Directory for Financial Managers*

#### **1990**

*Proceedings of the 19th Annual Financial Management Conference  
Federal Financial Management Systems Personnel/Payroll System Requirements*

Note: To obtain the above publications, contact JFMIP,  
(202) 376-5439.