



ANNUAL REPORT

1983

The Joint Financial Management Improvement Program

## FOREWORD

This report describes financial management initiatives undertaken in 1983 by the Joint Financial Management Improvement Program and its principal agencies, which are the Office of Management and Budget, the General Accounting Office, the Department of the Treasury and the Office of Personnel Management. In addition, the report highlights some of the major financial management improvements accomplished and currently underway in operating agencies throughout the Federal Government.

The central agencies -- the Office of Management and Budget, the Department of the Treasury, and the General Accounting Office -- are providing a tremendous impetus to upgrading, refining, and improving financial management systems. Also, Congressional interest -- passage of the Federal Managers' Financial Integrity Act, Inspector General Act, Prompt Pay Act and the like -- continues to have a significant impact on financial management improvement efforts. If there is one phrase that best describes the general trend in financial management improvement, it is "modernizing through technology." This past year, more than ever, we have seen agencies implementing and planning financial management changes by using minicomputers, microcomputers and communication technology.

We are publishing this report to fulfill one of our objectives of sharing and disseminating information among managers so that an exchange of ideas and some lessons learned on system development can be made. Each write-up is followed by the name of the responsible official and his or her telephone number to encourage direct contact and exchange of more detailed information.

We take this opportunity to express our appreciation to all of the agency officials who contributed to this report. We wish success to all agency initiatives to make financial management improvements, and we look forward to hearing of new and significant accomplishments in the near future.

Susumu Uyeda  
Executive Director  
June 1984

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## CHAPTER I

### JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

#### A. BACKGROUND

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States and was given statutory authorization in the Budget and Accounting Procedures Act of 1950.

The overall objective of 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 Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Office of Personnel Management. The Program is administered by a Steering Committee, which is composed of representatives of the Principals and the Executive Director of the JFMIP. Under the guidance of the Steering Committee, the Executive Director and his staff develop, direct and undertake programs and projects for JFMIP on a day-to-day basis. Appendix A is a listing of key officials and Appendix B lists the JFMIP staff members during 1983.

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the principal and operating agencies. The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices. To fully achieve the necessary coordination and cooperation, the head of each Federal agency has designated a liaison official to serve as a point of contact on matters relating to the JFMIP. Agency liaison representatives are identified in our annual Financial Management Directory.

The JFMIP and its staff perform a variety of activities aimed at achieving its objective of financial management improvement. JFMIP reviews and coordinates central agencies' activities and policy promulgations to preclude possible conflict, inconsistency, duplication and confusion. It acts as a clearinghouse for sharing and disseminating information about good financial management techniques and technologies. In this respect, JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management

practices. Working closely with agency liaison representatives, JFMIP reviews the financial management efforts of the operating agencies and serves as a catalyst for further improvements.

In addition, JFMIP undertakes special studies and research projects of a Government-wide nature to resolve specific problems. Such projects are carried out through interagency project teams from both principal and operating agencies. Sometimes, project teams include representatives of State and local governments, depending on the nature of the projects. JFMIP also provides advisory services in dealing with specific financial management problems. These problems may be dealt with by referral to a source of expertise, by assignment to the principal agencies, or by informal consultation.

During the past year, the JFMIP staff and the principal agencies have undertaken many activities to improve financial management. In the balance of this chapter, some of their major accomplishments and initiatives are highlighted.

## B. JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM (JFMIP)

### 1. Special Projects Completed in 1983

a. Review of Grant Cash Management. The Joint Financial Management Improvement Program completed studies of cash management practices for selected federally assisted programs in four States. The studies were made at the request of the States and Federal agencies to determine if there was a shortage or excess of Federal cash on hand at the State level.

The studies disclosed that many improvements were needed in cash management and there was a need for a close working relationship between Federal and State officials to improve cash management. A joint State/Federal Cash Management Reform Task Force was subsequently established. The Task Force developed a "Memorandum of Understanding" for financing Federal assistance programs. The Memorandum, endorsed by the major associations of State officials, was to achieve an equitable system of inter-governmental cash management. As a result of these agreements, alternative methods for drawing Federal cash are being studied in pilot tests conducted in several States.

The studies specifically disclosed that the four States in aggregate had a daily average balance of \$279 million of Federal cash on hand. Offsetting this amount was \$53 million of State funds which were used prior to the receipt of Federal cash for two Federal assistance programs. The balance of \$226 million represented eight calendar days' cash requirement for the States.

About \$126 million of the \$226 million represented the amount of cash on hand from the time a check or warrant was issued until

it cleared the State bank account. This is commonly referred to as float. About \$100 million of the \$226 million cash on hand was due to the States drawing Federal cash before checks or warrants were issued by the States.

Several problems were observed both at the State and Federal levels of government which contributed to these large cash balances on hand. Observations of where States may improve their cash management are summarized below:

- State departmental systems, in a number of instances, were not in place to effectively account for, monitor and draw Federal cash.
- Uniform central policies or procedures for Federal cash drawdowns were not established in the States we studied.
- The States, in some instances, were advancing as much as 6 months' Federal cash to subgrantees at one time.
- States, in some instances, were not properly considering millions of dollars in refunds to Federal assistance programs in their cash draws.

Observations of where Federal agencies may improve cash management are as follows:

- Not all Federal agencies were effectively monitoring Federal cash in the States.
- Some Federal agencies and States interpreted Federal regulations to mean that a three-day cash balance on hand is allowed.
- Instances were found where Federal program agencies delayed granting award authority after Federal funding authorizations were available.
- Some State departments wanted to return excess cash because of erroneous draws or other reasons, but Federal procedures did not provide for timely return of these funds.
- In one major Federal assistance program, State expenditures questioned and suspended by the Federal agency ran into millions. Delays in resolving these questioned expenditures were due to Federal program agencies not reviewing them on a timely basis and the State not providing adequate and timely support for the claims in question.

b. Review of Treasury Fiscal Regulations. As part of the Reform '88 efforts to reduce intragovernmental paperwork, JFMIP reviewed Volume I of the Treasury Fiscal Requirements Manual, which contain regulations for Federal organizations. A survey of

agency views was conducted to identify areas for improvements in the manual. The overall observations are summarized below.

- (1) Agency officials, in general, thought that Treasury regulations were generally well written and understandable and cover adequately the subject matters requiring central guidance.
- (2) Agency officials, in most instances, expressed a desire to participate in the process in which Treasury makes major changes in existing regulations or establishes new ones. Advance coordination between Treasury and agencies is essential for facilitating and speeding up the implementation of new regulations.
- (3) Agency officials made two basic suggestions concerning the timing of issuance of Treasury regulations. The first was a suggestion that Treasury regulations be better synchronized with related directives of the Office of Management and Budget. The second suggestion was that regulations be issued in sufficient time for agencies to implement them.
- (4) Agency officials, in some instances, suggested that Treasury should spend time looking into a better automated system for providing information directly to central agencies from the automated financial systems in the operating agencies.

The report contained a series of specific and detailed recommendations on how to improve each part of the manual and was issued to the Office of Management and Budget in January 1983. Treasury's Bureau of Government Financial Operations has agreed to implement the recommendations.

c. Accounting Systems Packages. JFMIP completed a survey of transferable accounting system software packages that are used by small Federal agencies. Fourteen systems are briefly described in the publication, Managers--Reduce Your Systems Development Costs by Adopting An Available Accounting System. The booklet was designed to provide assistance to small agencies in the Federal Government who are looking for comprehensive accounting systems and related software packages that are easily transferable. The booklet was organized in three categories with descriptions of the following agencies:

--Data-Base Management Systems

Health Care Financing Administration,  
Department of Health and Human Services  
National Transportation Safety Board

--Financial Accounting and Reporting Systems

Executive Office of the President  
Federal Emergency Management Agency  
Federal Trade Commission  
National Credit Union Administration  
National Science Foundation  
National Highway Traffic Safety Administration,  
Department of Transportation  
Bureau of Government Financial Operations,  
Department of the Treasury  
U.S. Customs Service,  
Department of the Treasury

--General Ledger Accounting Systems

Consumer Product Safety Commission  
Federal Labor Relations Authority  
Government Printing Office  
National Aeronautics and Space Administration

2. Special Projects Underway in 1983

a. Microcomputers in Financial Management. A study of how Federal agencies are using microcomputers in financial management areas was initiated in 1983. The study found that microcomputers, especially electronic spreadsheet programs are being widely used in the audit and budget communities. The President's Council on Integrity and Efficiency, through its Computer Audit Committee, has taken a lead role in promoting the use of microcomputers in auditing. The Offices of Inspector General in the Department of Transportation and the National Aeronautics and Space Administration are using the microcomputers extensively.

The survey concentrated on the use of microcomputers in the budget and accounting areas. Many agencies were contacted and meetings were held at Defense's Washington Headquarters Service, the Air Force, Internal Revenue Service, General Services Administration, Agriculture Department, Securities and Exchange Commission, Federal Reserve Board, the World Bank, and Veterans Administration.

b. Centralized Management Information System. A review was made of the Department of Commerce's Centralized Management Information System with the objective of producing a case study on the methodology used by the Department to develop this system.

The existing information environment at the Department of Commerce was characterized as a collection of diverse financial and administrative systems. Over time the Bureaus in the Department have developed decentralized, nonstandard systems to support their specific needs. As a result, it was very difficult to obtain Department-level information without going through a

cumbersome and potentially inaccurate manual process. Also, the needed information could not be obtained on a timely basis, because there was a mix of manual and automated systems, and hardware and software were not compatible. The Department concluded that the most realistic approach to improving information at the Secretarial level was to develop mechanisms for systematic use of existing data.

The Department's solution called for the development of a series of automated "bridges" linking Bureau systems with the Office of the Secretary. The "bridges" were designed to extract, standardize, edit and store information in a Departmental financial data base to be used within the Office of the Secretary to prepare management reports, answer ad hoc queries, and perform special analyses. In developing the bridges, the Department was determined not to change existing systems in the various Bureaus.

The initial version of the financial management data base enabled the Department to meet baseline requirements for budget execution and debt management identified by the Office of Management and Budget for the Reform '88 Interim Financial and Administrative Management System. Expansion efforts planned during fiscal year 1984 will enable the Department to meet all baseline requirements for the Reform '88 project by October 1984.

### 3. Annual Financial Management Conference



J. P. BOLDUC  
Chief Operating Officer  
Grace Commission



JOSEPH WRIGHT, JR.  
Deputy Director  
Office of Management and Budget

Each year, the JFMIP sponsors a financial management conference to share and disseminate information on financial management developments and improvements. The March 30, 1983

conference, with over 850 people attending, was held in Washington, D.C. The theme of the conference was "Financial Management Reform." The two keynote speakers emphasized the need to restructure the Government's administrative systems to improve financial management. Mr. J. P. Bolduc, Chief Operating Officer, President's Private Sector Survey on Cost Control, summarized the background and objectives of this study group. His two basic recommendations for enhancing financial management are to restructure finance and accounting systems and to establish adequate credentials for financial managers. Mr. Joseph R. Wright, Deputy Director, Office of Management and Budget, outlined the Administration's Reform '88 program for improving the management of the Federal Government and emphasized the need for good management information systems.



HAROLD L. STUGART  
Auditor General  
Department of the Army



ROLAND W. BURRIS  
Comptroller  
State of Illinois

The highlight of the conference was the presentation of the 1982 Donald L. Scantlebury Memorial Awards for exceptional financial management improvement to Harold L. Stugart, Auditor General of the U.S. Army, and Roland W. Burris, Comptroller of the State of Illinois.

Four workshops were held on reforms on various aspects of financial management. One workshop addressed the major reforms in accounting by Treasury, GAO, OMB and the Department of the Army. The second workshop discussed how the Congressional Budget Act of 1974 is working in today's environment, how budgeting for capital investments should be improved, and how other improvements in the overall Federal budget process should be made. The third workshop focused on issues in auditing reforms including the prevention of fraud, waste and abuse, single audit concept and computer audit

training. The fourth workshop covered subjects on the selection of microcomputers, the use of electronic work stations, and the application of bar-coding technology for automated input of property records.

#### 4. JFMIP Workshops

The JFMIP periodically sponsors workshops on current technical issues. In July 1983, the JFMIP and the Association of Government Accountants sponsored a workshop on "Using Microcomputers for Financial Managers." This workshop provided financial managers with a basic understanding of microcomputers and their applications in Government financial management operations. The workshop was attended by 450 persons.

A workshop on "Financial Management Reforms" was jointly sponsored by the JFMIP and the San Francisco Federal Executive Board in September 1983. This one-day workshop highlighted Reform '88 initiatives, Grace Commission study recommendations impacting financial management, internal controls, and the use of microcomputers in financial applications.

JFMIP has actively participated in conferences and symposiums sponsored by other Federal agencies and professional organizations. Presentations on subjects such as JFMIP, internal controls, Reform '88 initiatives, microcomputers, Grace Commission recommendations and other financial management initiatives were made. JFMIP also participates, with observer status, in the meetings of the National Intergovernmental Audit Forum.

#### 5. Agency Meetings

Throughout the year, JFMIP meets with top financial management personnel from major departments and agencies to learn about agency concerns, problems and initiatives in financial management. These visitations enable JFMIP to bring together agencies that are working, or have worked, on similar projects for the purpose of sharing and exchanging experiences and knowledge. Through this cross-fertilization effort, JFMIP hopes to minimize systems developmental costs and to elevate the quality of the financial management systems. Meetings were held with the following organizations in 1983.

- Department of Agriculture
- Department of Commerce
- Department of Education
- Department of Transportation
- Department of the Treasury
- Environmental Protection Agency
- Federal Mediation and Conciliation Service
- Federal Reserve Board
- Federal Trade Commission
- Geological Survey (Interior)
- Securities and Exchange Commission

We also met and briefed the visitors from the Republic of Cyprus and Australia on financial management matters in the United States.

The JFMIP provides advisory and referral services to answer specific financial management problems. In 1983, we provided 58 advisory services on specific accounting, auditing and general financial management subjects and rendered 534 referral services.

### C. OFFICE OF MANAGEMENT AND BUDGET (OMB)

#### 1. Reform '88

The Office of Management and Budget, under the direction of the White House, implemented several Reform '88 initiatives at departments and agencies. Reform '88 is the President's program to improve management and administration in the Federal Government to enhance ongoing initiatives and to implement new management processes and systems for more efficient and effective operations. Reform '88 has the following four specific objectives:

- Reduce fraud, waste, abuse and mismanagement within existing budget levels,
- Improve internal agency operations by consolidating functions, applying productivity standards to administrative operations, and contracting out under OMB Circular A-76 wherever cost-effective,
- Develop Government-wide management processes in accounting, payroll and personnel, and automatic data processing, and
- Streamline delivery systems such as the Federal field structure.

Some of the Reform '88 initiatives in financial management include: (a) consolidating common administrative support servicing operations, (b) reducing fraud, waste and abuse by improving controls over Federal fund expenditures and adopting better management and internal control procedures, (c) promoting and sharing of good agency management systems, and (d) enhancing, improving and sustaining existing projects such as cash management, debt collection, excess property sales, procurement practices, unliquidated obligations and excess paperwork.

The specific accomplishments reported by OMB include the following:

a. Prompt Payments. In accordance with the requirements of the Prompt Payment Act and its implementing directive, OMB Circular A-125, 38 departments and agencies reported to OMB on interest penalty payments made during fiscal year 1983. The

reports show 99 percent of the Government's bills were being paid on time. Agencies reported making 180,000 late payments with interest payments amounting to about \$2.9 million.

Circular A-125 requires Federal agencies to pay their bills on time -- not early and not late. OMB is currently reviewing the Circular as it applies to progress payments on large contracts. Progress payments are made to contractors for work performed but before goods or services are received. In September 1983, a proposed revision to the Circular was released for comment. OMB will publish a final revision as soon as comments have been analyzed. (Dave Gribble, 395-4773.) 1/

b. Cash Management Project. The purpose of the Cash Management Project is to improve oversight of the Government's cash balances and the flow of Government funds. The Government collects and spends over \$1.7 trillion, annually. Cash could be better managed and millions in interest costs could be saved by using the best contemporary cash management techniques such as electronic fund transfers, delayed drawdowns and lock boxes. The Project has been under the joint leadership of the Department of the Treasury and the Office of Management and Budget. So far, cash management action plans have been developed in 20 agencies, and 316 initiatives are being monitored. (John Lordan, 395-6823.)

c. Debt Collection. An amendment to the Debt Collection Act, signed by the President on November 29, 1983, facilitates the use of private collection firms to recover debts owed the Government. Before, the Debt Collection Act provided that contracts with private collection agencies could not exceed the limitations set in appropriation acts. The law now allows agencies to contract with private collection firms on a contingent fee basis before their appropriation act is passed. However, the new law does not remove the requirement for advance appropriations in cases where the contractor is paid a flat fee.

The original Debt Collection Act was signed into law on October 25, 1982. Since then, OMB's Debt Collection staff has been working with 16 major agencies to improve credit and debt management in the following areas:

- Automating debt information to improve the reliability and timeliness of accounts receivable reports,
- Applying uniform delinquency rules to ensure proper management of debt portfolios,
- Establishing and enforcing uniform standards for writing off uncollectable debts,

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1/ The area code for the telephone numbers listed in this report is (202) unless otherwise designated.

- Requiring agencies to prepare detailed plans that outline specific steps to be taken for implementing the Debt Collection Act of 1982,
- Automating debt servicing and collection functions using the latest computer and telecommunications technology,
- Using risk analysis and credit scoring procedures to ensure the integrity of the process for extending credit,
- Establishing a dictionary of credit terms with common definitions to be used throughout the Government, and
- Requiring prescreening procedures including the reporting of credit information to credit bureaus and consistent use of credit reports in determining the credit worthiness and financial reliability of applicants for financial assistance.

(Jack Donahue, 395-3066.)

d. Internal Control. The Federal Managers' Financial Integrity Act of 1982 requires agency heads to report each year, beginning with December 31, 1983, on the status of their systems of internal control and whether their accounting systems conform to the Comptroller General's principles and standards.

Sixty-eight departments and agencies have submitted their first year internal control reports. In addition to the overall conclusion on the system of internal control most agencies:

- Provided a detailed description of their evaluation process,
- Identified material internal control weaknesses, and
- Provided plans with a time schedule for correcting weaknesses reported.

Sixty-one departments and agencies reported that their system of internal control, taken as a whole, provides reasonable assurance that the internal control objectives were achieved. The remaining seven reported that either they did not have enough information to determine whether their system provides reasonable assurance or that their system does not fully meet the internal control objectives.

A review of the reports issued by the departments and largest agencies revealed that most accounting systems conform to the Comptroller General's principles, standards and related requirements. A few, however, did report that their systems either do not conform or do not fully conform to the prescribed principles and standards. In total, agencies reported major deficiencies

in about 40 percent of the accounting systems in the Federal Government. Emphasis from the Integrity Act and Reform '88 now being placed on strengthening, streamlining, standardizing and reporting on the systems, along with top management support, can change this situation.

This is the first time that the management of all Executive departments and agencies have taken a good hard look at their internal control and accounting systems and reported their findings. The analyses of these reports have facilitated the identification of Government-wide issues. Agencies have evaluated weaknesses reported and are developing long-term plans or are taking immediate action to correct these weaknesses. In addition, OMB has drafted a Circular on "Financial Management Systems," and guidelines for evaluating, improving and reporting on accounting systems to meet the Reform '88 objectives and reporting requirements of the Act. Both documents are expected to be issued in the summer of 1984. (Fred Heim, 395-3122.)

e. Financial Management and Accounting Guidelines. In August 1983, OMB issued its second draft of the Guidelines to serve as a summary of the standards with which agencies' financial management and accounting systems must conform. These standards did not change existing requirements. Instead, they are to be used to ensure in the long term that the departments and agencies operate comprehensive, useful, reliable and efficient financial management and accounting systems. The Guidelines are to be used by departments and agencies to evaluate their existing financial management and accounting systems to identify needed modifications, and to design and implement system improvements or new systems. The Guidelines address the basic requirements for the following areas:

- Characteristics of operating systems,
- Controls to help prevent and detect fraud, waste, abuse and mismanagement and to ensure that recorded and reported information is reliable,
- Budget execution including fund control,
- Requirements for timely, reliable and useful financial information, and
- Internal and external reporting of financial information.

(Dave Gribble, 395-4773.)

f. Financial Management Information System Project. OMB has required Federal departments and agencies to maintain 77 common accounting data elements so Government-wide information will be available on a more comparable basis. Adoption of these data elements will help to improve management planning and control and lead to more effective oversight at the departmental and OMB levels.

A working group led by OMB with participants from four departments was formed to identify common reporting requirements and information for department and agency heads and OMB. The identification and definition of 77 common data elements resulted from this effort. The data elements are composed of the following categories: budget authority, budget execution, collections, receivables, procurement management, grants management, accounts receivable-audit, cash management, travel management and employment.

The Assistant Secretaries for Management are now providing OMB with plans that describe how the departments plan to obtain the data from their bureaus and agencies and aggregate them so they will be available for departmental and OMB use. (Bill Holcombe, 395-6107.)

g. Revised OMB Circular A-76. The Office of Management and Budget extensively revised OMB Circular A-76, "Performance of Commercial Activities." The revised Circular restates that it is the general policy of the Government to rely on commercial sources for the supply of necessary products and services when they are cost-effective and feasible. The major changes are as follows:

--When the Government is performing an activity in-house that could possibly be done by an outside contractor, a cost study should be performed to determine who can perform the activity by the most cost-effective means, the Government or commercial enterprises. A cost study must be performed, if the activity involves more than 10 full-time equivalents. A full-time equivalent is 2,087 employee hours in a fiscal year. Previously, cost studies had to be performed for activities costing over \$100,000, annually. By September 30, 1987, all departments and agencies are required to have completed cost studies on all applicable activities. New cost studies for those activities should be performed at least once every 5 years. OMB will be monitoring department and agency progress concerning cost studies.

--New activities should be performed by an outside contractor unless any of four following exception criteria are met.

-There is no satisfactory commercial source available,

-The activity is vital to national defense,

-The function is for direct patient care in Government hospitals, or

-Commercial costs are unreasonable and a cost study shows in-house performance is less costly.

--Cost studies are required if an activity is to be expanded or upgraded at a cost that exceeds 30 percent of the total capital investment or 30 percent of the annual operating costs. (Curt Holland, 395-6810.)

h. Management Reviews as Part of the Budget Process. To ensure the success of the Administration's management improvement efforts, a management improvement program with significant involvement and support from the Executive Office of the President was initiated. The program links management initiatives with the annual budget process. During the 1985 budget review process, departmental and agency progress and plans in implementing the Administration's management initiatives were reviewed. These included such management initiatives as debt collection, cash management, and consolidation of administrative support systems. Never before has so much emphasis been placed on the review of management initiatives in the budget process. (Jim Kelly, 395-3774.)

## 2. Budgeting

a. New Budget Information. The OMB has continued to make budget information more useful by adding selected information to the 1985 budget. Some of these changes include the following:

--Two summary tables provide comparisons, and in some cases in greater detail, of the President's 1985 Budget with the current services budget authority and outlay estimates.

--A summary of budget authority and outlays was included in the 1985 Budget Appendix for accounts that provided (1) separate Program and Financing Schedules for supplemental requests, (2) items proposed for later transmittal, and (3) rescission proposals.

--More discussion of credit subsidies, defaults, and the activities of Government-sponsored enterprises has been added to the 1985 Special Analyses.

--Additional information on historical trends in Federal investment was provided in the 1985 Special Analyses in response to a growing interest for information on capital expenditures.

b. Streamlined Presentation of Budget Data. The improvements in presentation of budget data involve four major changes:

--Procedures for reporting both actual and estimated off-setting receipts were revised to reduce the procedural burden of maintaining and reporting detailed receipt data and to eliminate the confusion caused by the previous system. Most general fund proprietary receipts that involve annual amounts of \$10 million or less are now

credited to one of three Treasury accounts: (1) proprietary interest, (2) suspense accounts, or (3) all other collections. This change resulted in relatively insignificant increases of the recorded budget authority and outlay totals for many agencies and permitted data for about 800 small receipt accounts to be consolidated into the three accounts.

--In the personnel summary schedules that are included in the 1985 Budget Appendix, only data on full-time equivalent employment, and full-time equivalent of overtime and holiday hours are printed. Data on average grades and salaries are no longer presented, because generally this information was not found useful.

--Because control of personnel based on the number of positions was changed to control of personnel based on full-time equivalents, schedules of permanent positions are no longer included in the Budget Appendix. However, the information is available in the agencies.

--Many of the appropriation accounts that include reimbursable programs now combine reimbursable activities in a single line without further identification in the program-by-activities section of the Program and Financing Schedules or in the object classification schedules. For revolving funds, all obligations are distributed by activity and by object class.

c. Improvements Due To Automation. OMB uses computers, including those that support electronic word processing, extensively to support formulation of the budget materials and preparation of the budget documents. Some of the most significant computer applications are:

--Twenty-two chapters of the 1985 Budget Appendix were printed by transferring electronically the information from the Budget Preparation System data base to the Government Printing Office's photocomposition system data base. Next year, expanded application of this process will be explored to further streamline the printing of the Budget documents. This and subsequent increases in automation will eliminate time-consuming manual print corrections, which in turn will reduce printing costs and provide additional time before Congressional deadlines.

--The Central Budget Management System, an automated data base management, reporting and analysis system, was used extensively to support the Federal budget formulation process. OMB is now better able to respond to Congressional data requests by producing information in formats consistent with various aspects of the Congressional budget process. Also, automated techniques have been incorporated

into this system to provide for central reporting and analysis of receipts and to calculate the interest on the debt associated with budget alternatives.

- Improvements in OMB's model to project interest on the public debt have increased both the accuracy of the estimates and the speed with which new estimates can be made.
- Revisions and expansions in OMB's economic sensitivity system have improved the ability to support the budget formulation process in a more timely and broader framework.
- The planned expansion of the linkage between the Budget Preparation System (report generator) and the Government Printing Office's photocomposition system should allow for automated printing of the bulk of the tabular material in the Budget, the Budget in Brief and several of the special analyses for the 1986 budget documents.

(Betty Bradshaw, 395-3144.)

#### D. GENERAL ACCOUNTING OFFICE (GAO)

##### 1. Review of Federal Government Program Management

In fiscal year 1983, GAO issued 755 audit reports and special studies. About 68 percent of these reports were submitted to the Congress, its committees and members. The remaining 32 percent of the reports were addressed to Federal agency officials but were also provided to interested Congressional committees and members. GAO's audit work is performed under the authority in its basic statutes, as a result of specific legislative mandates, or in response to specific requests by committees or members of the Congress. Table 1 (page 17) shows the number of audit reports issued during fiscal year 1983, categorized by major audit area.

TABLE 1

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1983 <sup>1/</sup>

|   | <u>Number of Reports</u> |
|---|--------------------------|
| Administration of Justice                           | 29                       |
| Agriculture   | 14                       |
| Allowances  | 2                        |
| Automatic Data Processing                           | 16                       |
| Commerce and Housing Credit                         | 17                       |
| Community and Regional Development                  | 22                       |
| Congressional Information Services                  | 20                       |
| Education, Training, Employment and Social Services | 19                       |
| Energy  | 78                       |
| Financial Management and Information Systems        | 51                       |
| General Government                                  | 87                       |
| General Purpose Fiscal Assistance                   | 9                        |
| General Science, Space and Technology               | 6                        |
| Health  | 28                       |
| Impoundment Control Act of 1974                     | 16                       |
| Income Security                                     | 27                       |
| Interest  | 1                        |
| International Affairs                               | 59                       |
| Multiple Functions                                  | 3                        |
| National Defense                                    | 166                      |
| National Resources and Environment                  | 38                       |
| Nondiscrimination and Equal Opportunity             | 2                        |
| Procurement Other Than Defense                      | 6                        |
| Transportation                                      | 30                       |
| Veterans Benefits and Services                      | <u>9</u>                 |
| Total   | <u>755</u>               |

During the year, GAO identified measureable accomplishments -- cost savings and cost avoidance -- of nearly \$4.5 billion which were directly related to its work. Many of these accomplishments involved changes advocated also by others. About \$3.3 billion of GAO's accomplishments involved actions taken by the Congress, and the remaining \$1.2 billion involved actions taken by agencies.

GAO dollar accomplishments fall into two general categories -- budgetary savings and better use of funds. The first category, budgetary savings, occur when actions taken in response to GAO's work result in actual decreases in Federal spending or increases in Federal revenues. In fiscal year 1983, over \$1.7 billion in budgetary savings resulted from GAO's work.

<sup>1/</sup> This listing excludes certain reports classified for national security reasons for which unclassified digests have not been prepared.

Many GAO accomplishments fall into the second category -- better use of funds. These are usually estimates of costs that were or will be avoided, because the Congress or agencies implemented the changes identified during GAO's audit activities. Better fund use does not necessarily reduce budgetary outlays, since the dollar amounts of the accomplishments relate to future years or may be made available for other more effective and efficient use by agency management. Over \$2.7 billion in funds were made available for better use as a result of GAO's efforts in fiscal year 1983.

In many cases the results of GAO's work cannot be expressed in terms of dollars saved by the Federal Government. Frequently, GAO's work leads to increased efficiency, improved day-to-day operations, or enhanced well being of individual citizens.

Further details on the results of GAO's work are included in the United States General Accounting Office Annual Report for 1983.

## 2. Approval of Accounting Systems

In April 1983, GAO revised its methodology for approving agency accounting systems. The approval is now limited to one stage -- operating accounting systems. Agency statements of accounting principles and standards and designs of accounting systems are no longer subject to approval. GAO will now review operating systems to determine if the system is in accordance with GAO accounting principles and standards by testing selected critical elements. If the system under review meets the documentation and test requirements, it will be approved at that time. Otherwise, it will not be approved, or if previously approved, approval will be withdrawn.

The change in the approval function was made to streamline the process and to make it compatible with the emphasis placed on agencies' operating systems by the Federal Managers' Financial Integrity Act. GAO is now evaluating accounting systems in accordance with the revised procedures. (Virginia Robinson, 275-5071.)

## 3. Accounting, Financial Reporting and Internal Control Standards

In accordance with the requirements of the Federal Managers' Financial Integrity Act of 1982, GAO issued Standards for Internal Controls in the Federal Government on June 1, 1983. The standards set the minimum requirements for an agency's internal control systems. Federal agencies are now using the standards to aid them in assessing the status of their administrative and accounting controls. As necessary, GAO will provide guidance in interpreting and applying the standards.

Also, the Federal Managers' Financial Integrity Act requires agencies to report annually on whether their accounting systems comply with the GAO accounting principles and standards. In response to the Act, GAO also issued on April 18, 1983, a memorandum to the heads of departments and agencies providing a summary of the significant accounting principles and standards in the current Title 2 of the Policy and Procedures Manual for Guidance of Federal Agencies. The attachment to the memorandum was to be used by agencies in assessing and reporting on their accounting systems.

GAO is also revising and updating Title 2. A draft of the revised standards was issued for comment on October 27, 1983. The comments will be evaluated during fiscal year 1984, and a new Title 2 will be issued. (Bruce Michelson, 275-5410.)

#### 4. Auditing Standards and Guidelines

"Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," better known as the "Yellow Book" is being used more extensively by all levels of government auditors and public accountants. These generally accepted government audit standards have been cited in revenue sharing and single audit legislation as required audit criteria.

The Congress, in extending the Local Government Fiscal Assistance Revenue Sharing Program in 1983, amended the audit requirements and required that the audits be made in accordance with the above standards. Those local governments receiving less than \$25,000 in revenue sharing funds for a fiscal year are exempt from audits. A government which receives at least \$25,000, but not more than \$100,000 for a fiscal year, is required to have a financial and compliance audit made at least once every 3 years. A government which receives more than \$100,000 for a fiscal year is required to have a financial and compliance audit annually except that, if the government operates on a biennial fiscal period, such audit may be made biennially covering both years.

During 1983, the Senate passed a "Uniform Single Audit Act" to establish uniform single audit requirements for State and local governments who receive Federal assistance. These audits must also be made in accordance with the standards. The House passed similar legislation in 1984.

These generally accepted government audit standards must be followed in performing audits of Federal organizations, programs, activities, and functions. The standards have received wide acceptance by State and local government auditors and public accountants. Several State and local audit organizations, as well as several foreign nations, have officially adopted the standards. The American Institute of Certified Public Accountants has generally adopted the standards and has issued auditing interpretations concerning the standards. (William Broadus, 275-6073.)

## 5. Review of Operating Systems

a. Federal Managers' Financial Integrity Act. During fiscal year 1983, GAO initiated a major review of the efforts made by 20 Federal agencies to implement the Federal Managers' Financial Integrity Act. This review included 16 cabinet-level departments, the National Aeronautics and Space Administration, General Services Administration, Veterans Administration and the Small Business Administration. The purpose of the review was to gain a comprehensive picture of the progress made and problems encountered in implementing the Act during the first year.

During fiscal year 1984, GAO plans to report the results of these efforts by the major agencies to the Congress and the agencies included in the review.

The report to the Congress will include:

- Progress made and problems encountered by all 20 Federal agencies in implementing the Act, with particular attention directed to the agencies' annual reports submitted on December 31, 1983;
- An assessment of additional guidance needed for subsequent years;
- An overall perspective of the status of internal controls in the Federal Government; and
- Future efforts required to improve financial management of the Federal Government's operations.

The 20 reports issued to the agencies will provide GAO's assessment on an individual agency basis of progress made and identify areas needing improvement in the future. GAO plans to continue to monitor and report on the efforts made by Federal agencies to implement the Act. (John Simonette, 275-1581.)

b. Debt Collection. GAO reviews of six Federal agencies' debt collection programs showed that the increased focus on debt collection by the Office of Management and Budget and the agencies has resulted in strengthened collection practices and increased collections. GAO concluded that continued oversight by the Congress and OMB, as well as sustained effort by Federal agencies, can result in further improvements in debt collection. Debt collection problems did not develop overnight, and the resolution of many long-standing and still existing problems, such as accounting systems which do not report reliable information on receivables, will take time. A great deal remains to be done to assure the ultimate success of the Government's endeavors to improve debt collection efforts and practices. (John Simonette, 275-1581.)

c. Departmentwide Management Review. During fiscal year 1983, GAO performed the first in a series of GAO audits evaluating management effectiveness at major Federal departments. The agency selected for this first review was the Department of Housing and Urban Development (HUD). The review disclosed that HUD is striving to make improvements and suggested further ways to increase program effectiveness through management efficiency. To improve general management, GAO's report 2/ recommended that HUD:

- Place more emphasis on and improve coordination of general management functions such as planning, staff training and development, and financial management;
- Strengthen accountability for general management functions (for example, delegating to one person the responsibility to oversee daily operations as they relate to general management functions);
- Build an organization with greater stability by minimizing the impact of high turnover of key officials; and
- Establish continuity within HUD's top management team by appointing a nonpartisan official responsible for general management functions.

To improve financial management systems, the report recommended that the Secretary of Housing and Urban Development:

- Create the position of Chief Financial Officer with clear responsibility and accountability to set financial policy and provide a central focus for development of improved financial management systems;
- Correct internal control weaknesses;
- Assure that accounting systems comply with the principles and standards established by the Comptroller General; and
- Establish a long-range automatic data processing planning and control process.

(James New, 426-1780.)

2/ Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, January 10, 1984).

## E. DEPARTMENT OF THE TREASURY

### 1. Cash Management

a. Lead Agency Responsibility. During fiscal year 1983, Treasury assumed responsibility for the cash management portion of Reform '88 initiatives. To meet this responsibility, the cash management program staff was established and tasked with (1) negotiating agreements and working on the cash management commitments of 20 Federal departments and agencies and (2) identifying, studying and overseeing the resolution of Governmentwide cash management issues and problems. Both Treasury and the Office of Management and Budget reviewed and approved the agencies' cash management plans and established dollar goals for each agency. As a result, in fiscal year 1983, the Government's interest savings totalled \$144 million. In addition, a management information system, "CashMan," was developed and implemented to inform senior Treasury and OMB officials on the progress of agencies in meeting their cash management objectives. (Russell Morris 634-5685.)

b. Cashier Draft Payment System. The Bureau of Government Financial Operations (BGFO) is testing a commercial payment system for use by Government imprest fund cashiers to replace the present cash payment procedures for selected purchases of goods and services. The system uses a draft drawn on a third party rather than being drawn on a Treasury account. When the draft is presented for payment, the third party notifies Treasury to wire the necessary funds. The system also allows for third-party produced reports to fit user needs. The system is being tested in two phases, each to run approximately three months. The first, began in December, tested 1,000 transactions from one agency. The second phase will test 1,000 transactions each at 30 agencies. If the pilot tests are successful, the system will be offered Governmentwide.

The benefits of the system are significant reduction of cash handling, improved internal controls and audit trails, third-party payment protection, improved financial and management reports, and reduced agency cash requirements. By using the draft payment system, BGFO estimates that 75 to 80 percent of the approximately \$70 million held by 7,200 cashiers could be eliminated. (Bob Lane, 566-9634.)

c. Conversion to Paper Checks. The BGFO is in the process of converting the current U.S. Treasury green, punched-card check to a paper check. Conversion will be made in two phases: first, a Treasury disbursing operation test in BGFO's Philadelphia Disbursing Center is scheduled for March 1985. Second, phased-in implementation of paper check issuance is planned in Treasury Disbursing Centers and smaller non-Treasury disbursing operations during 1985 and 1986. BGFO issues over 600 million checks per year. Another 150 million checks are issued by 29 non-Treasury organizations (Army, Navy, Postal Service, etc.) through 1,300

disbursing points. When all of these organizations have converted to paper checks, productivity will be enhanced, security over Treasury checks will be improved, and the cost of checks will be reduced by more than \$5 million, annually. In addition, the conversion to paper checks will have a favorable impact on the commercial banking system, Federal Reserve System, Postal Service, and the Federal Records Centers. (Marcus Page, 376-0900.)

d. Plastic Technology -- Army/Treasury Automated Teller Machines (ATMs) Test. The Department of the Army and BGFO are jointly testing the feasibility of disbursing payroll funds to Army personnel, who do not maintain accounts in commercial banks, through the use of Automated Teller Machines linked to a biometric recognition device. This device will provide increased security for cash disbursements through positive personal identification. Some types of biometric recognition involve hand geometry, retinal scan and fingerprint recognition. The objectives of the test are to measure soldier acceptance of the biometric recognition device and the automated teller machines, to measure cost and workload impacts, to identify impacts on Government systems and financial institutions within the test area, and to determine cost benefits of a total Army system for "unbanked" members. The test will also allow a limited assessment of the feasibility of utilizing such a system for nonmilitary "unbanked" individuals. The test is limited to a small group of Army personnel at one military installation. (John McMakin, 376-0430.)

## 2. Accounting Procedures and Systems

a. Administrative Offset. The BGFO has implemented an administrative offset system to collect delinquent accounts receivable owed to the Treasury by financial institutions. These institutions owe money to the Government when Treasury checks cashed or processed by Federal Reserve Banks are subsequently determined to have forged or unauthorized endorsements. The official Treasury request for reimbursement is known as a "reclamation." Reclamations that are outstanding more than 120 days can be offset against amounts owed by Federal agencies to the financial institutions under the Federal Claims Collection Act of 1966 and the Debt Collection Act of 1982.

The specifics of administrative offset policies and procedures, such as determining time frames for offset and how to notify institutions, were published in the Federal Register on October 24, 1983. The first agency to use offset procedures was the Department of Education. It has a large number of recurring payments to financial institutions under the Guaranteed Student Loan Program. Between May and December 1983, this Department was able to offset over \$820,000. Since then, the Department of Commerce, the Department of Housing and Urban Development, the Small Business Administration, the Social Security Administration, and the Agricultural Stabilization and Conservation Service have been requested to take offset action. (Fred Smith, 376-0937 or Larry Shriner, 376-0947.)

b. Automated SF 224 Development. The Automated SF 224 System is the process by which the SF 224, "Statement of Transactions," are submitted by the agencies to Treasury through telecommunications. Agencies interface with Treasury by a standard dial-up terminal. Edits are interactively performed by Treasury on the agency location code, account symbols, and the opening balance in Section III of the SF 224. A hard copy of the report is generated for the agency's internal use. Also, pilot testing has begun for agencies interested in direct computer-to-computer links (bulk transfers). Under the new automated system, agencies have until the fifth workday of each month to submit their SF 224 report; data are reported more accurately and timely; and the amount of paper generated is reduced. Presently 324 agency reporting locations or 40 percent of all locations are on the system. Other locations will implement the system as they are contacted by Treasury. Government-wide implementation is mandatory by October 1, 1984. Requirements are provided in Treasury Financial Manual, Bulletin No. 83-32, dated August 19, 1983. (Nancy Coto, 376-0929.)

c. Accounting Regulations Data-Base System. Treasury is developing the Accounting Regulations Data Base to provide the most current version of accounting regulations issued by Treasury and other Government agencies to users as promptly as possible. This data-base system, currently has Treasury Financial Manual (TFM) Volumes I, IV, V, and VI; TFM Volume II will be available shortly. Eventually the system will be expanded to include the entire TFM, OMB Circulars relating to accounting and financial policy, GAO Titles 2-8, and OPM Payroll Regulations which relate to accounting. Some benefits to users will be reduction in user research time, availability of an electronic mail link that allows two-way communication among all participants, use of a bulletin board of anticipated regulatory revisions, reduction in paper flow and faster dissemination of accounting regulations to agencies, and assurance that users have the most up-to-date accounting regulations. Presentations of the system have been given in Washington, DC, and in other cities. Agencies may access the data base by establishing a contract with Treasury's current data-base time-sharing vendor. (William Edwards, 376-0770.)

d. The Simplified Intragovernmental Billing and Collection System (SIBAC). SIBAC is considered the most effective means to accomplish intragovernmental transfers between agencies for which Treasury collects and disburses. As such, the Treasury Department began a concerted effort to convert agencies who meet the minimum qualifications (100 billing transactions or \$1 million in billings per month) in 1983-84. Through the SIBAC System, billing agencies immediately collect receivables, and customers are immediately paid. For many years, the General Services Administration has been using the system to bill and collect from its customers. In 1983, the Public Health Service, the Bureau of the Census, the Bonneville Power Administration, the Office of Aircraft Services (Interior), and the Employment Standards Administration (Labor)

were added to the list. In 1984, the Geological Survey, the Federal Prison Industries, the Department of Energy, the National Oceanic and Atmospheric Administration, the Office of the Secretary (Interior), and the remaining parts of the General Services Administration that are not on SIBAC are scheduled to convert to the system. (Della Gottesman, 376-0764.)

e. Conversion of Nontape Disbursing Office Checks-Issued Reporting to Magnetic Tape Reporting. This project will speed Treasury's reconciliation of checks issued to checks paid. This change will increase the automation of reconciling checks from block control total levels to an item-for-item basis. Agencies and disbursing offices responsible for issuing U.S. Treasury checks are required to submit check-issue data on magnetic tape or on documents with an optical character recognition machine-readable format. Conversions to magnetic tape have been completed for one-third of the disbursing offices and have been scheduled for the remainder. Conversion to machine readable format reporting will begin July 1984. There should be no appreciable workload increase in disbursing offices which convert to magnetic tape reporting. Disbursing offices must undertake a one-time programming change to produce magnetic tapes in accordance with the Treasury Financial Manual. Disbursing offices, the banking community, and Treasury will benefit from the improved timeliness and efficiency afforded by item-for-item reconciliation of checks issued and checks paid. (Stanley Ginsberg, 376-0996.)

f. Interagency Payment-Collection Transactions. The "Journal Voucher System" that uses the SF 1081, "Voucher and Schedule of Withdrawals and Credits," was revised in January 1983. The new procedures require that all transactions between agencies serviced by a Treasury Disbursing Center be accomplished without sending a document through the Treasury Disbursing Center. The paying agency will complete the accounting transfer by reporting the entire transaction and identifying the agency to be paid on SF 224, Statement of Transactions. Agencies will be responsible for reconciling and monitoring transactions flowing through account symbols. No checks will be issued to settle interagency transactions between reporting agencies where the transfer can be accomplished by journal entries from information contained on the SF 224. These revised procedures were implemented on February 1, 1983. (Michael Merson, 376-0924.)

## CHAPTER II

### AGENCY INITIATIVES TO IMPROVE FINANCIAL MANAGEMENT

#### INTRODUCTION

Agency submissions of information on improvements to agency financial management practices and systems reflect significant achievements and major undertakings. Overall, the agency reports reflect a strong commitment to make improvements in financial management, especially through the use of new technology.

Descriptions of the more significant or unique management actions in areas of accounting procedures and systems, auditing, budgeting, cash management, payroll and personnel, productivity and other systems are presented in the following sections. Publication of all reported improvements was impractical. However, the JFMIP staff, upon request, will provide assistance to agencies when requested in identifying additional financial management improvement activities.

Agency contact persons and their telephone numbers are provided in parentheses following the project descriptions so that the readers can obtain additional information about any of the improvement activities. The area code for the telephone numbers is "202" unless otherwise designated.

#### A. ACCOUNTING PROCEDURES AND SYSTEMS

Activities in this area cover agencies' interest in providing more accurate, useful and timely accounting information to management for increasing program economy and efficiency. Generally, procedures and systems are being reinforced and upgraded with improved data collection and data integration. A sampling of improvement activities accomplished and underway are presented in the following paragraphs.

##### 1. Accounting Improvements Accomplished

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT implemented its Maturity Register System, an online financial control system that will track and record over \$12 billion of short-term securities that are sold in the private market to finance the Department's Public and Indian Housing projects. This system interfaces with two existing systems: the Security Ledger Trial Balance (loans receivable report) and the Project Financing Journal (cumulative financing record). In addition, the system automatically calculates the accrued interest on the notes sold and retains the calculated amounts in the data base for future note sales. It is estimated that this system will save the Department approximately \$500,000, annually, due to system

interfaces and elimination of the time consuming manual processes previously associated with the monthly note sales. After the system was implemented in October 1983, it was gradually decentralized to all the regional offices with the last regions going online in January 1984. With this online capability, the regions are able to initiate an inquiry of the project Financing Journal relative to the financing of a specific Public Housing Agency project. (Don Haines, 755-5064.)

The NATIONAL INSTITUTES OF HEALTH, Department of Health and Human Services, improved its accounts payable system by incorporating several new features. These include:

- Scheduling of payments for invoices on due dates automatically,
- Aging and monitoring accounts payable to prevent delinquencies,
- Identifying delinquencies automatically and computing and recording interest, and
- Microfilming paid vouchers for future reference.

In addition, the Material and Supply Inventory System was designed in 1983. This system will process and maintain all types of transactions that are involved in the stock inventories for central stores, plant engineering, biomedical engineering, pharmacy and self-service stores. The system was designed in a data-base environment and provides entry and query in an online, interactive mode. It includes financial management and materiel management controls, edits data entering the system, and provides for:

- Automatic reconciliation between subsidiary and general ledger accounts,
- Line-item perpetual inventory,
- Automatic reorder mechanism,
- Maintenance of economic reorder file by line item,
- Provision for the periodic physical inventories,
- Computation for billings to customer,
- Automatic generation of accounting transactions,
- Generation of management and financial reports, and
- Automatic ties to the procurement system.

(Sam George, 496-3368.)

The ENVIRONMENTAL PROTECTION AGENCY semi-annual review of unliquidated obligations during the fourth quarter of the year produced recoveries of about \$27.7 million in prior year obligations. This recovery, plus a second quarter recovery of \$15.9 million, produced a total of \$43.6 million in recoveries for fiscal year 1983. A related review of the unexpended excess foreign currency reservation accounts for Poland and Yugoslavia indicated no further requirement for these funds. Funds amounting to \$57,620 were returned to Treasury, thereby effectively closing out these two long-standing programs. (Robert Dodson, 382-5131.)

The DEPARTMENT OF EDUCATION decentralized the responsibility for fund control to allowance holders. Computer terminals were provided to each allowance holder for direct input of obligations and online inquiry of current fund balances. Previously, all administrative obligating documents, including small imprest fund transactions, were routed to the central finance office for certification of fund availability before further processing. This resulted in insufficient processing of small dollar transactions and frequently delayed service. Also, each allowance holder was maintaining its own cuff records on the status of funds rather than relying on the central system records.

By allowing the officials responsible for approving obligations to certify fund availability and enter obligations directly into the accounting system, responsibility for overobligations can be readily fixed. Also, users will have direct access to information on fund balances and take greater interest in the accuracy of the system.

The first phase of fund control decentralization was applicable only to administrative funds and became effective on October 1, 1983. Additional enhancements are planned to make the system more responsive to user needs. For example, plans are underway to decentralize fund control responsibilities for program offices making grant and contract awards and to allow the budget offices to enter apportionments, allotments and allowances directly into the accounting system. (Molly Hockman, 245-2964.)

The NATIONAL AERONAUTICS AND SPACE ADMINISTRATION implemented several accounting changes by automating some manual processes and improving data entry. The specific accomplishments are:

- The AMES RESEARCH CENTER developed, in June 1983, an automated system for preparing payment tapes to the Treasury Department using the IBM 3279 terminal to replace the manual preparation of vouchers. After data are entered in the terminal, the system produces the Treasury disbursement tape in proper format. The system provides printouts sorted by certifier which reduces the time needed to reconcile vouchers to invoices. Also, the system includes control totals to insure that all payments are processed. (Bennie Addison, Jr., FTS 448-5310.)

--The GODDARD SPACE FLIGHT CENTER implemented, in July 1983, an automated Subsidiary Accounts Receivable system to replace manual logs previously maintained to record subsidiary information and to age delinquent accounts. In this system, online data entry is accomplished in a user friendly environment through the use of terminals located in the Accounting Branch. The system generates, in a very flexible manner, various detail and summary reports for reconciliation to the general ledger control account, for aging delinquent accounts receivables, and for reporting year-to-date information required for debt collection reporting on non-Government accounts receivable. The user initiates the reports through the terminal specifying any one or all of seven different reports that are available. The system provides more accurate and timely data, simplifies the reconciliation process, and adds automatic counting capabilities allowing for ease in meeting changing reporting requirements on debt collection. (Connie Fike, (301) 344-8274 or Gregory Barker, (301) 344-5704.)

The OFFICE OF PERSONNEL MANAGEMENT improved its system of controlling employee withholdings and agency contributions for the Government-wide retirement, life insurance and health benefits programs with the design of a new automated system. The former batch-processing system was replaced by a more flexible system with an online inquiry capability. Immediate access to updated data files on withholdings and contributions is now possible. The new system has increased productivity and has made possible other system enhancements. For example, the redesign allowed the automation of the retirement subledger -- the accounting record which helps monitor Federal agencies' transfer of retirement monies to OPM. The automation of the subledger has increased the reliability of data and improved annual agency reconciliations. (John Webster, 632-7450.)

The U.S. POSTAL SERVICE automated its summary financial statements. This new system uses the Postal Service's national consolidated trial balances for the current period, trial balances for the same period of the prior year, and a budget file. The statements that can be produced using an account master file are as follows:

- Statement of Operating Results containing current period accounting data, percentage deviations from plan, percentage deviation from the same period last year, and cumulative totals for year-to-date.
- Equity Statement containing year-to-date data as of the close of each accounting period.
- Balance Sheet Statement containing opening balances and closing balances for assets, liabilities and equity.

This system was implemented in March 1983. By coding the account master file similarly to the standard object class coding, the Postal Service produces these statements automatically upon completion of the national consolidated trial balance. Future enhancements will provide online updating for reclassification entries. (Terry Vander Leest, 245-4454.)

The ENVIRONMENTAL PROTECTION AGENCY took several steps to strengthen controls and accountability over funds expended in support of the agency's Superfund Program that pays for hazardous waste cleanup. First, accounting procedures and systems were revised to provide better controls over charges to the Superfund appropriation. Second, accounting offices were monitored to ensure that these revised procedures were correctly implemented. Third, an action plan was developed for addressing and monitoring the status of actions taken to resolve audit findings of a recent Inspector General Report on Superfund. Finally, on March 31, 1983, a Superfund Cost Recovery Tracking System was established to track total cost recorded for each hazardous waste site, the amount of consent decree and settlement, the amount billed, and the amount collected. (Joseph Dillon, 382-5113.)

The BUREAU OF LAND MANAGEMENT, Department of the Interior, designed and implemented an automated deposit-in-transit reconciliation system. A monthly tape is received from Treasury with deposit data credited to the Bureau agency location code through the banking system. The automated reconciliation system performs a detailed comparison of the deposit data on the tape from Treasury and the monthly deposit transaction processed by the Bureau into its finance system. Records that do not match based on (a) accounting data, (b) deposit ticket number, and (c) amount are recorded in a differences master file. Subsequently, a reconciliation report of differences is generated for review and correction. The greatest advantage to the Bureau is the savings in personnel costs (at least three days per month) the automated reconciliation program provides. (Jerry Yarborough, FTS 234-2094.)

## 2. Accounting Improvements Underway

The DEPARTMENT OF THE ARMY has a major development program underway to redesign its accounting system. The goal is to achieve a GAO approved financial management system to maintain adequate internal controls and to serve the Army's needs better. Major projects include new department and installation level accounting systems as well as pay systems for military and civilian personnel. Using structured analyses and design methodologies, as well as standardized data elements and data-base design, the new systems will be highly automated and flexible. Also being developed is a new Army Management Structure with a common management language for interrelating all aspects of financial management to include planning, programing, budgeting, and accounting. Estimated target dates when four new major components will become operational on a phased-in basis are:

|                                 |            |
|---------------------------------|------------|
| --Department-level accounting   | Early 1984 |
| --Installation-level accounting | Early 1986 |
| --Military pay                  | Mid-1985   |
| --Civilian pay                  | Mid-1986   |

Another component, called minicomputer-assisted, source-data conversion, is presently used to input changes to military pay data by field finance offices. In addition, a system is being developed to improve military pay and management information for the U.S. Army Reserve.

After the full implementation of all five new system components, the Army estimates that it will realize a peak annual gross savings of at least \$34 million or 1,980 equivalent staff-years. Also, an Army-wide, automated network for programming, budgeting and execution is under development. (Jim Taras, (317) 542-3576.)

The ARMY is also buying new computers that will provide interactive processing capability. The project called Vertical Installation Automation Base Line (VIABLE) is an Army-wide effort to obtain modern and efficient computer technology. In April 1982, the Army awarded a \$16.6 million contract for the first year of a ten-year project that will revolutionize the Army's automatic data processing capabilities by replacing the existing Base Operating Information System computers.

Under the program, 5 contractor-operated Regional Data Centers will support 44 local Army data processing centers. Local terminal users will have access to their data maintained in the large scale computer at a Regional Data Center. As of September 30, 1983, 2 Regional Data Centers and 11 local sites were operational.

The project provides the capability for interactive processing which allows a terminal user to communicate directly with the computer. Four standard Army financial management accounting systems, i.e., Standard Finance System, Standard Army Financial Inventory Accounting and Reporting System, Standard Army Civilian Payroll System, and Nonappropriated Funds Information Standard System are taking advantage of this capability as it becomes available. Terminals are being installed in finance and accounting offices for input and editing of transactions as well as for the query of files. (Martin Robinson, (317) 542-3579.)

The DEPARTMENT OF ENERGY is developing a standardized accounting processing system for use throughout the Department's nine operations offices. The San Francisco Field Office's Reporting System was selected to serve as the core for the standardized system. Energy is presently making modifications to accommodate

additional accounting requirements common to a significant number of operations offices. System implementation will occur on a phased schedule with a final target implementation date of September 30, 1985, for the last operations office.

The standardized system utilizes a network data-base management system allowing for the maintenance of a single copy of data. Changes to the standard system software will be controlled centrally through Energy Headquarters. The individual operations offices will operate the system will report monthly summary level financial information to the Headquarters Financial Information System for consolidation and reporting to Treasury and the Office of Management and Budget.

Advantages and benefits include the capability to make systems enhancements, modernizations, and replacements in a controlled, economical environment; greater opportunity to focus on and deal with internal control problems; and enhancement of the GAO system approval process. (Anthony B. Queern, (301) 353-4051.)

The BUREAU OF ENGRAVING AND PRINTING, Department of the Treasury, is developing a new Financial Management Information System. This system with an integrated data base will use and link existing systems and subsystems wherever possible. The system will capture the same data only once at the earliest point in the process for time and attendance, labor distribution and production information. The objectives of the system are to fulfill the Bureau's:

- External reporting requirements,
- Internal financial management requirements,
- Operational management requirements, and
- Data processing requirements.

The requirements analysis and conceptual design have been completed. The general and detailed system design, hardware and software selection, custom programming, implementation and testing began in November 1982 and are expected to continue through fiscal year 1985. The general system design, now completed, is being used as the basis for developing specifications for the acquisition of off-the-shelf software. Hardware specifications for terminals are under review. After implementation of the new system, the Bureau is expected to realize annual savings in excess of \$1.4 million. In addition, significant nontangible savings resulting from more timely and improved financial reporting are expected. (Gregory E. Boutin, 447-9434.)

The FEDERAL AVIATION ADMINISTRATION, Department of Transportation, is completing the implementation of a new uniform accounting system. It is designed as an online system with a

single data base that is centrally managed. Accounting data are to be entered into the system by cathode ray tube terminals at 11 locations in the mainland United States and Alaska. Key features of the system include transaction codes and single-line entry which updates 11 relevant files simultaneously; a netting process that automatically adjusts for differences in final payments and accrued expenditures or undelivered orders; a centralized disbursement function; an inquiry capability that provides immediate access to information contained in all the files and document histories; and reports that are available online and on a fixed recurring basis.

The system is being implemented on a phased-in basis by location. The system has been implemented at 10 of the 11 locations with only the Metropolitan Washington Airports operating accounting office remaining, which is scheduled for March 1984. The post-implementation review and system optimization phase will involve examining, prioritizing and installing change proposals and external requirements such as those of the Treasury Financial Communications System. (Stephen I. Newborn, 426-8154.)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES established a project office to develop and implement a Uniform Financial and Administrative Integrated Management System for all agencies within the department. A major objective of the project is to provide uniformity in systems design in an integrated data-base environment with distributive processing and a communication technology capability to provide top management staff with quality data and information required to exercise oversight responsibilities.

The system being developed will meet the requirements of all user agencies including such financial management components as general ledger, fund control and budget execution, accounts receivable and debt management, accounts payable, material and supply inventories, and fixed assets. The system will also meet the needs of the materiel components for procurement and supply, property and buildings and facilities inventory management.

The system will be evaluated on the basis of the life cycle costs of developing, processing and maintaining the system and the cost impact on the functional areas that the system supports. The system selected must satisfy the common functional requirements of all user agencies. The effectiveness of the system to be selected will also be measured against how well the functions are performed from the standpoint of accessibility, response time, and reduction of labor-intensive processes. To achieve maximum flexibility, the applications software configuration is required to be modularly constructed so that only those functional applications required by a specific agency will be obtained and installed. The architecture of the data base selected must provide for distributive data-base network and optimum data accessibility. Although the system is to be operated on a decentralized basis, it will be a single set of standard software used by all agencies and centrally maintained. (Sam George, 245-7431.)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT is developing a comprehensive automated accounting system primarily for the Department's assisted housing programs (Section 8 and Public Housing) which will interface with the overall general and program accounting systems. It will bring the many manual and automated accounting processes into one integrated system.

Current plans are to award a contract in May 1984 and have the system for the assisted housing programs implemented by December 1985. Benefits to be derived are improved accounting operations, the elimination of many manual processes and availability of an automated system which is responsive to the needs of management. (Dan Perkuchin, 755-6328.)

The OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS, Department of the Interior, is in the process of installing automated financial management systems in seven locations throughout the Micronesian territories. The systems include the purchasing and installing of computer hardware and software, the hiring and placing of financial advisors in each location for a period of two years, and the training of local staff in operating the systems.

The installation of the automated financial management systems is a major step toward autonomy for the Micronesian Governments. It marks the acceptance by the Governments of responsibility and authority previously delegated to the Headquarters of the Trust Territory of the Pacific Islands located on Saipan in the Commonwealth of the Northern Mariana Islands. Release of its oversight responsibilities further paves the way for the elimination of the Headquarters operation. (Frank Solomon, 343-6816.)

The INTERNAL REVENUE SERVICE is modernizing its financial management systems by incorporating state-of-the-art data processing and office automation technology to improve the timeliness and quality of financial information in four phases. Phase one includes the transfer of the Service-wide data bases and summary accounting and budget execution processing from the National Office to the IRS Detroit Data Center. Enhancement of these data bases is scheduled for implementation in February 1984 and will include a data-base management system with online query capability for regional fiscal management offices and certain offices in the National Office.

Phase two involves the installation of microcomputer systems in fiscal management offices Service-wide. This system will allow the Service to automate certain desk procedures currently performed manually and to perform financial analyses, graphics and other routines not currently possible. The Finance Division and several regional offices have already acquired microcomputers and some financial analysis software for testing and developmental purposes. This system is now scheduled for completion in November 1984.

Phase three provides for replacing the hardware used in the present financial planning, accounting and budget execution systems Service-wide. The Service expects to install new, state-of-the-art equipment. The expected date of installation is July 1986. The final phase will include the redesign and integration of several systems that make up the Service's financial management system. The expected date of implementation is October 1986. (Mike Noble, 566-3599.)

The EMPLOYMENT STANDARDS ADMINISTRATION, Department of Labor, is presently developing an automated travel system designed to provide cash management of travel advances, automated auditing of travel vouchers, and comprehensive travel reporting to all levels of the agency management. The system will be online and interactive with a travel management data base. Front-end edits and interactive data-base processing allow for the system to automatically produce travel authorizations and store travel data. Vouchered information will be keyed into the system for auditing and updating of employees' travel records. Travel advances will be monitored by the system and will warn that previous advances have not been repaid and that appropriate action should be taken. The travel system is being developed presently with implementation scheduled in fiscal year 1984. (Joe Hammonds, 523-7040.)

The MARITIME ADMINISTRATION, Department of Transportation, is adapting the accounting system of the Health Care Financing Administration as its new system. By the end of 1983, this accounting system, called the Budget Accounting Cost Information System, was tested and documented but the agency was still converting and reconciling data from the old system and waiting for delivery of hardware and peripherals. The system is designed to:

- Provide automated linkages between accounting ledgers to eliminate unnecessary manual intervention and to ensure that the general and subsidiary ledgers are kept in balance;
- Integrate ledger posting so that each financial event will update all of the relevant ledgers;
- Improve validation at the point of entry such as incorporating a feature that would alert a user entering a procurement request or other type of requisition document that a project or user is exceeding budget allotment or allowance for a particular type of service or equipment;
- Provide cost accounting controls and reporting at the program, project and organization levels;
- Integrate with the agency's subsystems and payroll system, and provide Agencywide access to financial data; and

--Prepare automated financial reports for the Treasury, the Office of Management and Budget, the Department of Transportation, division directors, region managers, budget object class managers, and the field offices.

The system employs the single entry concept from which the debit and credit general ledger entries are derived. This method of posting single entries by computer programs reduces the amount of clerical work that is required in double entry systems and ensures accurate posting and balancing of accounts. (Jean Kerr, 426-5858.)

The NUCLEAR REGULATORY COMMISSION is developing an integrated financial management system to be operated on a minicomputer. All accounting and budget execution data will be entered over terminals, and capabilities will be provided for online inquiry and report generation including internal and external reports. The system development effort is currently nearing completion of the systems test phase. It is anticipated that the implementation phase will begin in the spring of 1984.

The new system will significantly reduce redundancy in data collection and replace a system with a mix of manual and semi-automated systems. The system will also replace three automated systems that require data that are used at several points in the financial process to be entered for each system. The new system will receive these data only once resulting in improved timeliness, control over data input and accuracy. In addition, data will be entered by terminals connected to the Commission's internally operated minicomputer. Monthly reports will be more timely, and similar reports will be available on an ad hoc basis as well.

The cost savings accruing from the new system should exceed \$70,000 per year by reducing overtime currently worked in the accounting function and by providing a capability to process a higher volume of transactions without an increase in staff. (Angelo Pugliese, 492-7535.)

The POSTAL SERVICE is redesigning its accounting system for settlement of international postal accounts with foreign postal administrations. The redesign effort will automate the existing manual systems into an online accounting and management information system. This redesigned system will facilitate international postal account settlement by providing improved document control which will enhance the Service's revenue protection. The management information provided by the new system will be more timely and will facilitate management decisionmaking in all functional areas of the Service's international mail program: finance, logistics, rates, marketing and international affairs. Annual cost savings are estimated to be \$10 million. (William Tayman, Jr., 245-4440.)

The BUREAU OF THE PUBLIC DEBT, Department of the Treasury, is redesigning its administrative accounting system. An existing Federal administrative accounting system operated by the Federal Home Loan Bank Board has been targeted as the basis for the new Bureau's Administrative Accounting System. Installation and modification of this system for the Bureau are planned for fiscal year 1984, and the new system should be operational by October 1, 1984.

The new system will provide online full allotment accounting by tracking commitments, obligations and disbursements against budgeted targets. It will provide full receivable and payable accounting, cost accounting, meaningful and timely workload and productivity information, and improved cash management practices. It will interface with Treasury's uniform management system and the Bureau's personal property system. The new system will correct the existing weaknesses in the present accounting system. (Taylor E. Jones, 634-5228.)

The DEPARTMENT OF STATE is continuing its development of a worldwide financial management system. The system will consist of financial management centers at 20 posts and 3 regional administrative management centers to serve all remaining posts. The financial management system will support financial management functions at posts and at Washington. It is envisioned that detailed accounting and budgeting transactions will be processed at posts or regional centers and that all reports needed at the post level will be prepared at posts or the regional centers. Summarized transactions will be transmitted to Washington and consolidated for reporting to bureaus and Department-level organizations.

To support the processing requirements of the financial management system, a worldwide network will be connected to Washington by the Department's Diplomatic Telecommunications System. The system will use an integrated data-base structure that will enable the Department to obtain reports that combine accounting and budgeting information as well as information from other systems and subsystems. This will help avoid unnecessary rekeying of data and ensure consistency. The system will also include a payroll interface to provide users the same benefits regarding payroll information. (James Marable, 524-1188.)

The VETERANS ADMINISTRATION's Department of Medicine and Surgery is implementing improvements to its cost distribution report for medical care activities. The chart of accounts has been revised to interface with the Department's resource allocation methodology and to define the accounts used in the report. Input procedures were revised to allow distribution of personal service time and cost on different basis when there is a wide range of salaries in a cost center. This change more accurately reflects the differences between time and dollars for cost distributions. Expected benefits from these changes are improved cost accounting procedures.

The ADP program formerly used for preparing the cost distribution report was written to compute and print each item of each report. With 172 facilities reporting on several formats, the previous program was time consuming to run and difficult to amend. The new program specifications require all initial computations to be stored in a matrix file from which the various formats, summaries and extracts are compiled. Processing time is decreased, reliability of data is improved, and modification of the report is greatly simplified. The implementation data for these improvements is January 1, 1984. (Larry Bettes, 389-5478.)

## B. AUDITING

Agencies reported initiatives to expand the use of computers for improving auditing procedures and practices and for providing better internal management and control. A sample of these accomplishments are highlighted below.

### Audit Improvements Accomplished

The PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) was established by Executive Order on March 26, 1981, to strengthen the Inspector General program and to oversee the administrative efforts to reduce fraud, waste and abuse in Federal programs and operations. The PCIE semi-annual report issued in January 1984 showed that the Inspectors General collectively were responsible for billions of dollars in direct savings and improved use of funds during the past two and one-half years. Most of these savings were attributed to audit recommendations for reducing negotiated prices of major purchases and improving debt collection.

During the last fiscal year, the PCIE placed increased attention to prevention rather than on detecting individual cases of fraud, waste or mismanagement. This approach is consistent with the Inspector General Act of 1978 which provides that the Inspectors General "promote economy, efficiency and effectiveness in the administration of Federal programs and operations."

The PCIE's Prevention Committee, established in the fall of 1982, develops and recommends Council policies and procedures to foster activities to prevent waste, abuse and mismanagement. This Committee's recent survey of prevention activities in the Inspector General community showed that there was a wide array of individual prevention actions already underway. However, the Committee concluded that the Inspector General effectiveness in this area could be significantly increased and focused on three elements of prevention:

--Model prevention plans for departments and agencies;

--Upgrading traditional audit and investigation techniques to ensure prevention of future program abuses; and

--Undertaking future efforts focused on specific issues.

Complementing the work of the Prevention Committee, the PCIE has encouraged the use of the state-of-the-art technology to combat fraud, waste and abuse. The major focus of this effort has been in computer matching and screening techniques used to perform such basic tasks as detecting unreported income of beneficiaries receiving Federal welfare or other transfer payments and verifying applicants' eligibility. The Inspectors General have found that computer matching is an effective tool for detecting fraud. By comparing Federal and State computer lists, the Inspector General can determine if program recipients are under-reporting income, improperly receiving benefits from more than one program, or defrauding the Government in other ways. Facilitating and improving the use of computer matching and related computer applications are long-term objectives of the PCIE Computer Match Project.

In addition to the Prevention Committee and computer matching initiatives, the PCIE strategy to prevent fraud and waste depends on other interagency projects which address problems outside the jurisdiction of an individual agency. These projects are targeted at specific issues identified by PCIE members such as property, financial controls, and Federal assistance. Also targeted for improvements in the Inspector General community are auditing procedures, training and performance evaluation. (Melissa Allen, 395-4960.)

The TENNESSEE VALLEY AUTHORITY (TVA), Office of Audit and Evaluation has used computer matching techniques to detect irregularities with workmen's compensation payments. One matching effort was conducted in cooperation with the Tennessee State Department of Employment to determine if any former TVA employees were receiving workmen's compensation payments while employed elsewhere in Tennessee. Last year, the matching disclosed 24 former TVA employees who were receiving both wages and compensation payments. These were referred to the Office of the Inspector General in the Department of Labor for further investigation. Although TVA has not received complete results from its referrals, this type of computer matching may be expanded to include the States of Georgia, Mississippi, Alabama, and Kentucky on a continuing annual audit basis.

Computer matching was also used to verify the accuracy of annual workmen's compensation billings from the Department of Labor. TVA personnel history files were matched to billing data and disclosed questionable billings of almost \$2.2 million for fiscal years 1978 through 1982. This audit test has been incorporated into TVA's annual examination of workmen's compensation billings. (Douglas Hulme, FTS 856-7720.)

The RAILROAD RETIREMENT BOARD has taken several actions to ensure that an adequate level of security is provided in its ADP and telecommunications services. The Board formalized its computer security program and clarified security responsibilities throughout the agency by issuing internal directives covering those matters. These directives define the policies and responsibilities for establishing and maintaining a program and laying out the objective of the program. They also identify and discuss the elements necessary to ensure the integrity of data.

The Board identified and ranked computer applications that meet the Federal criteria as sensitive applications. This information, along with the methodology used to identify and rank the applications, was presented in an audit report issued by the Board's Bureau of Audit and Investigation in September 1983. The identification and sensitivity ranking of computer applications will enable the Board to establish a certification process that results in a technical judgement concerning the extent to which safeguards meet security requirements.

In the future, the Board plans further implementation of a certification process. It will (a) designate managers to have certification authority, (b) define the security requirements for each of the sensitive applications and (c) carry out needed security evaluations for accreditation purposes. (Horst Rahden, 387-4553.)

The OFFICE OF PERSONNEL MANAGEMENT's (OPM) Compensation Group has prepared an enhanced payroll audit guide to supplement agencies' internal audits of civilian payroll operations. The guide focuses on evaluating how well Federal agencies discharge their delegated responsibilities for the employee retirement, health benefits and life insurance programs. These responsibilities include the determination of employee eligibility for program coverage, the maintenance of records, and the remittance of employee withholdings and agency contributions to OPM. OPM generally relies on the adequacy of agency internal controls to ensure that these responsibilities are effectively and efficiently discharged. Accordingly, the purpose of the OPM payroll audit guide is to help agencies review their internal controls with respect to the employee benefit programs and to assist them in meeting their responsibilities more effectively. The audit guide is being distributed to Inspectors General, Assistant Secretaries for Administration and other chief administrative officers throughout the Federal Government. (John Webster, 632-7450.)

The OFFICE OF INSPECTOR GENERAL, Department of Labor, implemented an automated audit assignment tracking, reporting and followup system. The system is designed to track the status of audit assignments from inception through completion and implementation of planned corrective actions resulting from audit recommendations. The system is critical to the mission of the

Inspector General in that it meets the Office of Management and Budget's requirements for audit followup systems and provides a long-term base of information on audit accomplishments.

The system, which was originally designed by the Office of the Inspector General, Department of Agriculture, was modified and converted for use through a joint Labor-Agriculture team effort. Data from the new system enabled audit statistics to be assembled for the September semiannual report with a minimum of effort. Substantial cost and time savings were achieved by converting an existing system as opposed to designing a new system. Estimated savings are in excess of six months' developmental time and \$200,000 in salary and computer costs. (Roger Langsdale, 523-8385.)

The OFFICE OF INSPECTOR GENERAL, Department of Health and Human Services, developed an automated budget spreadsheet capability which provides up-to-date reports on resource expenditures by its components. These reports are generated on a biweekly basis and are used in making management and budget decisions. Before this automation, reports were manually prepared -- a time-consuming and labor-intensive task. Automation has resulted in quicker, more accurate reports and a recurring annual savings of one-third staff year. (John Simborski, 472-6736.)

The OFFICE OF INSPECTOR GENERAL, Department of Housing and Urban Development, implemented its three automated management systems in all its regions. The first system tracks the status of all on-going investigations and provides data for management and control. This system provides data on investigative patterns and trends and data needed for summary management reports. The second system automated the annual audit plan and tracks the progress of audits by providing comparisons between (a) planned audits and actual audits performed and (b) estimated staff days and actual staff days used. It also provides audit performance summaries for developing future audit plans. The third automated system tracks open audit findings and provides data for summary management reports on audit followup. (Steven Switzer, 755-6342.)

## C. BUDGETING

Examples of agency efforts to improve budgeting showed that automation is being used more extensively to improve the quality and timeliness of budget data.

### 1. Budget Improvements Accomplished

Microcomputers have become a highly adaptable tool for budget offices throughout the Government. The ability of a microcomputer to store large amounts of numerical information and the applicability of off-the-shelf software to quickly manipulate and reformat those data create an opportunity for creative budget

analyses. Microcomputers are increasingly used to conduct "what-if" analyses. In addition to off-the-shelf software, some budget professionals are now writing tailored programs for use in their agency's budget process. These developments represent major changes in preparing and managing budget data. The following paragraphs demonstrate the involvement of microcomputers in the budget process by agencies.

The NATIONAL SECURITY AGENCY is using a microcomputer to track and report the Five-Year-Defense-Program dollars and manpower. Spreadsheets provide an audit trail from the Program Objective Memorandum to the President's Budget submission. A variety of summaries of Five-Year-Defense-Program information can be extracted from these spreadsheets. For example, schedules can be produced that show appropriation totals, program element totals, variations from one submission to the next and comparative analyses. The net change from one submission to the next can also be printed to update the Five-Year-Defense-Program data base. (Oliver F. Haslup, Jr., 688-6926.)

The TENNESSEE VALLEY AUTHORITY is using personal computers to provide a cost-effective means of maintaining and disseminating timely budget information. The financial spreadsheet package is used to calculate and distribute overhead expenses, to maintain the control budget, to produce status reports of selected activities and organizations, and to project personnel costs. The microcomputers are used to incorporate budget information into program summaries, budget justifications, and general budget instructions.

Another application is the use of TVA's mainframe computer to integrate substantial amounts of accounting and budget data into meaningful reports. The reports are produced monthly and are valuable tools in monitoring expenditures against budget estimates and identifying potential problems. (David B. Collins, (615) 751-3726 or FTS 858-3726.)

The NATIONAL BUREAU OF STANDARDS, Department of Commerce, now uses microcomputers as commonplace tools to plan, monitor and control budgets. An electronic spreadsheet package is very effective and easy to use in creating budget exhibits and reports. The ability to make changes quickly, answer "what-if" questions, and provide a finished budget document has resulted in a substantial increase in productivity. Budget Office savings resulting from the use of microcomputers, including savings in both analyst and typing time, have totaled nearly 3 staff years or \$75,000. Additionally, both the timeliness and the reliability of budget data have been significantly enhanced.

Stand alone computer programs are also used to provide tabular and graphic management reports. Budget and staffing plans for organizational units are compared with actual data and presented to management on a recurring basis. These reports are

used to communicate to management the financial condition of the Bureau's programs as well as the financial control responsibilities carried out by the Budget Office. (Don Drinkwater, 921-2637.)

The INTERNAL REVENUE SERVICE, Department of the Treasury, implemented a new long-range planning and budgeting system aimed at portraying workload and staffing requirements for the budget year and the four succeeding fiscal years. The usual budget data are provided, by program initiatives, but are geared towards encouraging and realizing productivity gains so that future staffing increases for the growing tax administration workload will be minimal. Information produced by the new system was the basis for the fiscal year 1985 budget request. That budget request was transmitted to the Treasury Department with a comprehensive overview package which outlined the future direction of Internal Revenue Service program areas through fiscal year 1989. (John Blank, 566-4793.)

## 2. Budget Improvements Underway

The DEPARTMENT OF ENERGY's Office of Budget initiated an experiment to determine the feasibility of developing, implementing, and maintaining financial management systems on microcomputers. The experiment demonstrated the strengths as well as some weaknesses of using microcomputers and software packages. The result is that budget outlays are now projected and tracked on microcomputers rather than on a centrally located mainframe computer. An off-the-shelf software package generates outlay values on graphs to visually display estimates and historic data as well as protected data. The Office of Budget is continuing to search for other microcomputer applications. (Don Alton, 353-4791.)

The WASHINGTON HEADQUARTERS SERVICES, Department of Defense, automated budget support system has been installed at the American Forces Information Service Headquarters. Plans call for extending the system to five other Secretary of Defense field office activities. The Washington Headquarters Services is responsible for monitoring the Office of the Secretary field activities' budgets and for preparing a consolidated Office of the Secretary budget submission. The automated budget support system is being enhanced to provide an automated interface with the Washington Headquarters Services accounting system and to produce a set of graphical displays. These displays, for example, will depict actual obligations versus planned, and a statistical forecast of future obligations with expected variances. (G. A. Cratch, 697-6760.)

The TENNESSEE VALLEY AUTHORITY decided that capital investments would be authorized as a part of a capital budgeting process rather than sequential approval through the traditional project authorization process. The purpose of this process is to better

determine appropriate overall levels of capital spending and to efficiently allocate capital funds. A corporate capital budget development and approval process was recently completed for fiscal year 1984. This process is continually being improved while capital plans and a cost reporting system for capital expenditures on a project basis is being developed. (Bruce D. Long, FTS 856-2374).)

The MERIT SYSTEMS PROTECTION BOARD developed a budget allocation system for fiscal year 1984 which allocates budgetary responsibility for selected object classes down to the division and regional operations managers. A feedback information system for the managers on their individual effectiveness is in the process of development. All costs and outlays for the remaining nonallocated object classes are being centralized within one office in order to build a history of experience so that these remaining object classes may eventually be allocated to the division and regional operations managers. A feedback information system on the performance of the individual managers is being developed, and in fiscal year 1985, manager's appraisals may incorporate budget efficiency responsibilities as part of their performance elements. (Frank Hagen, 653-7054.)

The INTERNAL REVENUE SERVICE, Department of the Treasury, is implementing a new process for developing its budget submissions for ADP initiatives and projects. This process was initiated after the submission of the fiscal year 1985 budget and will be fully operational for the fiscal year 1986 budget submission. As part of the new process, an ADP Strategic Plan will be developed. A part of this plan will be a comprehensive and detailed listing and description of all ADP initiatives and projects with five-year projection of costs and benefits. This listing will be continually updated by the addition of new initiatives, and changing costs and benefits of continuing initiatives and projects. This process is expected to provide better planning and control of ADP projects rather than responding merely to a yearly "call" at budget time. (John Blank, 566-4793.)

The DEPARTMENT OF STATE is developing a new budgetary system in conjunction with its new Financial Management System. Standardization and automation of key budgeting activities is an integral part of the financial management system. These activities are in a large part now performed manually. New capabilities will establish operating plans and report actual fiscal results against these plans. Automated capabilities outside the financial management system are currently available to support financial planning and budget preparation. The financial management system will interface with these existing capabilities and eventually replace them. It is planned that budget preparation, financial planning, reimbursements, and reporting of planned versus actual will all be linked. Budgets, financial plans and operating plans will all be prepared in a consistent fashion. Users will be able to enter planned amounts and changes. Accounting data will be

accumulated at the same level of detail as the plan and at the operating allowance level. Actual amounts will be compared to the appropriate operating plan amounts for reporting purposes. (James Marable, 524-1188.)

The BUREAU OF RECLAMATION, Department of the Interior, automated its process for preparing its SF 132, "Apportionment and Reapportionment Schedule." The Bureau distributes funds among calendar quarters and allots these funds to various projects. Two years ago, the Bureau had a centrally-located mainframe computer with nationwide terminal network and an existing fund control data base which represented the official, approved project totals for each fiscal year. This data base was expanded to include the additional information necessary to produce the SF 132 forms, and the input of data at the regional level was tested. At the same time, the form itself was designed to be printed out by computer, and approval by the Department of the Interior and OMB was sought. The Bureau uses the new system to distribute funds by quarter to allot to geographical regions and to individual projects, and to control the transfer of funds all year long. (Tom Bennett, 343-8411.)

#### D. CASH MANAGEMENT

Agency improvement reports show continued and expanded use of automated systems such as the Electronic Funds Transfer and the Treasury Financial Communications System. Many agencies have also taken steps to automate their payment and collection systems. Increased emphasis is being placed upon reducing cash advances through automation and use of credit cards. Samples of agency improvements are presented below.

##### 1. Cash Management Improvements Accomplished

The DEPARTMENT OF THE TREASURY continues to encourage agencies to expand the use of the Treasury Financial Communications System (TFCS). Using TFCS for standard payments allows disbursements to be scheduled so recipients are paid on the due date. This eliminates interest lost due to early payments and interest penalties due to late payments. Using TFCS for deposits also allows availability of funds received on the same day. Under this process, checks need not be cleared before the funds are available for use. Treasury's payments for commercial bank services are reduced, because check processing services are eliminated. In addition, using TFCS provides Treasury with more accurate and timely information which enhances their cash forecasting.

The following examples show how TFCS is being used by Federal agencies:

- a. The Urban Mass Transportation Administration, Department of Transportation, makes payments to grantees and vendors by using TFCS. The Administration currently manages about 7,000 grants with payments to about 300 grantees using letters of credit. (Donald J. Mills, 426-4869.)
- b. The NATIONAL SCIENCE FOUNDATION began using the Treasury Financial Communications System for the purpose of issuing cash advances to grantees, research centers and contractors. (Albert Muhlbauer, 357-7757.)
- c. The DEPARTMENT OF THE INTERIOR has several applications of wire transfers which resulted in an estimated \$2 million in savings for fiscal year 1984 as described below:

--The MINERALS MANAGEMENT SERVICE is using wire transfers for receipts from rents, bonus bids, and royalties over \$50,000.

--The OFFICE OF SURFACE MINING is using wire transfers for all receipts for Abandoned Mines Reclamation Land Act fees over \$100,000.

--The NATIONAL PARK SERVICE obtained Treasury approval for use of wire transfers for receipts over \$10,000.

--The OFFICE OF SURFACE MINING and the BUREAU OF INDIAN AFFAIRS now use letter-of-credit wire transfers for disbursements.

(Lee Hiller, 343-5223.)

- d. The GENERAL SERVICES ADMINISTRATION, in 1983, used the Treasury Financial Communications System to accelerate \$37 million in collections from real property and stockpile sales receipts. All real property, sales collections over \$600 (except cash sales) are required to be made by wire transfer. A similar requirement for high-dollar stockpile disposal collections is planned for 1984. (Linda Vandenberg, 566-1942.)
- e. The ENVIRONMENTAL PROTECTION AGENCY uses TFCS to pay commercial invoices over \$25,000 and to make advances to grantees and contractors with letters of credit. (Robert Dodson, 382-5131.)
- f. The DRUG ENFORCEMENT ADMINISTRATION, Department of Justice, is now making deposits of seized and recovered monies directly to the Treasury through the Treasury Financial Communications System. (Edgar Barnett, 633-1373.)

The TENNESSEE VALLEY AUTHORITY (TVA) now offers purchases of wholesale power (distributors) an early payment incentive. Formerly, terms in contracts with distributors provided for a one percent late charge on amounts unpaid 15 days after the due date. Contract terms were modified to provide for a \$150 administrative charge for each day a bill is unpaid 15 days after the due date. To complement these two late payment penalties, an early payment incentive based upon TVA's short-term cost of money was also implemented. Since implementation of these contract changes, several of the distributors have taken advantage of the early payment incentive. The number of distributors using the Treasury Financial Communications System has tripled, and further use by distributors is expected. (Terrell M. Burkhart, FTS 856-6840.)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT is closely monitoring mortgage insurance premium payments from lending institutions. The National Housing Act requires lending institutions which have Federal Housing Administration insured mortgages to send collected premiums monthly. Previously, the lending institutions had remitted single family premiums on the yearly anniversary date of the commencement of the mortgage. In September 1982, a one-time gain of \$230 million was accomplished when lenders began sending premiums each month. In 1983, close monitoring of mortgage insurance premium payments began when premiums paid were compared to premiums expected. Deviation tolerances are allowed to account for activity in progress such as transfer in mortgage servicing, foreclosures, and terminations of insurance. Through strict enforcement of late charges and interest penalties for lateness, the Department has collected an additional \$843,000 during fiscal year 1983 and improved timely compliance from participating institutions. (Neil Haynes, 426-8980.)

The DEPARTMENT OF EDUCATION established a new organizational unit, the Credit Management Improvement Staff, to serve as the focal point for debt collection and credit management related programs. This staff is responsible for planning, coordinating and monitoring debt collection and credit management initiatives. The staff reports directly to the Comptroller and serves as the executive staff to the Education Credit Management Board, which is chartered by the Secretary to oversee Departmental debt collection and credit management policies. Under the leadership of the staff, significant progress was made in the following areas:

- Audit recommendations over six months old were reduced to zero.
- Student loan default files were matched to about 10 million Federal and military employees. Over 46,500 current and retired Federal employees were identified who were in default on student loans valued at \$68 million. With the assistance of other Federal agencies, the Department sent initial contact letters to these employees resulting in

collection of \$3.4 million on 8,417 loans. Almost 2,000 accounts have been paid in full. During fiscal year 1984, the department will initiate salary offset procedures against the remaining identified employees.

--A pilot project was initiated for referral of information on delinquent borrowers to credit agencies.

--Legislation was developed in conjunction with the Office of Management and Budget and the Department of Justice, to allow the latter to contract with private attorneys to litigate against student loan defaulters. This is expected to substantially increase judgments on defaulted loans referred to Justice for litigation. (Tom Stack, 472-6032.)

The DEFENSE SECURITY ASSISTANCE AGENCY, Department of Defense, improved its procedures for processing deposits of about \$200 million collected annually from foreign governments on their Foreign Military Sales loan accounts. Previously, the process for depositing cash and checks was slow. Collections were forwarded to the Bolling Air Force Base for deposit and usually took several days of transit and processing time before being deposited into a U.S. Treasury account. To expedite the process, a U.S. Treasury deposit account was opened at the Riggs National Bank of Washington, DC, where all Agency collections are deposited daily. It is estimated that about \$700,000 in interest cost will be saved each year. (John DeSoto, 694-7097.)

The BUREAU OF PUBLIC DEBT, Department of the Treasury, reduced its Division of Investor Accounts' outstanding receivables by 95 percent from \$2,100,000 to \$114,000. This improvement resulted from new aggressive debt collection practices and improved procedures in implementing the Debt Collection Act of 1982. The Division of Investor Accounts establishes accounts for holders of Treasury securities and distributes principal and interest to them. Efforts to collect these receivables includes establishing accounting procedures to assess and record interest, penalty and administrative charges, providing training to staff on debt collection matters, and developing waiver and offset regulations to comply with the Act. In addition, all debtors were contacted at 30 day intervals with a series of collection letters. (Sandy Weisman, 287-4040.)

The DEPARTMENT OF THE INTERIOR has reduced its outstanding travel advances by over \$2 million in two years. The Office of Financial Management set goals for each bureau and service to reduce travel advances. At the same time, a coordinated effort was made to see that departmental travel advance policies were being followed and that advances were being liquidated as required. This travel advance reduction project will continue until departmentwide goals have been met. (Lee Hiller, 343-5223.)

The GENERAL SERVICES ADMINISTRATION changed its policy regarding accepting personal checks. An internal survey on bad checks received for the sale of personal property in fiscal year 1982 showed that uncollected funds totaled about \$200,000 out of \$49.8 million in sales. To eliminate bad checks, certified forms of payment are required on all sealed bid sales beginning January 6, 1983, and for all personal property sales, beginning August 1, 1983. (Linda Vandenberg, 566-1942.)

## 2. Cash Management Improvements Underway

The DEPARTMENT OF ENERGY is in the process of increasing its use of the Treasury Financial Communications System (TFCS) for letter-of-credit disbursements, standard payment disbursements and receipts. Using TFCS for these three types of transactions allows for the following activities:

- Pre-editing of drawdown requests by Treasury on the same day to ensure correct format and content,
- Making standard payments on the exact due date,
- Allowing for immediate availability of funds received, and
- Pre-auditing of disbursements on the same day to ensure recipient organizations are entitled to the amount requested.

The use of TFCS permits improved control of Federal funds, minimizing interest lost due to early payments and interest penalties due to late payments. Expected interest related savings resulting from use of TFCS for standard payments, receipts and letter-of-credit disbursements, is about \$2 million, \$200,000 and \$32,600, respectively. (Mark Loop, FTS 233-4832.)

The EMPLOYMENT STANDARDS ADMINISTRATION, Department of Labor, is presently working with the Department of the Treasury to implement, in fiscal year 1984, the use of "lock boxes" and wire transfer for cash receipts and direct deposit/electronic funds transfer for benefit disbursements within three major programs. The use of "lock boxes" will ensure timely deposit of receipts, reduce the cost of handling cash receipts and reduce the vulnerability to loss in handling cash receipts. All three programs are expected to have operational "lock boxes" by early 1984.

Two of the three programs will make wire transfer available to remitters. All three programs are working with Treasury to make a direct deposit/electronic funds transfer process available to beneficiaries. Savings would be realized by the Agency in that the occurrence of lost checks is greatly reduced while goodwill is established through better service to beneficiaries. Implementation is scheduled by end of fiscal year 1984. (Joe Hammonds, 523-7040.)

The ENVIRONMENTAL PROTECTION AGENCY is looking into the feasibility of implementing a Nationwide Lockbox System for cash receipts. Under this process, incoming receipts will be forwarded directly to a commercial bank by the debtor for immediate deposit to the Treasury Department. This is in lieu of sending receipts to the Agency first which, in turn, would then make a deposit through a commercial bank. This system accelerates the actual credit of cash receipts into the Treasury Department thus reducing Federal borrowing. (Robert C. Dodson, 382-5131.)

The SMITHSONIAN INSTITUTION will be using a microcomputer and some software packages to track and provide information on its banking accounts and short-term cash investments. Because of the ever-changing status of investment opportunities and cash balances, it is critical that they be monitored and reported on a daily basis. Presently this requires the compilation, summarization, manipulation and analysis of data generated by the accounting office's minicomputer, the Institution's mainframe and the automated systems in financial institutions which service the Institution's cash management and investment needs. The software that will be developed or purchased will permit consolidation of the numerous reporting functions now performed on several different computer systems and reduction of the high level of manual recordkeeping now required. (Alan Goff, 287-3358.)

The GOVERNMENT PRINTING OFFICE is implementing a new Voucher Processing and Payment System. At present, the system is processing vouchers from commercial printing contractors. Using data base information originally entered into the system, a contract claim is moved through a succession of obligation and pending payment files until payment is scheduled and a check generated. The system is programmed automatically to schedule payment for receipt 30 days after voucher receipt or within the offered discount period, if the system determines the discount terms are advantageous to the Government under the cash management guidelines established by the Treasury Department. It is expected that this system will eventually be extended to all GPO contracts. (Gerald Sebold, 275-2073.)

The FEDERAL AVIATION ADMINISTRATION, Department of Transportation, is currently upgrading its credit management and debt collection practices to comply with the Debt Collection Act of 1982 and other cash management reforms. The agency's updated Debt Collection Action Plan was approved by the Office of Management and Budget and the Secretary of Transportation. The following actions have been completed to date:

- Delinquent debtors were notified individually of their indebtedness and of their rights of due process prior to disclosure of the debts to consumer reporting agencies.
- The draft accounting order was updated with revised reporting requirements for the accounts receivable aging

analysis including data on the number of claims that are 30 days past due, the number of claims collected, and the rate of interest charged.

- Employee clearance procedures were revised to ensure that all known outstanding debts to the U.S. Government are settled prior to payment of the final salary check.
- A penalty charge was developed for unpaid basic charges and overhead that are more than 90 days past due.
- A standard administrative charge was established for delinquent debts to recover the costs to carry and collect delinquent debts.

(Deborah Daniels, 426-8154.)

The SECRET SERVICE, Department of the Treasury, is automating its debt collection process. The accounts receivable segment is being automated to identify delinquencies more quickly, avoid future delinquencies, reduce existing delinquent receivables through the generation of automated aging schedules, and prepare dunning notices. (Frank Palmer 535-5619.)

The DEPARTMENT OF THE ARMY is testing the use of travelers checks in its finance and accounting offices. The six-month test began on November 1, 1983, at 18 finance offices and involves travelers checks from four companies. Some specific objectives include determining workload requirements, measuring the amount of reduced cash holdings in the finance offices, evaluating the workload and profit impact on financial institutions that service military installations, and evaluating each company's performance and the negotiability of its travelers checks. Travelers checks will be used primarily for travel advance, advance pay, accrued per diem, and separation payments. If successful, the use of travelers checks will be implemented Army-wide by October 1, 1984. The Army-wide travelers check program will have the finance offices issue approximately \$500 million in travelers checks each year. Direct savings will be realized by local commands, since cash acquisition and security costs will be reduced. The Treasury Department is expected also to gain over \$4 million annually from reduced interest costs, delayed disbursements and participation in contractor income. (CPT John R. Herko, (317) 542-3280.)

The FEDERAL BUREAU OF INVESTIGATION, Department of Justice, plans to issue credit cards to employees who travel frequently and hold cash travel advances. On September 22, 1983, the General Services Administration announced a contract award to Diners Club, Inc., for the issuance and maintenance of charge cards to be used by Federal employees to cover transportation, subsistence and other allowable travel expenses incurred during official travel. Once the credit card program is fully operational, the total outstanding cash advances will be substantially reduced. (John H. Skaggs, 324-2865.)

## E. PAYROLL AND PERSONNEL SYSTEMS

Agencies efforts to improve payroll and personnel systems included greater use of automation for data entry and centralization of the payroll functions. Emphasis is being placed on systems that process data accurately, produce timely information, and provide good service to employees.

### 1. Payroll and Personnel Improvements Accomplished

At the DEPARTMENT OF COMMERCE four regional administrative support centers were established and are now entering and editing time and attendance and labor cost data. Each regional center has its own minicomputer and dedicated lease lines for an administrative payments systems. The data are electronically transmitted to its centralized payroll and administrative system at its Management Service Center in Gaithersburg, Maryland. With this process, errors as well as overtime associated with error correction procedures have been reduced dramatically. (Dennis Holoviak, 921-2171.)

The DEPARTMENT OF AGRICULTURE implemented a redesigned, integrated payroll and personnel system with a data-base design and modular construction. The new system uses optical character recognition equipment with online video correction capability for time and attendance data and microfilms source documents. Personnel information is input via cathode ray tube terminals with numerous front-end edits. The new system contains a multitude of personnel information, equal employment opportunity statistics, training data, and accident information. Access to these data can be obtained online and ad hoc reports can be produced.

In 1983, other major enhancements were added to the payroll and personnel system. A new comprehensive earnings and leave statement was developed and produced that furnishes Agriculture employees a biweekly statement of current and cumulative totals of leave, earnings and deductions. Also, electronic fund transfer procedures were implemented to send payroll directly to Agriculture employees' banks throughout the United States. The new system can make retroactive salary adjustments for up to 13 prior pay periods. This new state-of-the-art system substantially reduced the payroll processing costs. For example, an annual employee benefits statement showing cumulative health and retirement information was developed and implemented to replace the one formerly furnished by a contractor. This enhancement alone has saved \$125,000 in contract costs per year. (Larry Wilson, 447-8748.)

The DEPARTMENT OF THE ARMY converted its Joint Uniform Military Pay System (JUMPS) to use electronic funds transfers. In March 1983, the JUMPS-Active Army pay system interfaced with the Federal Reserve Bank data distribution network and can now make direct deposit of military pay by electronic funds transfer

within the continental United States. Military personnel, who elect the option, have their pay deposited in their designated financial institution automatically on payday. Over 50 percent of all military are paid by this method. This enhancement replaces the old system which required mailing of checks and composite listings to nearly 10,000 financial organizations monthly. (Mrs. F. Monforte, (317) 542-3203.)

## 2. Payroll and Personnel Improvements Underway

The DEPARTMENT OF STATE is centralizing its American payroll procedures by implementing a new system called the Consolidated American Payroll Processing System (CAPPS). A single Washington payroll office will be linked to overseas centers by high-speed communications lines. All American pay will be calculated in Washington. Systems and personnel status changes will be entered in Washington to a combined personnel and payroll data base. Changes resulting from an individual's assignment to a particular post will be entered into the system overseas. Most salary payments will be made through electronic transfer of funds to employee bank accounts.

The first phase of the CAPPS project, completed in January 1983, was to replace the Department's antiquated online programs which were used in updating personnel and payroll master files. These programs were not only out of date but were poorly documented, slow, and not adequately protected. In addition, these programs needed to be replaced if the overseas payroll centers are to tie into the online update process in Washington.

A contractor is currently working on the second phase of the CAPPS project, which includes analyzing the existing payroll systems in Washington and at the Regional Administrative Centers to determine the system and software modifications which must be made; to prepare formal specifications for the modification of the existing payroll system; to write and test modifications to existing payroll programs and new programs; to conduct training; and to implement the CAPPS system. So far, the requirements for the second phase of the project have been defined and the contractor has begun detailed design and programming. Completion of this phase is now scheduled for December 1984. (James Marable, 524-1188.)

The TENNESSEE VALLEY AUTHORITY is converting all its payroll registers and certain reports to microfiche. Microfiche will allow the payroll section to retain more prior years' records in the office for retrieval of data for tax, court and social security inquiries and for back pay awards. Having more records readily accessible eliminates time-consuming trips to the Records Storage Unit. This conversion will not eliminate the need for printing the registers and reports for current work copies. However, it will reduce the space required for storage in the Central Payroll Section as well as in the Records Storage Unit. (S.C. Wilson, FTS 856-2981.)

The DEPARTMENT OF LABOR is adopting the Air Force Civilian Personnel Data System to update and provide for greater flexibility in its personnel and payroll system. To minimize the developmental and maintenance costs of agency personnel and payroll systems, other public and private personnel and payroll systems were studied. It was concluded that an interactive personnel system could be obtained with less development and maintenance cost by adopting the Air Force Civilian Personnel Data System. The Department's current integrated personnel and payroll system will be modified to function as a payroll system with interfaced data from the adopted personnel system. Additionally, the routines for updating the payroll system will be modified to function interactively to improve the timeliness of data. Since other agencies have already adopted or are in the process of adopting this system, the Labor Department is benefiting from these previous experiences as well as sharing their products.

User manuals and training materials from other agencies planning to use the Air Force Civilian Personnel System (General Services Administration, Navy Department and Department of the Treasury) will be considered in developing Labor Department materials. Also, these agencies are benefiting from exchange of ideas in the analysis and design of the payroll interface. Labor is also working with the Navy Department to avoid unnecessary duplication of analysis and costs in the implementation of the system. (Kathy Knittel, 523-8184.)

#### F. PRODUCTIVITY AND OTHER IMPROVEMENTS

Agencies reported that progress was made in productivity in finance and accounting. Methods used to increase productivity include processing information at more effective locations, increasing use of telecommunications to move information, and implementing more effective accounting policies. Some examples of the significant improvements are highlighted in the following paragraphs. Improvements resulting from other techniques and automated efforts not clearly or directly related to the previous financial management categories are also summarized in this section.

##### 1. Productivity and Other Improvements Accomplished

The DEPARTMENT OF EDUCATION expects to realize substantial gains in productivity and cost savings as a result of an agreement with the Department of Agriculture to process Education's administrative vouchers and invoices at Agriculture's National Finance Center in New Orleans, Louisiana.

This agreement, which became effective November 1, 1983, provides for all administrative invoices and vouchers, of the Education Department, except payroll, to be sent directly to the Finance Center for payment. The Finance Center will

perform all necessary voucher examining, payment scheduling, certifying and Treasury reporting functions associated with these invoices. Information for updating Education's central accounting system will be produced by the Finance Center on a weekly basis and transmitted to Education by magnetic tape.

The transfer of invoices and vouchers to the Finance Center is being phased in gradually beginning with employee travel advances and reimbursements, imprest fund replenishments, and miscellaneous transactions. Small purchases and contract invoices will be transferred beginning in January 1984. Invoices from regional offices within Education, which are currently processed by the Department of Health and Human Services under an inter-agency agreement, are expected to be transferred to the Finance Center by October 1, 1984.

Education's prior payment process was primarily a manual operation with few automated features. The approximate cost per voucher under Education's system was between \$10 and \$12. Because of high volume and a high degree of automation, the Finance Center's processing cost per document is about \$3.40 -- substantially less than Education's cost. After full implementation, Education expects to realize annual cost savings of between \$360,000 and \$470,000 on an estimated annual volume of 54,000 transactions. Personnel previously assigned to the administrative payment operation are being reassigned to other higher priority activities. (Larry Miller, 245-8147.)

The TENNESSEE VALLEY AUTHORITY transferred the data entry function for storeroom receipt information from the Power Accounts Payable Section to the field location receiving the materials. Instead of having storeroom receipt information sent to the Power Accounts Payable Section for input to the accounting system, each generating plant and area office now keys in the data on-site. This procedure has resulted in more timely posting of receipt information and easier resolution of problems concerning the receipt. This change has eliminated one full-time position and prevented the possible hiring of another person for a minimum savings of \$30,000. (Jack R. Kinser, FTS 858-2564.)

The JOHNSON SPACE CENTER, National Aeronautics and Space Administration, transmits computer magnetic tapes through an automated communication line to the Treasury which issues payroll checks to financial institutions and employees. Previously, these tapes were specially packed and forwarded to the Treasury Disbursing Office by a contracted express mail service to meet the scheduled deadlines. When necessary, a person was dispatched as a courier to assure delivery of the tapes on time. To realize this improvement, acquisition of equipment and a communication line compatible with those of the Treasury Disbursing Office was necessary. This project was implemented in July 1983. The tangible cost saving is \$1,000, annually. (Curley Dartez, FTS 525-3026.)

The NATIONAL SECURITY AGENCY prepared a handbook entitled "Know Before You Go! - A Guide for Temporary Duty Travel" to be distributed by travel coordinators to each employee scheduled for temporary duty (TDY) travel. It is designed to provide information on those aspects of TDY travel with which travelers have had the most problems. By anticipating their difficulties before they file their travel claims, error rates have declined and processing has speeded up. The Central Intelligence Agency has used the handbook as a basis for issuing its own handbook to TDY travelers. (Robert Williams, 859-6713.)

The DEPARTMENT OF COMMERCE established the initial version of its Departmentwide financial management data base for use by management officials and staff within the Office of the Secretary. Automated interfaces with its several bureaus' accounting and related systems were developed to extract data for entry to the Department's financial management data base. Studies beginning in April 1982 suggested that a significant portion of the requirements for improved information as identified by top managers could be satisfied through improved reporting of existing financial data. An analysis of the general information and system requirements of management officials of the Office of the Secretary was made, and the necessary functional and data requirements documentation for the financial management data base was prepared. Detailed design specifications began in March 1983. Programming and testing began in the fourth quarter of fiscal year 1983.

The Department's approach called for the development of a series of automated "bridges" linking bureau systems with the Office of the Secretary. The "bridges" were designed to extract, standardize, edit and store information in a Departmental financial data base to be used within the Office of the Secretary to prepare management reports, answer ad hoc queries, and perform special analyses. The general design of the Departmental financial management data base consists of two major parts: (a) conversion "bridges" to translate bureau specific data structures and codes to a standard data base and (b) generalized reporting modules to support both standard reporting on any subset of the data base and ad-hoc creation of analytical reports. (Leonard Sweeney, 377-1294.)

The VETERANS ADMINISTRATION fully implemented economic order quantity procedures at its depots to balance the net cost of ordering and storing supplies to the lowest practicable amount. Higher inventory turnover rate and a lower capital investment in inventory have resulted. In fiscal year 1983, the dollar amount of inventory at the three supply fund depots fell from \$63 million on March 31 to \$45.8 million on September 30. These economic order quantity practices were largely responsible of this reduction. (Joe Kime, 389-3201.)

The BUREAU OF PRISONS, Department of Justice, published its "Accountable Property Officer Handbook" to tell its employees about their property management responsibilities and how to use the Bureau's recently implemented automated property management system. This system provides data on about 60,000 items of controlled property, both capitalized and noncapitalized, owned by the Bureau. The handbook summarizes policies and procedures for the management of personal property. It also describes employee responsibilities and procedures to acquire and dispose of personal property. (Jimmy Powell, 724-3067.)

The TENNESSEE VALLEY AUTHORITY's Office of Power--Operations Support accomplished several improvements in material management during fiscal year 1983. These accomplishments generated economies from lower stock levels and increased efficiencies in procurement and material related activities. Some of these improvements are:

- Control of Obsolete Materials. As part of a regular review to identify potentially obsolete materials, computer reports of slow moving inventory items are prepared and distributed for review. These reports contain about 1,300 items valued at \$6.3 million that have not been issued in more than five years. This is material which probably could be scrapped or sold, thus reducing inventory levels, if the analysis indicates it is no longer needed.
- Consolidation of Requisitions. Inventory replenishment orders from Power Stores are reviewed with the objective of using multiple line item requisitions. This reduces procurement-related costs. In fiscal year 1983, more than 28,000 individual line item orders were consolidated into about 15,000 automated requisitions.
- Control of Reorder Point and Quantity. Inventory replenishment orders are triggered when the amount of stock on hand drops to a level called the reorder point. When this happens a replenishment amount, called the reorder quantity is placed on order. Inventory costs are controlled in part by carefully adjusting these reorder points and quantity parameters considering both economic principles and the necessity of having items on hand when they are needed. In fiscal year 1983, 11,000 reorder points and 12,000 reorder quantity parameters were lowered while about 2,000 reorder points and 2,000 reorder quantity parameters were raised. The result will be more than a \$4 million reduction in the average level of inventory, because the amount of stock kept on hand will be reduced. This will also lead to recurring savings in overhead costs such as interest expense and storage space.
- Control of Outside Purchase Orders. Inventory replenishment orders are routinely screened with the objective of

avoiding outside purchase orders when materials are available within the Tennessee Valley Authority. The fiscal year 1983 central screening cost savings amounted to approximately \$2.4 million which was more than twice the amount of savings in fiscal year 1982. (David Nowading, 751-6484.)

## 2. Other Improvements Underway

The FEDERAL EMERGENCY MANAGEMENT AGENCY is currently developing and testing an automated system capable of compiling detailed full-time equivalent staff year usage information. The system will track on a pay-period basis the number of staff years devoted to each of the agency's programs and generate related statistical information for such activities as budget formulation and justification, determination of program goals, and other management decisions. (Dennis Boyd, 287-0630.)

KEY OFFICIALS OF JFMIP DURING 1983

PRINCIPALS

|                               |   |
|-------------------------------|---|
| David A. Stockman<br>Chairman | Director<br>Office of Management and Budget |
| Charles A. Bowsher            | Comptroller General of the<br>United States |
| Donald T. Regan               | Secretary of the Treasury                   |
| Donald J. Devine              | Director<br>Office of Personnel Management  |

STEERING COMMITTEE

|                            |   |
|----------------------------|---|
| John J. Lordan<br>Chairman | Deputy Associate Director for<br>Financial Management<br>Office of Management and Budget            |
| Wilbur Campbell            | Acting Director, Accounting and<br>Financial Management Division<br>U. S. General Accounting Office |
| Gerald Murphy              | Deputy Fiscal Assistant Secretary<br>U. S. Department of the Treasury                               |
| Terry Culler               | Assistant Director for Planning<br>and Evaluation<br>Office of Personnel Management                 |
| Susumu Uyeda               | Executive Director<br>Joint Financial Management<br>Improvement Program                             |

APPENDIX B

JFMIP STAFF

The day-to-day operations are carried out by the Executive Director and a small staff. The project directors provided by the principal agencies serve on the staff for a period of 12 to 18 months.

|                              |                 |
|------------------------------|-----------------|
| Executive Director           | Susumu Uyeda    |
| Assistant Executive Director | Doris Chew      |
| Senior Project Director      | Kenneth Winne   |
| Secretary                    | Sandra McDonald |

Project Directors Detailed From Principal Agencies

|                                   |                            |
|-----------------------------------|----------------------------|
| Linda DeBerry<br>(6/82 - 5/83)    | Department of the Treasury |
| Roberta Huber<br>(6/83 - Present) | Department of the Treasury |
| James Rothwell                    | General Accounting Office  |

AVAILABLE JFMIP PUBLICATIONS

1976 -- Money Management Study.

1977 -- Implementing a Productivity Program: Points To Consider.

1979

Report on Audit of Federally Assisted Programs: A New Emphasis.  
Financial Management Functions in the Federal Government.

1980 -- Proceedings of Workshop on Debt Collection.

1981

Financial Handbook for Nonfinancial Executives in the Federal  
Government (Limited supply).

Do It Yourself--Compare and Improve Your Payroll System.

Measuring Productivity in Accounting and Finance Offices.

What is JFMIP?

1982

JFMIP Quarterly News Bulletin (All issues not available).

Do It Yourself--Compare and Improve Your Property System.

Property Management Evaluation Guide for Federal Agencies.

Proceedings of the 11th Annual Financial Management Conference.

Bar Code Technology--A Means to Improve Operational Efficiency  
and Internal Control.

Using Statistical Sampling to Improve Productivity in Federal  
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1983

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Proceedings of the 12th Annual Financial Management Conference.

Annual Report--1982.

Proceedings of Workshop--Using Microcomputers for Financial  
Managers.

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Financial Management Directory - 1984.

1984

JFMIP Quarterly News Bulletin.

JFMIP "Special Edition" News Bulletin--Micros Emerging as  
Managers' New Tool (Limited supply).

Proceedings of 13th Annual Financial Management Conference.

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