



Joint Financial Management  
Improvement Program  
Annual Report For 1974

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## FOREWORD

In 1948 the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General initiated the Joint Financial Management Improvement Program (JFMIP) as a cooperative venture to improve accounting in the Federal Government. The Budget and Accounting Procedures Act of 1950 gave the Program official status, recognizing all three agencies' statutory responsibilities in this area. The Chairman of the Civil Service Commission was added to the Program by agreement in 1966, and the Administrator of General Services joined the Program in 1973.

Over the years, the JFMIP has become one of the principal means for coordinating and improving Government-wide financial management activities. This annual report describes the projects and activities carried on by the JFMIP during 1974. In addition, the report contains examples of the many financial management improvements made by individual Federal agencies during the year.

The overall goal of the JFMIP is to improve financial management practices throughout the Government. This report indicates that considerable progress has been made toward this goal. However, more intensive efforts must be made to meet the challenges of the future. We hope that this report will be useful in stimulating increased interest in this important endeavor.

*Donald C. Kull*

Executive Director  
Joint Financial Management  
Improvement Program

April 1975

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**THE SIGNING OF THE TERMS OF REFERENCE OF THE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM**

**Left to Right:** Secretary of the Treasury, William E. Simon; Chairman of the Civil Service Commission, Robert E. Hampton; Comptroller General of the United States, Elmer B. Staats; Administrator of General Services, Arthur F. Sampson; and Associate Director of the Office of Management and Budget, Robert H. Marik--June 27, 1974.

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

ANNUAL REPORT - 1974

ORGANIZATION AND OPERATION

In 1974 the Joint Financial Management Improvement Program (JFMIP) began a new phase in its history following the appointment of the first JFMIP Executive Director in December 1973. During this year heavy emphasis has been placed on developing workable operating methods, initiating a number of cooperative projects and strengthening the means of disseminating useful information on improved financial management practices.

The Principals of the JFMIP are the Comptroller General, the Director of the Office of Management and Budget, the Secretary of the Treasury, the Chairman of the Civil Service Commission and the Administrator of General Services. A meeting of the Principals was held in June 1974 to review and approve a revised charter called "Terms of Reference" for the organization. The original "Terms of Reference" was signed in 1949 and the latest revision was in 1967.

Pursuant to the new "Terms of Reference" each JFMIP Principal has designated a top level official to act for him on policy issues and to serve on an Executive Council. Each Principal has also designated a representative to serve on a Steering Committee which is responsible for the general direction of JFMIP. The Executive Director, under the general guidance of the Steering Committee, is responsible for developing and directing programs and projects.

The chairmanship of JFMIP rotates among the five sponsoring agencies every two years. In July 1974 Mr. Arthur Sampson, Administrator of General Services, assumed the chairmanship for a two-year term. Mr. Ronald Zechman, Associate Administrator of the General Services Administration, serves as chairman of the Executive Council. Mr. John Lordan, Director, Office of Financial Management, GSA, serves as chairman of the Steering Committee.

The head of each operating agency has designated a liaison officer for his agency in JFMIP. Liaison officers serve as a point of contact in their agencies on matters related to JFMIP and are used by the Executive Director and the Steering Committee for working out problems related to the individual agencies. The liaison officers may also direct problems to the Steering Committee or the Executive Director.

The overall objective of JFMIP is to improve financial management practices throughout the Government so that they will most effectively serve program and general management purposes and achieve maximum efficiency and effectiveness in all operations. JFMIP carries out a variety of activities aimed at achieving this objective. It sponsors conferences, workshops and seminars. It publishes a periodic JFMIP Bulletin and various other documents to disseminate information on progressive financial management practices and promotes their widespread application. It reviews the management improvement efforts of the operating agencies and coordinates financial activities of the central agencies. JFMIP sponsors or conducts research or other studies on financial management matters of general interest and assists operating agencies in dealing with specific financial management problems, particularly those that have relevance to other programs and agencies. It also has important responsibilities in the Federal Government's effort to measure and improve productivity.

Some problems are dealt with through a joint study team, some by referral to a source of expertise, some by assignment to one of the central agencies, and some by informal consultation. JFMIP serves as a catalyst to stimulate action by whatever approach most suits the circumstances. Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the central agencies and operating agencies. JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts.

#### COUNTERSIGNING FUNCTION ELIMINATED

For some time, the General Accounting Office and Treasury Department staffs have explored the possibility of eliminating the requirement that GAO countersign appropriation warrants. The number of warrant items processed by Treasury had increased substantially in the past several years, creating an administrative burden for both Treasury and GAO. JFMIP was asked to coordinate a joint effort between Treasury and GAO to eliminate the countersigning of such warrants. This effort culminated in 1974 in a joint regulation agreed to by the Secretary of the Treasury and the Comptroller General which eliminated the requirement that appropriation warrants be countersigned in the General Accounting Office, except for those warrants issued pursuant to continuing resolutions of the Congress.

The Department of the Treasury will continue to consult with the General Accounting Office before issuance of warrants when the legality of issuance and/or the amount required are in question.

### GOVERNMENT-WIDE STUDIES

Projects in this area normally relate to broad areas of financial management which are of interest to a large number of agencies. Ideas for such projects may grow out of Steering Committee discussions, suggestions from various agencies, or JFMIP staff review.

#### Statistical Sampling

A 1971 JFMIP survey concerning the use of statistical sampling techniques for examining vouchers revealed strong belief by agencies that the statutory limit of \$100 was too low. The survey showed that in the early 1960's about 65 percent of all vouchers were under \$100. During 1970 the percentage of vouchers under \$100 had dropped to 51. One department reported that 95 percent of its vouchers exceeded the \$100 limitation. Agencies strongly supported raising the limitation. They estimated annual savings in excess of \$1.5 million through use of statistical sampling. By raising the ceiling to \$250, the agencies estimated that savings would increase by 35 percent.

Based on this survey, JFMIP sponsored legislation to change the limitation. Late in 1974 the Congress passed Public Law 93-604, which was signed by the President on January 2, 1975. The new act permits the Comptroller General to prescribe agency dollar ceilings in the examination of disbursement vouchers, thus eliminating the \$100 limitation in the original law. The Comptroller General has subsequently established a ceiling of \$300.

#### Use of Operating Budgets for Program Management

In the Federal budget process, major emphasis has often been placed on budget formulation and the process of obtaining funds. When it comes to budget execution, attention has usually been on fund control and adherence to statutory limitations. While some departments and agencies have used operating budgets as a management tool to aid in the effective management of agency programs, many have not made full use of this approach.

To study this matter, JFMIP has organized an inter-agency team made up of high level financial managers from several operating agencies and central agencies. Agencies represented on the study team included the General Accounting Office, the Treasury Department, the Department of Agriculture, the General Services Administration, the Atomic Energy Commission, the Civil Service Commission, the Labor Department, and the Department of Health, Education and Welfare. This study team reviewed the budget practices of several agencies and found strong support for the use of operating budgets but a wide diversity of practices. At year-end the study team was reviewing a draft report summarizing its findings. There was no inclination to insist on uniformity of format or approach. Rather, the emphasis is on principles and the report will contain a set of guidelines for use by agencies.

#### Money Management Pilot Study

Few operating agencies have established specific policies or directed much attention to cash management in the ways that have come to be accepted practice for private businesses and for many state and local governments. A number of agencies have made substantial progress in the use of letters of credit to hold down the amounts of money advanced to contractors and other recipients of Federal funds, but there has not been widespread use of other cash management techniques. There usually is little incentive for agencies to manage their cash carefully since the Treasury Department pays the interest on the public debt.

In 1974 the JFMIP organized an interagency project team to carry out a money management pilot study. The U.S. Department of Agriculture was selected as the pilot agency to be studied. The project teams included representatives of the General Services Administration; the General Accounting Office; the Office of Management and Budget; the U.S. Postal Service; the National Aeronautics and Space Administration; and the Departments of Agriculture; Navy; Treasury; and Health, Education and Welfare.

The study has included interviews with key officials and review of documentation at the departmental headquarters, operating agency, and field office levels within the Department of Agriculture, with a limited exploration of practices in other agencies. Preliminary results of the study indicate a general lack of awareness and concern for the cost of money on the part of agency managers. Many actions are being taken without consideration of the cash management

implications. The project team has summarized the existing practices in the three basic areas of money management being studied--forecasting of outlays, collections, and disbursements. At year-end the information was being analyzed and recommendations were being developed.

### Research Projects

While much attention is being given to applying known sound financial management practices, JFMIP is also concerned with research on new and improved techniques. During 1974 the JFMIP liaison representatives in all agencies were asked to submit their ideas on worthy research projects. The result is a long list of potential projects, on some of which work has already been started by one or more agencies or by JFMIP. The combined list has been circulated to all agencies to encourage sharing of ideas and cooperative efforts. It will be of continuing usefulness as JFMIP increases its capability to undertake more projects.

A project of research significance which was started late in 1974 is a project on Federal Agency Financial Statements which was suggested by the Federal Government Accountants Association. A recent report, "Objectives of Financial Statements" by the American Institute of Certified Public Accountants, was related primarily to financial statements for corporations. This new study will address the specific objectives and use of financial statements for Federal agencies, taking into account the similarities to and differences from the corporate situation. A selected group of knowledgeable Federal financial and operating officials will be invited to a workshop at which three or four papers will be presented and discussed. Ideas developed through this workshop will then be given wider circulation, and there may eventually be a publication.

### AGENCY ASSISTANCE PROJECTS

JFMIP is prepared to assist operating agencies in dealing with specific financial management problems, particularly those that have relevance to other programs and agencies. JFMIP can assist by organizing interagency project teams, mobilizing expertise from various sources, and advising on systematic approaches to the problems. An essential ingredient of such projects is active involvement of fiscal, programmatic and general management officials of the agency being assisted.

## Law Enforcement Assistance Administration Project

Early in 1974 the Administrator of the Law Enforcement Assistance Administration (LEAA) requested JFMIP assistance in dealing with financial management problems of the Law Enforcement Education Program (LEEP). JFMIP organized an interagency project team which included representatives of the General Accounting Office; the General Services Administration; the Treasury Department; the U.S. Postal Service; the Veterans Administration; the Department of Health, Education and Welfare; LEAA; and JFMIP. Based on an in-depth analysis of the LEEP operations, the study team recommended a series of actions to be taken by the LEAA Administrator to design a new billing and collections system as part of a total LEAA management system. As part of the new system development effort, recommendations were made to eliminate the backlogs in LEEP note processing and filing and LEEP correspondence. New LEEP system procedures were developed to reduce the level of unexpended funds at the institutions. The recommendations of the project team were accepted by LEAA management and are being implemented. A JFMIP publication has been printed to illustrate the approach used by the JFMIP in providing assistance to an agency in dealing with its specific financial management problems.

## Farmers Home Administration Project

In the fall of 1974 the Administrator of the Farmers Home Administration (FmHA) in the Department of Agriculture requested JFMIP assistance in developing specifications for a coordinated financial management program, with special attention to improving the work measurement system. An interagency project team, under the leadership of the Associate Administrator of FmHA, includes representatives of the Department of Agriculture, the General Accounting Office, the General Services Administration, the Civil Service Commission, the Treasury Department, the Office of Management and Budget, the Small Business Administration, the Commerce Department, the Department of Housing and Urban Development, FmHA, and JFMIP.

By the end of 1974 the project team had recommended a revised loan disbursement system and development of the new system was underway. It is expected that the revised system will result in estimated interest savings to the Government and FmHA borrowers of \$40 million per year.

Development work is underway on a new work measurement system covering both efficiency and effectiveness, specifications for a management information system to aid in financial and programmatic decision-making, and an improved rural community planning system which will aid USDA and FmHA in financial forecasting. FmHA also is developing an executive development program which is centered on participation of FmHA employees in the Institute for Applied Public Financial Management which is being developed cooperatively by the American University and JFMIP. (See p. 12.)

#### REVIEW OF ACCOUNTING SYSTEMS

The General Accounting Office continued its active program for reviewing the accounting systems of all executive departments and agencies as specified in the Budget and Accounting Procedures Act of 1950. The first step is the review and approval of accounting principles and standards. The next step is the review and approval of systems designs. Last, but not least, the operating department or agency has the important task of placing the designed system into operation.

Two important milestones were achieved in 1974. Early in the year GAO approved accounting principles and standards for the Defense agencies and the Office of the Secretary of Defense, thus completing the approval of principles and standards for all accounting systems in the Department of Defense. The Department has undertaken a vigorous program for development of accounting systems designs and has established a target of submitting proposed designs to GAO for all major systems by the end of 1976.

In June Comptroller General Staats notified Treasury Secretary Simon of the approval of accounting systems designs for all 17 Treasury Department systems. Treasury thus became the fourth cabinet-level department to have all systems designs approved.

The table on the following page summarized the status of accounting systems approval as of December 31, 1974.

Both GAO and GSA have been working with those agencies whose systems have not yet been approved in efforts to accelerate progress toward the goal of approved systems for all agencies.

STATUS OF ACCOUNTING SYSTEMS APPROVAL  
AS OF DECEMBER 31, 1974

	<u>Systems Subject to Approval</u>	<u>Principles and Standards</u>		<u>Designs</u>	
		<u>Approved</u>	<u>Percent Completed</u>	<u>Approved</u>	<u>Percent Completed</u>
Civil	158	152	96	108	68
Defense	125	125	100	15	12
D.C. Govern- ment	1	1	100	0	0
	<u>284</u>	<u>278</u>	<u>98</u>	<u>123</u>	<u>43</u>

PRODUCTIVITY PROGRAM

The first full cycle of JFMIP participation in the Federal productivity program was completed in 1974. Based on recommendations in a June 1973 report prepared by a joint GAO/OMB/CSC project team, the Director of the Office of Management and Budget issued a memorandum dated July 9, 1973, which provided for a continuing Federal program for measuring and enhancing productivity. This memorandum called for annual submission of productivity data by all Federal departments and agencies and assigned special responsibilities to a number of central agencies. The Office of Management and Budget provides general policy guidance for the program. The General Services Administration issues the annual data call, provides guidance and technical assistance to agencies, and assists agencies in procedures improvement and mechanization projects. The Civil Service Commission has responsibility for leadership, policy guidance, and technical assistance on personnel management aspects of productivity. The Bureau of Labor Statistics collects the data and constructs the productivity indexes using methods similar to those used for productivity indexes in the private sector. JFMIP was given responsibility for analyzing the factors causing productivity change, preparing an annual report to the President and the Congress, and seeking to expand coverage and use and improve representativeness of productivity measures.

During the Fall of 1973, 46 Federal agencies submitted productivity data. The Bureau of Labor Statistics constructed an overall productivity index. Separate indexes were also constructed for 16 functional categories as an aid to further analysis of the data. To assist in analysis of the productivity data, the JFMIP, with collaboration from GSA, BLS, and CSC, organized a series of workshops. Separate workshops were held for most of the major functional categories used for reporting productivity. These workshops were essential in obtaining a better understanding of the causes of productivity changes. They provided a good opportunity for people from different agencies to share experiences and learn from each other. A considerable amount of informal consultation with agency officials was also necessary to assure an understanding of the data.

This analytical effort culminated in a two volume Report on Federal Productivity issued by the JFMIP in June 1974. Volume I, "Productivity Trends FY 1967 - 1973," reported on the productivity trends for the period and commented in some detail on the causes of productivity increases and decreases. Volume II, "Productivity Case Studies," consisted of a series of productivity case studies prepared by a number of different agencies. A supplement to Volume I giving a detailed listing of the participating organizations and the output measures used was issued later in the year.

The report included data from 200 separate organizational units of the 46 participating agencies with 850 different output products. Data was furnished for over 1.7 million man-years, or about 61 percent of the total Federal civilian workforce. The productivity index showed an increase from the FY 1967 base of 100 to 111.1 in FY 1973, an average annual increase of over 1.5 percent.

The Report on Federal Productivity was submitted to the President and the Congress. There also has been widespread distribution of the report among Federal agencies, state and local agencies, professional associations, universities, and others interested in productivity. Because of the importance of sharing information about successful productivity programs and problem areas, the JFMIP staff has responded to a large number of requests for oral presentations on the productivity report and the productivity program in general. Among the groups to whom presentations were made in 1974 were the following:

--The Annual Conference of the American Society for  
Public Administration

- The Annual Symposium of the Federal Government Accountants Association
- The Annual Conference of the National Association of State Budget Officers
- A regional conference of the National Association of State Budget Officers
- The Federal Executive Institute
- The Annual Conference of the National Capital Area Chapter, American Society for Public Administration
- A regional meeting of the American Institute of Industrial Engineers
- The Federal Executive Board in Atlanta, Georgia
- Productivity Symposium at Williamsburg, Virginia, sponsored by the Federal Government Accountants Association and the American Society of Military Comptrollers
- Civil Service Commission training courses
- Department of Defense training courses
- JFMIP agency representatives
- Various groups of officials from several Federal agencies

The continuing importance of the productivity program was emphasized in a memorandum to Heads of Departments and Agencies from the Director, Office of Management and Budget, dated October 23, 1974. President Ford has also called attention to the importance of increasing productivity in the public sector as well as the private sector, particularly as a means of combating inflation.

Contacts have been made with a number of agencies in an effort to increase coverage of the productivity measurement system. While the agency data for FY 1974 had not been completely compiled by the end of December, it appeared that the coverage might increase to about 63 percent of total Federal civilian employment. The Library function is one

area where increased coverage is being obtained. Some agencies, such as the Department of Housing and Urban Development, are making substantial gains in coverage. Ground work has been laid for further increases the next year.

Work continued on development of new and improved productivity measures. A special workshop on measurement of education and training activities was held. Progress is being made in developing measures for certain shipyard functions. Attention is being given to work measurement systems in connection with a JFMIP agency assistance project.

It has been recognized that productivity measures are not the only performance measures useful to managers. Some agencies have been experimenting with use of a number of performance, attitude, and quality measures. Such efforts are being encouraged and additional work of this type is being undertaken. Cooperative studies of total measurement systems are being carried out with the National Science Foundation, the Department of Housing and Urban Development, and the General Accounting Office. The results of these studies will be published.

During the year JFMIP assisted the National Commission on Productivity and Work Quality in a study of the feasibility of developing generally applicable measures of certain common municipal functions.

JFMIP has taken the lead in establishing an informal system of coordination among the central agencies having primary responsibilities in the Federal productivity program. Representatives of JFMIP, BLS, CSC, and GSA have been meeting at least monthly to discuss program plans and coordinate activities. A continuing close relationship is maintained with the National Commission on Productivity and Work Quality. Efforts are also made to keep informed of relevant productivity activities of other organizations, including state and local agencies, professional associations, universities, and private companies.

#### EDUCATION AND TRAINING

It has long been recognized that education and training are essential ingredients of a program to improve financial management.

For a number of years the Civil Service Commission has developed and conducted a wide variety of financial management

training courses. During the last fiscal year CSC's Management Sciences Training Center in Washington conducted 240 course sessions and trained about 4,900 participants in Federal, State and local governments, international organizations, and foreign governments. This included courses in accounting, budgeting, auditing, program and management analysis, contracting and procurement, planning, productivity and controllership. CSC's ten Regional Management Sciences Institutes also conducted 339 sessions of these courses for more than 6,000 participants.

Twenty-three new courses aimed at improving the knowledge and skills of employees in financial management related careers were introduced by the Commission during the year.

Many government employees have participated in a variety of college and university courses in the field of financial management and agencies, under established authority, have provided financial support for many employees in such courses.

The needs for increased numbers of highly qualified professional financial managers, however, have not been fully met. One of the most difficult problems has been the attainment of the right mix of academic education and operational training.

During 1974 JFMIP and The American University began a program of cooperation designed to meet this need. They are cooperating in establishing an Institute for Applied Public Financial Management within a Financial Management Center at American University.

The objective of this program is to educate government employees and other students in financial management skills which will contribute directly to the improvement of government programs. The Institute will be specifically devoted to the preparation of practitioners who will be qualified for responsible financial management positions or other management positions requiring financial management skills in government.

American University participation in this program involves the College of Public Affairs and its School of Government and Public Administration, the School of Business Administration, and the College of Continuing Education. These groups are jointly developing a new Institute curriculum leading to a master's degree in Public Financial Management.

A unique feature of the Institute will be a special effort to relate education to operational needs, both through assignments in government organizations and special structuring of courses. Successful performance as a practitioner, rather than only as an academician, will be a major factor in this Institute. Each phase of the program will be evaluated through a Program Evaluation Review Group which will have both Government and University representation. To provide the participants with specific competencies in government management, the Institute will incorporate the knowledge, skills, values and behavior essential to a successful manager. The Institute will have the flexibility necessary to consider special agency needs and individual needs, taking into account past education and work experiences together with the individual's objectives and goals. Although this undertaking may lead toward a degree, the primary purpose is to promote individual career development and meet the needs of government.

The JFMIP will coordinate Federal participation in the program, identify Federal officials to serve on an advisory board for the Institute, coordinate the Institute program with education and training programs of government agencies, coordinate work projects, and participate actively in the joint evaluation and review efforts.

Information on this program will be made available to other educational institutions and should be helpful in developing similar programs in other institutions and other geographical areas. It can be useful for State and local governments as well as for the Federal Government.

#### FINANCIAL MANAGEMENT CONFERENCE

For several years, JFMIP has sponsored an annual one-day financial conference. The purpose of these conferences is to stimulate the development and widespread use of good financial management practices. At the conference held in January 1974, Mr. Arthur Sampson, Administrator of General Services, gave the keynote address. At the January 1975 conference, Mr. David Packard, Chairman of Hewlett-Packard Company, presented the luncheon address emphasizing the need for an efficient and effective budget system in Government. The theme of this conference was "The Changing Federal Budget Process." Major emphasis was placed on the Congressional Budget and Impoundment Control Act of 1974.

About 400 top level management officials from approximately 50 Federal agencies attended each conference. One

highlight of the conferences was the presentation of the Financial Management Improvement Awards. The purpose of these annual awards is to give public recognition to government employees who, through the practice of effective financial management, have achieved significant economies, efficiencies and improvements. The award winners in 1974 were Edward W. Stepnick, Director, HEW Audit Agency, and Robert Ringwood, State Auditor of Wisconsin. The 1975 award winners were Bernard B. Lynn, Director, Defense Contract Audit Agency, and Martin Ives, Deputy Comptroller, State of New York.

#### COMMUNICATIONS AND PUBLICITY

Throughout the year there have been special efforts to maintain effective communications with a wide variety of organizations and individuals interested in the improvement of financial management. Talks have been presented to groups such as the American Society for Public Administration (ASPA), the Federal Government Accountants Association (FGAA), the Institute of Internal Auditors, the Accountants Round Table Forum, the National Association of State Budget Officers, CSC training programs and various Federal agency and university groups. Meetings and informal discussions have been held with JFMIP agency liaison officers, financial management officials of various agencies and representatives of professional societies, universities, accounting and management firms, and various associations.

In September JFMIP joined with ASPA and FGAA in sponsoring a one-day seminar on "Management by Objectives." This featured a luncheon address by Dr. Peter Drucker, noted author, professor, and management consultant.

The annual Financial Management Conference and various workshops and meetings related to productivity have been discussed in previous sections of this report.

JFMIP continues to publish a quarterly JFMIP News Bulletin which has a steadily increasing circulation.

A revised edition of the Federal Financial Management Directory which was first issued in 1973 has been published. This directory will be updated regularly.

Other publications prepared in 1974 were:

--The Joint Financial Management Improvement Program in the Federal Government: Its Scope, Objectives, Methods

- Report on Federal Productivity
  - Volume I "Productivity Trends, FY 1967-1973"
  - Volume II "Productivity Case Studies"
  - Supplement to Volume I "The Measurement Data Base--A Description of the Elements and Output Products Included"
- Financial Management Functions in the Federal Government
- JFMIP Assistance to Agencies
- Proceedings of the Quality Measurement Workshop, December 1973
- Proceedings of the Financial Management Conference, January 1974

## AGENCY FINANCIAL IMPROVEMENTS

In addition to the accomplishments already mentioned in this report, there have been many improvements in financial management in the Federal agencies. The following are examples of the types of improvements which have been made.

### Improved Financial Systems

A number of agencies have developed new systems or have made significant improvements in various types of financial systems.

The National Science Foundation (NSF) has made significant progress in developing a Financial Accounting System (FAS) which features visual display terminals and a communications network. Key features of the FAS that were successfully tested and implemented are:

- Budget Execution Plans which are distributed to the NSF managers are maintained in an on-line data base in real-time and are available by terminal display to all system users. The visual display includes information by organization and program on Budget Execution Plan allocations, funds committed, funds obligated, and funds available. In addition, the display shows the dollar value of documents in transit between the Financial Management Office and program managers. The Budget Execution Plan is the backbone to NSF's funds control system.
- The Financial Accounting System interfaces directly with a Proposal Application Information System and an Award Information System. This allows all three systems to share the same integrated data records in an on-line data base and eliminates the redundant entry of voluminous data into the FAS.
- A completed automated General Ledger is maintained within the FAS by the use of approximately 160 transaction codes designed to capture all accounting entries of the NSF by means of on-line visual display terminals placed in the Financial Management Office.

Within HEW the National Institutes of Health completed development of the DHEW Federal Assistance Financing System (DFAFS). The new system represents a redesign of the previous grant payment system and has as its purpose the creation of a single system for paying grants and contracts under the full

range of Federal assistance programs. In the next two years the system will be expanded to serve as the payment mechanism for all Federal assistance-like programs on a DHEW-wide basis. The system will function as a control device in the flow of Federal cash by recipients, provide timely reports, and otherwise provide for more effective financial management in these programs.

In the National Aeronautics and Space Administration (NASA) the Jet Propulsion Laboratory has implemented a system for automated production of the Program Operating Plan (POP). Significant savings in man-hours and reduction in preparation time have been achieved. This automation cuts the POP preparation time in half, facilitates preparation of POPs for new starts or new proposals, provides more time for the project offices, and permits POP preparation at any time during the year for ongoing projects on an overnight basis.

In the Department of Commerce, the National Technical Information Service (NTIS) implemented a product analysis report. This report provides a comparison of planned and actual production and unit costs. With this automated system reports are prepared more often than previously but with less staff time.

The Federal Trade Commission has developed a program budgeting system which uses a management by objective approach. Information on objectives and costs is being developed for each of the Commission's major programs. The system is being used in determining appropriate resource levels and in the regular periodic assessment of program and financial performance against plans.

The General Services Administration has designed and developed a new integrated accounting system for the Federal Building Fund. The Public Buildings Act amendments of 1972 created the Federal Building Fund which required a major redesign of existing accounting systems (two revolving funds and five appropriations) for the Public Building Service.

The Energy Research and Development Administration has redesigned its automated field financial plan system. Improvements in both the editing and reporting segments of this system have resulted in significant reductions in the review effort and computer processing time and will also save approximately 20,000 pages of print annually.

The Department of Defense (DOD) has made a number of improvements to its automated financial management information

system. Systems designs for the Joint Uniform Military Pay Systems (JUMPS) of the Army, Air Force and Marine Corps have been approved and these systems are in operation. The Navy JUMPS is being installed on an incremental basis with final implementation scheduled to commence July 1, 1976. DOD has established several study groups to determine the feasibility of standardizing various financial management systems such as civilian pay and military retirement. These studies indicate that standardization is feasible and will result in increased economy and efficiency in a number of areas.

The Army is developing an automated system for collecting financial data from field activities and reporting it to a central management information system. The Army is also proceeding with installation of a standard financial information system at installation level; 44 installations now operate under the system.

The Navy Comptroller's Office of Budget and Reports implemented an automated fund control system which provides a display of fund allocations in program detail and prepares status reports. The system permits on-line display on remote terminals, current program values, bases for reprogramming, and items in deferred status. The Navy is also developing an accounting system for weapons systems procurement, financial management system for control of military personnel appropriations, and a system for integrating separate disbursing and accounting processes.

The Air Force completed a number of projects which include accounting processing and reporting procedures internally. In addition, several projects involving external organizations and resulting in tangible savings were completed. These included the substitution of magnetic tapes from manually prepared reports for reporting check issue data to the Treasury Department. As a result the Treasury can make computer reconciliations of check issues and payments and immediately notify Air Force bases of discrepancies. Previously, there were 6 to 12 month delays in reporting discrepancies.

The Comptroller General has approved the Defense Supply Agency's (DSA) standard automated material management system and its financial subsystem. The system has been implemented at four DSA Supply Centers and is scheduled for implementation at a fifth center soon. Among the several systems under development at DSA is an automated budget system which will

prepare operating budgets for 55 activities. The system has the capability of comparing actual workload, dollar, and manpower data with approved plans and budgets. It highlights resource utilization trends and assists management in shifting resources.

The financial management reporting system of the Department of Labor has completed a full year of operation. This system is an integral part of the Department's integrated accounting system and produces summarized data from the accounting data bank. These reports provide managers with cost information to measure and evaluate performance and to plan and allocate costs for programs. The Department has made substantial progress in its program to decentralize financial management. Each regional office has hired a financial management officer whose job is to advise regional officials on implementing a decentralized financial management program. Allotment of fund authority has been redelegated to regional officials. Financial reporting systems were redesigned to provide regional officials with more meaningful financial and budget performance data. The Department's budget preparation cycle was revised to allow a higher degree of regional participation. Experimentation began on use of a remote terminal network for inputting and outputting financial management data at the regional offices.

In the Department of the Interior, the National Park Service has implemented an interim programming and financial management system throughout the Park Service. All input data for the system is transmitted from regional office computer terminals to the central computer in Washington and reports are transmitted back to regions by the terminals.

The Department of Justice is now operating a central payroll system which handles the pay for about 29,000 employees. The centralization of payroll has resulted in increased effectiveness and improved economy in paying personnel.

In the Department of Transportation the Coast Guard has eliminated all suballotment accounting. Take-over by the Treasury Department of certain Coast Guard disbursing functions has resulted in significant savings.

The Tennessee Valley Authority has made a number of improvements in applications of automatic data processing. Computer programming to maintain perpetual inventory records of chemical raw material and manufacturing supplies was developed. A key to disc system is being used to replace keypunch services for payroll at a savings of \$20,000 per year. Publicity given to a procedure for paying employees through direct deposits to bank accounts resulted in more than a 10 percent increase in participation.

## New Technology and Methods

Many of the new or improved systems discussed above involved use of new technology. Accounting systems are becoming increasingly automated. The following examples illustrate applications of some of the newer techniques and new methods procedures.

The direct-deposit program in the Treasury Department is aimed at paying recipients of recurring Federal payments by credit to their accounts in financial organizations. The program is being developed initially for social security payments, and in cooperation with representatives of the Federal Reserve System, the national trade associations for the financial organizations, and the concerned Federal agencies. The program has the major objectives of (1) improving service to beneficiaries through elimination of check loss, theft, and forgery, and (2) reducing costs to the Government.

In November 1974, social security beneficiaries residing in Georgia were given the option of receiving their monthly payments at their financial organizations. Information about this option was conveyed to them by means of an insert enclosed with their checks. This pilot operation in Georgia will be followed by a similar offering in Florida this April. The option will then be made available to social security beneficiaries throughout the United States during the period July-September 1975. Shortly thereafter, late in 1975 or early in 1976, the Treasury Department will initiate a second pilot project in Georgia and Florida for testing electronic transfers of these payments to financial organizations. Completion of nationwide implementation of an electronic funds transfer system is expected by the end of 1976. Other kinds of recurring Federal payments will be brought into the system during 1976.

The Small Business Administration (SBA) has established a regional communication system. Cathode ray tube (CRT) videoterminal devices have been provided to the ten regional office cities in order to serve borrowers more effectively. The system provides an on-line inquiry capability in the field offices and rapidly makes available loan status and payoff figures on a key-in basis.

A special project of the SBA has resulted in over 60 percent of the input transaction documents submitted from the field offices being processed on Optical Character Recognition (OCR) equipment in lieu of punched card equipment. The net savings to the agency is \$18,000 annually.

The Energy Research and Development Administration (ERDA), (formerly the Atomic Energy Commission) is increasing its use of microfilm in processing, communicating, and storing information wherever its compact form and contribution to speed, economy, and accuracy can benefit operations. The use of microfiche in the biweekly payroll process alone replaces over 5,700 pages of paper records, reports, and registers each payday with 84 four-by-six inch microfiche. In addition to this annual savings of about 150,000 sheets of paper, there is a reduction of 75,000 sheets annually through the use of microfiche in the Central Accounts Branch Module of the Financial Information System. Several computer-generated financial and other reports formerly produced and distributed to field offices in paper form are now available in microfiche form.

ERDA is studying the feasibility of converting several other computer-generated reports to microfiche. Included among those scheduled for conversion during FY 1975 are the Cost-Budget Reports, the Trial Balance, and the Financial Plans. The conversion of the Cost-Budget Reports and Trial Balance alone will save 350,000 pages of paper annually. Also, the substitution of microfiche for paper saves approximately 90 percent of the postage costs on items mailed.

The Computer Interactive Processing System (CIPS) was designed to provide generalized and specific on-line support to application systems at ERDA. The system permits those ERDA headquarters computer users needing it to have fast response access to a computer. CIPS is primarily based on commercially-produced software, with components added by the ERDA Headquarters software contractor. Based on user requirements, CIPS was initially designed to provide generalized on-line data entry, validation of input data, and remote job launching from terminals. These new capabilities can be made available to the user with minimal modification to existing application systems. Among current applications are budget formulation, financial planning, and project control.

In December 1974, the National Aeronautics and Space Administration (NASA) at Goddard Space Flight Center requested that ERDA provide them with CIPS for on-line systems support in their Financial Management Office. NASA plans to use CIPS initially for implementing a new manpower budget system.

The Veterans Administration has improved its ability to estimate the cost of GI bill training through the development

and use of a probability model. This model uses a 10 percent sample of the Education Master File to produce tables giving the average training time and dependency by type of training within various strata according to year of separation. This additional data provides management with ability to analyze training patterns on a more definitive basis and thus better estimate the cost.

The Environmental Protection Agency (EPA) is making increased use of communications terminals for input of financial data from field accounting offices and for issuance of reports to field locations. EPA is using a software package known as SPUR (Software Package for Unique Reports), which can be used for special financial reports by people who are not computer specialists.

The Export-Import Bank has computerized a recording of interest income on loans. The bank has improved its financial reporting by converting three voluminous reports from computer printed output to magnetic tape, which permits direct generation of reports by the receiving agency.

The Department of Housing and Urban Development (HUD) has begun to use OCR equipment in lieu of contractor keypunching to convert time and attendance report data into machine language.

The Department of Labor recently developed an econometric model for projecting short-term compensation benefits for Federal civilian employees covered under the Federal Employees Compensation Act. The model was designed to project a level to which compensation benefit costs are expected to rise during FY 1976. The computerized model is expected to provide more accurate, reliable, and objective budget estimates.

The Department of State has developed a special procedure to assure a steady input of professional accountants. Accounting majors are hired in the summer. At the end of the summer of their junior year they are appointed as part-time employees and placed on leave without pay. They return at Christmas and Spring breaks to work at the State Department and when they graduate in June they are appointed to full-time positions.

The Bureau of Engraving and Printing in the Treasury Department has made arrangements for financing long-range capital improvements by including, as needed, a surcharge on the selling price of its product to meet its short-term needs for productivity-enhancing capital investments. The Bureau

of Engraving and Printing has also entered into lease-purchase contracts for acquisition of productivity enhancing equipment which is scheduled to be in operation in 1976. These contracts are unique in that they do not require the usual liquidating damage clause which would require funding.

The Government Printing Office (GPO) has been participating for some years in the efforts to measure and improve productivity in the Federal Government. During 1974, GPO established a Productivity and Work Measurement Division. A work measurement system was partially implemented and will be extended to all production and administrative functions of GPO to help department and service heads in developing budget estimates and staffing policies, and improving productivity. To improve knowledge of the productivity program throughout the organization, GPO has undertaken extensive training efforts. A six hour productivity orientation class has been given to all levels of supervision in GPO. Further training is planned.

The Interstate Commerce Commission has applied work measurement techniques to develop budget estimates in its compliance program, and attempts will be made to extend these techniques to the formal proceedings program to improve budget formulation in that area.

### Cash Management

A number of Federal agencies are beginning to give increasing attention to the management of cash, including the timing of receipts and disbursements and the improvement of procedures.

The Treasury Department has the central responsibility for cash management, including the major task of managing the public debt. The experimentation with direct deposit methods has been discussed above. The Treasury Department has also provided leadership in encouraging wider use of improved practices such as the letter of credit.

The General Services Administration (GSA) has also taken an active role in identifying improved cash management practices and encouraging operating agencies to apply improved practices. Among other things, GSA is exploring some of the cash management techniques which have been used successfully in the business world and assessing their applicability to government.

In the Department of Commerce the Patent Office implemented a system to access computer files to verify receipt of a fee, given a serial number, patent number, or name which has proven highly successful. The new inquiry system and computer printouts listing the fees in a numeric or alpha sequence avoid many hours of searching files and verifying receipts of fees.

The Social and Economic Statistics Administration designed and implemented a new automated accounting subsystem for the processing, control and reporting of cash receipts. The subsystem is fully integrated with the automated procedures for general ledger preparation and with the budget project structure established for allotment of funds and progress reporting. The system provides timely control and reporting on a work project basis, while identifying all receipts at the case number level by individual customer. In addition to an automated cash receipts register, the system provides reports reflecting unobligated cash balances and unallotted receipts at the work project level.

In the Veterans Administration the insurance collections processing cycle which leads to the deposit of remittances was successfully reduced from 3 to 2 days for more than 80 percent of the work. This was accomplished by using a new reconciliation technique which allows batches of input that are out of balance with the remittances to be deleted from a day's deposit, while the batches that are in balance can be deposited.

#### Audit Improvements

The issuance by the Comptroller General in 1972 of the statement entitled "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" was the first step in the long process of strengthening the audit of governmental programs and activities at all levels of government. GAO continued to work on several projects designed to interpret and illustrate the standards and promote their use and acceptance. A series of booklets has been published by GAO to promote auditing of the scope contemplated by their audit standards. GAO cooperated with the International City Management Association in 12 participating cities and counties to help demonstrate the applicability of the scope of auditing contemplated by the audit standards to the local governmental institutions.

A National Intergovernmental Audit Forum and 9 regional forums have been organized. The national forum is composed

of representatives from Federal agencies with large grant programs and representatives from state and local government audit organizations. Objectives of the forums include (1) exchanging views to resolve issues through discussion before they become problems, (2) gaining acceptance and promoting use of the GAO Audit Standards, and (3) improving coordinated and cooperative working relationships.

The accounting division in the Federal Home Loan Bank Board improved operations with a revised chart of accounts, utilization of standard journal vouchers, and reconciliation schedules. These reconciliation schedules will be included in an "Audit Pack" that will provide a self-audit of all accounts. This "Audit Pack" can be utilized by internal auditors and GAO to reduce their audit requirements.

The use of the services of CPA firms to perform the annual financial audits of the twelve Federal Home Loan Banks was successful. The internal audit program will make use of a continuous audit in order to provide audit reports soon after the close of the audited period. The "Audit Pack" will be used to reduce staff effort.

The DOD Audit Agencies have greatly expanded the use of the computer in planning and in carrying out audits. The Air Force Audit Agency has implemented an audit resource management system which measures the mission and economic significance of each installation and audit account and assigns audit priority. The Air Force has installed an automated information and storage retrieval system with a nationwide terminal network to assist in planning and managing its audit operations. As part of the DOD audit training program, some auditors serve tours of duty with CPA firms and industry to promote the crossfeeding of information and technical skills.

The Internal Revenue Service has an aggressive program of following up on problem areas detected during internal audits. This results in improved taxpayer service and increased operating efficiency as well as strengthened internal control. In areas that can be measured, savings in additional revenue for FY 1974 are estimated at more than \$71 million.

The Department of Housing and Urban Development (HUD) has increased its reliance on non-Federal audits and coordination of audits with other Federal agencies. HUD has made arrangements with the Massachusetts Department of

State Auditors under which the state audits will be extended to cover both state and Federal accountability interest in the Urban Renewal Program. The Washington State Auditor has agreed to perform project audits in 5 HUD programs.

The Environmental Protection Agency (EPA) has entered into contracts with two States, California and New York, to assume the audit function of EPA for those projects jointly financed by the state and EPA. The States will audit these projects for EPA concurrence with their own project audit. This is expected to lead to broader sharing of audit responsibility in programs of mutual interest.