MANAGERIAL COST ACCOUNTING PRACTICES

Implementation and Use Vary Widely across 10 Federal Agencies

What GAO Found

Our work identified large disparities in the level of MCA implementation among federal agencies as well as the ways in which they use cost information. Of the 10 agencies we reviewed, only 3 had implemented MCA systems agencywide: the Department of the Interior (DOI), the Social Security Administration (SSA), and the Department of Labor (DOL). In addition, the Department of Transportation (DOT) had made significant progress in implementing MCA departmentwide. Three agencies—the Departments of Agriculture (USDA), Health and Human Services (HHS), and Housing and Urban Development (HUD)—planned to implement MCA systems when upgrading their overall financial management systems, but they had not yet adequately considered their MCA needs. The 3 remaining agencies—the Departments of Education, the Treasury, and Veterans Affairs (VA)—had no plans to implement MCA departmentwide, but some of their component agencies had implemented their own MCA systems. In addition, many agencies do not yet have the accurate, reliable, and timely data needed for MCA systems to ensure the outputs are useful and reliable.

Few of the federal agencies we reviewed were using MCA to make day-to-day decisions. Only DOI and SSA were using cost information routinely to manage operations entitywide. In addition, some component agencies of departments that did not have overall MCA systems were using cost information more routinely to evaluate programs, formulate budgets, and set fees and prices. DOL was developing plans for using its MCA system. Other agencies used cost information primarily for external financial reporting, and were only able to cite a limited number of examples showing how cost information was currently used to help make management decisions.

Strong leadership for MCA was in place at DOI, DOL, SSA, and DOT. Other agencies have not yet made concerted efforts to promote the benefits of MCA and oversee its implementation and use throughout their respective agencies. Although MCA can be implemented without an integrated financial management system, in those cases it tends to be used for single programs or projects rather than providing day-to-day information for managerial decision making agencywide. For MCA implementation to be successful, it must be tailored to the needs of the organization, be a tool managers can use to make everyday decisions, and be based on sound financial and nonfinancial data. Full MCA implementation across the federal government will require strong executive leadership, improved financial management systems, and a continuing transition in government culture to one of managing costs, in addition to managing the budget.