The Proceedings Of

THE TWELFTH ANNUAL FINANCIAL MANAGEMENT CONFERENCE

Financial Management Reform

March 30, 1983

HE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

WHAT IS JFMIP ?

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, 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 effective and efficient planning and operation of governmental programs. Activities aimed at achieving this objective include:

--Reviewing and coordinating central agencies' activities and policy promulgations to avoid possible conflict, inconsistency, duplication and confusion.

--Acting as a clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.

--Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

--Undertaking special projects of a Government-wide nature to resolve specific problems.

--Providing advisory services in dealing with specific financial management problems.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and relies on the active participation of Federal agencies to be successful.

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The Joint Financial Management Improvement Program

FOREWORD

On March 30, 1983, the Joint Financial Management Improvement Program (JFMIP) sponsored its Twelfth Annual Financial Management Conference with a theme of "Financial Management Reform." The JFMIP annually sponsors a conference to keep managers informed of the current state of the art in financial management, to enhance the spirit of cooperation among financial managers throughout the Government and to provide opportunities for financial managers to share experience and knowledge.

These proceedings are being published to summarize the experiences and ideas that the speakers presented on making reforms in financial management. We agree with one of our keynote speakers who stated that changes are going to take place whether people want them to or not. We can instigate the changes, or we can end up being the victim of changes. Hopefully, by learning from reforms made by others, we will all be able to initiate significant changes in our own organizations.

The keynote addresses are included in Part I. J. P. Bolduc, Chief Operating Officer of the President's Private Sector Survey on Cost Controls, explained the background and objectives of this survey group and highlighted 10 characteristics that good financial managers should possess. Joseph Wright, Deputy Director, Office of Management and Budget, summarized the Administration's initiatives to improve management of the Federal Government through its Reform '88 project. Financial management reform will play a key role in this initiative.

The luncheon session was highlighted by presentation of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management improvement. Part II includes the award presentation address.

Summaries of the four workshops are given in Part III. The topics are:

--Reform in Budgetary Process
--Reform in Finance and Accounting
--Reform in Auditing
--Reforms Due to Technological Advances

We would like to acknowledge and express our appreciation for the significant contributions made by the speakers, participants and conference coordinators to make this conference our most successful one ever.

Susumu Uyeda
Executive Director
May 1983

ACKNOWLEDGEMENT

We gratefully express our appreciation to the following individuals for their contributions in making this conference so successful.

Awards Committee

Ronald Lynch (Chairman)	Arthur Andersen and Co.
Joyce Blalock	District of Columbia Government
Roger Feldman	Department of State

Conference Coordinators

Doris Chew	Joint Financial Management Improvement Program
J. Edward Murphy	Office of Personnel Management
Sam Smith	Office of Personnel Management

Conference Registration

Odessa Bowling	Office of Personnel Management
Calsenia Davis	Office of Personnel Management
Charlie Falvey	Office of Personnel Management
Bob Grossman	Office of Personnel Management
Phyllis Hill	Joint Financial Management Improvement Program
Tony Manzi	Office of Personnel Management
Victoria Matthews	Office of Personnel Management
Sandy McDonald	Joint Financial Management Improvement Program

Recorders of Workshop

Linda DeBerry	Department of the Treasury
Susan Lee	Department of the Treasury
James Rothwell	General Accounting Office
Kenneth Winne	Joint Financial Management Improvement Program

Photographer

Lee Hopson

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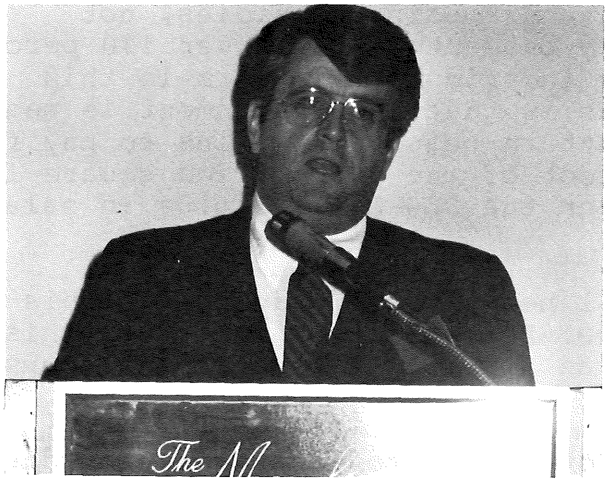
PART I - PLENARY SESSION

THE PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROLS



BY J. P. BOLDUC

Chief Operating Officer
Grace Commission

My objective today is to discuss the President's Private Sector Survey on Cost Controls (PPSSCC), its objectives, operations, the current status. I will also share with you information, indicators and general areas of the Federal Government -- with specific focus on financial operations -- which I feel need to be improved.

Why PPSSCC?

First, let me discuss why President Reagan decided to establish the President's Private Sector Survey on Cost Controls (also known as the Grace Commission). Did you know that it has taken this country 186 years to reach a $350 billion budget and only six years to double that amount to over $700 billion? If we look to 1985, we will have tripled that budget in a short period of nine years. Where and when is the Federal spending going to come under control?

Let's take a look at a few disturbing facts:

--Our national debt today is over $1 trillion. At the highest point in the Vietnam War, it was only $437 billion. In a short ten-year period, it has doubled.

--The interest alone on the national debt is over $100 billion a year.

--It takes all the taxes collected from individual taxpayers in the tax bracket of $29,999 and below (60 percent of all taxpayers) to pay just the interest on the national debt.

--In 1972, expenditures for social programs were $16 billion. Today, they are in excess of $210 billion, a 1,300 percent increase.

--Total transfer payments, such as food stamps, Medicare, civil service retirement and housing subsidies, not including social security payments, equal over 110 percent of all the taxes paid by individual taxpayers in this country. What this means is that the Government is nearly in a deficit spending pattern before it begins to pay for maintaining one square foot of the 2.6 billion square feet of office space it owns or the $60 billion plus in salaries and expenses.

--Ninety-six percent of all net personal savings in this country is borrowed by our Federal Government, and this amount has increased at an alarming rate over the course of the past ten years.

--On the other hand, the Government today stands behind some $905 billion of guaranteed and direct loans.

--There is about $2 trillion in insurance risk that the Federal Government has assumed under various insurance programs it adminsters.

The Need for Financial Information

We, as financial managers, are faced with the challenges of reversing this trend. These challenges must be met by us, by the Congress, and by the President and future Presidents if we are to survive as a nation.

My major concern is what future generations of Americans -- our children and their children -- will face. After looking at our international and domestic financial situation, it doesn't take much intelligence to conclude that, if we collectively do not begin to do something about the spending patterns that exist in this country today, we are likely to pass on to our children a standard of living that is clearly more deficient than that which was passed on to us.

The numbers are there and the trends are obvious. In the past, it has simply been a case of more, more, and more. Today, you, as financial managers, can play a most pivotal part -- indeed, a key role -- in attempting to turn that trend around. This starts by assuring that you produce the right financial information, at the right time, in the right place, and at the right cost in order to make the right decisions. The information needed to make good decisions is presently not there. What you have is a lot of data; but the data you have are not the management information or financial management information that is so vital to proper decisionmaking.

Let's take a look for a moment at the financial information that should exist but presently does not. The Government for example, purchases approximately $130 billion worth of goods and services each year. The Federal Government does not know the full extent of how much it spends for consulting services, what kinds of contracts are awarded, what the average mark-up is, the difference between quality performance and nonquality performance, or whether the service has been previously procured elsewhere in the Government, etc. The same is true with regard to information about software costs and types, feeding operations, and normative information on administrative management services, which senior managers could use to improve their decisions concerning public policy and resultant spending. Federal agencies have just recently begun to capture some of these types of information, information which is essential to decisionmaking.

Management Systems Need Attention

The Federal Government has over 5,000 procurement data systems, over 300 accounting systems and over 300 payroll systems; it seems that each agency has its own. As you know, when you buy things, you often do not buy the same thing every time. Each Government organization, however, generally goes through the same process of issuing a Request for Proposal and subsequently awarding a contract. We -- you and I -- could probably identify 100 critical information items that are required for procurement management and decisionmaking. These 100 or so information requirements could be applied universally across Government, at the primary level, with some minor variations at the secondary and tertiary levels. It must be always recognized that, of course, there are differences between buying pencils and major weapons acquisition, but, by and large, there is a great deal of commonality among all procurement systems. For example, some questions that need answering are:

--How much does the Government spend, on an annualized basis, for the procurement of software packages?

--More importantly, what is being procured?

--Do agency purchases of software packages and systems design services overlap and duplicate?

The Federal Government owns 33 percent of all the land in this country -- 744 million acres -- yet it does not have adequate information on royalties collected from those leasing the Federal land, other revenues collected, nor the fair market values of other Federal properties.

Along these lines, did you know that the Federal Government owns 405,000 buildings, in which there is approximately 2.6 billion square feet of space? Again, the Federal Government does not have the information it needs to manage this total space effectively. It should have better information on whether it should lease or buy office space and whether:

--The space should be maintained and managed by the private sector or managed internally; and

--The expected return on investment justifies the decision to buy or lease.

The Grace Commission raised some of these questions early in the survey. In many cases, we were told we could get the answers to our questions in Washington; in other cases answers were to be found in San Francisco, or in Minneapolis; and yet other cases, in rural America. We discovered that the data were fragmented and scattered throughout the country. Therefore, it was extremely difficult, if not impossible, to develop baselines to make certain assessments and evaluations and upon which to draw conclusions.

You should recognize that your Federal Government and mine is heavily into the real estate business -- it owns over 50,000 multi-family or single-family homes that have been repossessed by the Veteran Administration, the Federal Housing Administration, and the Farmers Home Administration. Some key questions that we should ask about these real estate holdings:

--Should the Federal Government be in the real estate business?

--Should responsible Federal agencies make agreements with banks so that when repossessions take place, the banks manage these affairs for a fee?

--How does this fee compare to the Government's cost of doing business?

Answer to these questions can only come about from the availability of adequate information.

Another example concerning the need for improved information relates to the over $1.2 billion of surplus and excess real property owned by the Federal Government but valued at acquisition cost. How can a Federal decisionmaker make an informed decision as to the Government's financial standing when property acquired a hundred years ago is reported at its acquisition cost of $100, and yet, in today's market, could be valued at a billion dollars? An estimate of the fair market value of this $1.2 billion of property (acquisition cost) is alleged to be in excess of $25 billion in today's market.

Finally, the size and complexity of the Federal Government is exacerbated by its lack of a cohesive, integrated and comprehensive management system. Long-range planning in the Federal

Government does not exist today. In many cases, long-range planning is this afternoon's press conference or tomorrow morning's Congressional testimony. Too many decisions concentrate on short-term; unfortunately, some of these tie into the political structure and process, while others affect both career civil servants and political appointees. It is very difficult to manage without long-range planning; its absence frequently creates discontinuity of operations, and yet that is often exactly how the Federal Government operates. For example, one Federal agency that is responsible for disbursing over $50 billion annually has had four agency heads in four years. This is tantamount to the annual replacement of a chief executive officer in a private corporation. The Federal Government needs to have continuity in top leadership, as well as in middle management in each of its organizations. The Grace Commission is addressing some of these continuity issues as part of the Personnel Management and Federal Management Systems task force.

The "M" in OMB has been missing for some time now. It has been, at times, only the Office of Budget. No one in the recent past has provided dynamic leadership to the management side of the Federal enterprise. The current Deputy Director of OMB, Joseph Wright, is succeeding in his efforts to change that. Each one of you has an opportunity to help him in this undertaking. As I understand it, he will discuss with you this afternoon this Administration's efforts (Reform '88) to make major management reforms and improvements in the management of the Federal Government's business.

The Structure Also Needs Attention

Now, let's address the management structure in the Federal Government, and let's get to the bottom line quickly. I'm not aware, for example, of a private sector firm today that has three separate and distinct units in its corporate organization reporting to the Chief Executive Officer and dealing separately with the following three integrated functions:

--Personnel management;

--Computer acquisition and real property management; and

--Budget and financial management.

Three independent organizations (the Office of Personnel Management, the General Services Administration and the Office of Management and Budget) exist in the Federal Government today to set policy and monitor its execution in these three areas. Each is independent of the other, and each reports to the President. In this regard, as I recall, the President has over 60 people reporting to him. According to management experts like Peter Drucker, the span of control standard generally calls for somewhere between 7 and 10 people reporting to an executive.

This structural problem has contributed to the over 300 different accounting and payroll systems in the Federal Government today, to the lack of an overall financial management strategy, and to the absence of integration between financial and property management systems, etc.

As a further illustration, when I was Assistant Secretary at the Department of Agriculture back in the mid-seventies, we were unable to determine the accurate number of USDA field locations. We thought it was around 15,000. I don't know whether they have an accurate count today, but it wasn't there back in the seventies. This complex field structure extends and impacts other Federal agencies as well. The Federal Government, for example, has no point of coordination or accountability dealing with the establishment and management of its field structure. If there was, I doubt seriously whether the Federal Government would have 1,750 personnel offices throughout the country, with sometimes four, five or six in the same city, often situated in the same building, and providing various personnel and personnel-related services. Why couldn't one Federal personnel management office service all Federal agencies at one location in each city?

What does this all have to do with financial information or financial management? The message I'm trying to convey is that financial management goes beyond just dealing with financial information. If you're without an adequate accounting system to capture required financial data, which can in turn be translated into financial information, you will never get a marriage between your budget system on the one side and your accounting systems on the other, not to mention the difficulty you will encounter with financial reporting. None of these areas will tie together unless you are aware of the happenings in your environment and fully understand how financial management -- if taken together with other key managment systems in your organization -- can make a difference.

<u>Where We're At</u>

With this backdrop, I'd now like to explain why the President thought it would be a good idea to bring some private sector people to look at Federal Government operations. The President, as you know, led a similar study in California in the 1960's, when approximately 200 people performed a review of the State government operations. The results of the California study were overwhelmingly positive and impressive. Because of that most positive experience, coupled with the need to reduce Federal spending and improve operations, the President decided to seek advice from the private sector.

In late February 1982, the President called Peter Grace, Chairman of the Board and Chief Executive Officer (CEO) of W. R. Grace and Company, (the longest tenured Fortune CEO in America), to head up a commission to be called the President's Private

Sector Survey on Cost Control (PPSSCC). During the period, March through June 1982, Mr. Grace recruited 160 chairmen of the boards and chief executive officers from all over the country to serve on the PPSSCC Executive Committee. They, in turn, recruited about 1,500 full and part-time private sector people, including presidents, chief operating officers, chief financial officers, executive vice presidents and others. Many of these volunteers came from the parent companies headed by members of the Executive Committee.

Therefore, it can be said that the PPSSCC is a totally volunteer operation with no Federal money involved. I am proud to report today, that with the exception of Janet Colson, who is a Special Assistant to the President and the Deputy Director of PPSSCC's management office, there have been no Federal employees on this survey project. The private sector responded to the President's and Mr. Grace's call for assistance by contributing, during the past year, an estimated $60 million in travel and personnel costs for the 1,500 volunteers reviewing and evaluating Federal operations to identify ways in which opertions could be improved and cost reduced.

PPSSCC objectives were basically two-fold: first, to take a long hard look at how the Government performs its business and recommend ways to make it more efficient; and second, to see if proven private sector methods of management could be applied effectively in the Federal arena. In so doing, short and long-term opportunities for improvement were to be reported. During the past nine plus months, we've tried to do just that.

We organized the study around 36 task forces; 24 were organizationally focused; i.e., the Department of Agriculture, the Department of the Interior, and the Department of Transportation; and 12 were functionally focused and cut across Government departments and agencies; i.e., financial management, personnel management, data processing, and research and development. Each task force had a minimum of two members of the Executive Committee serving as co-chairs. In addition, there were as few as 20 people on one task force, and as many as 82 on another.

One task force stood out in that it focused on the Federal management system. Many of the needed improvements we see in Government today are not due to incompetent performance or to people who do not care or who do not want to work. Rather, these short-comings are caused by strategy, structure and systems problems. This task force addressed these key elements of management.

The process followed by each task force was basically four-fold. Initially, we asked the task forces to spend 1 or 2 weeks becoming more learned and knowledgeable about the agency or the function they were going to be studying. We developed some critical skills requirements for each task force and matched these requirements with available resources. Therefore, we identified these critical skills and recruited people who had demonstrated, for example, personnel and human resource management skills, and assigned them to work on the Personnel Management Task Force. We did the same thing with other areas, such as financial management, research and development, and data processing. For Interior, we tried to find people who had experience in natural resources; for Defense, we tried to find people who had experience in defense and defense-related industries. Overall managerial capabilities and experience were sought for all task forces.

Each task force then spent about 3 weeks surveying the organization or function under review, studying that organization, reviewing the size and scope of operations in terms of dollars, people and field locations. They reviewed budget documents, GAO audit reports, Congressional hearing documents, various study reports and prior findings of the Office of the Inspectors General, etc. Prior to and concurrent with these activities, the PPSSCC management office interviewed hundreds of people, including Assistant Secretaries for Administration, the Director of the Congressional Budget Office, the Comptroller General, several key officials at the Office of Management and Budget, private organizations and special interest groups. During these 4 to 5 weeks, we reached out and collected as much information as possible and synthesized that information into a set of issues for review or improvement opportunities. The task force then spent the next 12 to 16 weeks reviewing each of the improvement opportunities in greater detail. The results of these efforts were to be included in individual task force reports to be released during the April through June 1983 time frame. We are currently engaged in this process. A final report to the President is planned for late June 1983 or early summer.

This task has not been an easy one; it has been very frustrating at times. We've had to deal with court suits and media, Congressional and public inquiries. Just last week, there was an article in The Washington Post which many of you, I'm sure, read. The article alleged that the PPSSCC was recommending the abolishment of the Veterans Administration. The truth to the matter is that such recommendation was never included in the rough draft or final versions of the task force reports. These are the kinds of things that have been very frustrating and have detracted attention away from the main purpose.

On April 5, we will release for public review, in accordance with the Federal Advisory Committee Act, the first six task force reports. They will cover Personnel Management; (a cross-cutting report); the Department of Agriculture; the Department of Energy; the Department of Commerce; the Department of Health and Human Services, (exclusive of the Social Security Administration, Public Health Service, and Health Care Financial Administration); and the Environmental Protection Agency, the Small Business Administration and the Federal Emergency Management Agency.

Those six task force reports will be deposited in the Reading Room at the Department of Commerce on the same day. Ten days later we will hold a public meeting also at the Department of Commerce, during which these six reports and their specific recommendations will be discussed by a Subcommittee of the PPSSCC Executive Committee. Thereafter, and for the next 3 months, we will release every 2 weeks six task force reports, through about June 22 when the last group of reports will be released.

A Time for Change

Now, I'd like to make some general observations on the subject of financial management. My personal belief is that financial management will undergo significant, bold changes during the 1980's, changes the likes of which you've probably never experienced. You'll need to be prepared. There will be four major component parts in this process: strategy, structure, systems and people.

In my view, you, as financial managers, will not be able to make significant improvement in the area of financial management unless you approach it in an integrated, holistic way. A little fix here and a little fix there will not do.

The first thing that must be established is a financial management strategy: What is it that this Government needs and wants to do with regard to improved financial management (budgeting, accounting, reporting and auditing)? What direction should it move in? What resources is it prepared to commit? This requires a strategy at the very top level of Government. It's not a matter of trying to patch up an accounting, budgeting or reporting system that works. It's a matter of initially looking at financial management in a most comprehensive fashion. Identifying needs and requirements for improvement and developing a plan of action to get there, with principal focus on compatability, integration and unification.

The next major component is structure. As you know, the Department of the Treasury plays an active role in financial management. More recently, the Office of Management and Budget has played a more active role in financial management. The General Accounting Office also has a role in financial management, in that it sets accounting standards and then audits, reviews and evaluates those systems for compliance with established standards. The General Services Administration also plays a central role, particularly as it relates to computer and office systems acquisition needed for automation. Then, there are individual departments, agencies and bureaus, each doing in many cases their own thing. Therefore, a whole host of players are involved. The real question is who's in charge? Who's responsible and accountable for financial management in the Federal Government?

Do you know, for example, which agency has the lead role for cash management today? The Department of the Treasury has the responsibility, but it lacks the authority to execute that responsibility. History has shown that Executive agencies are not generally concerned with cash flow management -- it's simply not a high priority item -- since they are not primarily responsible for cash management and view it as a responsibility of Treasury. These agencies are concerned with their own programs and operations -- not Treasury's cash management concerns. Treasury, for example, may inform an agency Assistant Secretary that there's a cash management problem at his/her agency and that the Government may potentially be losing millions of dollars in interest each year. However, cash management may not be a high priority item on the Assistant Secretary's agenda or the "fixing" may take too long or be too difficult. So nothing happens. Because there's no real incentive for the agency to respond -- it's not recorded on their scorecard -- and because the Treasury is without clout or authority to enforce, the issue remains uncorrected.

Contributing to this problem is the fact that there is no chief financial officer today for the Federal Government. In a few cabinet-level departments, there have been changes in the past several years toward a comptrollership or financial officer function. But most of these comptrollers perform more of a staff than line function. To my knowledge, there's no chief financial officer at any agency level that parallels the comptroller or chief financial officer in the private arena, where financial policies, practices, methods, controls and standards are established and monitored to achieve some reasonable consistency and compliance at the operating unit level. This condition -- who's in charge of the "candy store" -- must be corrected if the Federal Government is to restore fiscal accountability and integrity to the process.

Structurally, the Inspector General concept is sound and viable. The Inspectors General meet periodically as part of the President's Council on Integrity and Efficiency to coordinate and share information and ideas. But, there's still no day-to-day leadership to provide consistency of audit and investigative quality, resource allocation, and integrated training and development programs. Moreover the full use and exchange of the state-of-the-art methodologies in statistical sampling, data processing and flow chart mechanisms are not being realized. This void needs to be filled and should be considered a key function to be assumed by the chief financial officer.

The third component is the system. As you no doubt know, there are some very profound systems problems among (1) planning, (2) budget development and execution, (3) accounting and financial management information, and (4) financial reporting. Unless these four pieces are integrated, or at least coordinated, with audit, the full value will not be realized.

People is the fourth component and a very critical one. There are no uniform specifically defined requirements as to the skills, knowledges and abilities necessary for "admission" to the financial community within the Federal Government. I know from my days with the Federal Government, instances where individuals trained as procurement specialists who, by virtue of reduction-in-force, became accountants overnight and were assigned positions within the financial community. Suddenly, they were financial managers or managers of financial information.

The Federal Government needs to define criteria and establish professional qualfication standards for "admission" and continued employment in the financial community not only at the civil servant level, but at the highest political appointee level as well. The political process today accepts an individual who is politically compatible and appoints him or her, for example, an assistant secretary for management. In many cases this individual, while functioning as the chief financial officer of a cabinet level department, all too frequently does not have the background, experience or the qualifications to fill that position. This is also true in the military environment. The Federal Government and, more specifically, the financial community need to respond to this case for improved professional standards in order to attract and retain competent talent in an increasingly complex and intellectually demanding profession.

Ten Critical Success Factors for the 80's

Next, I've been requested to repeat for you some of the key points I made during my keynote address at the Association of Government Accountants in Denver about nine months ago. I discussed at that time what I viewed to be the 10 critical success factors for public financial managers for the 1980's. I have since received numerous invitations to speak and write on these critical success factors. Therefore, I thought I'd share them with you today.

The first success factor is flexibility. Do not misinterpret this factor, because I, too, have an accounting background -- an undergraduate degree in accounting and some graduate work in accounting and understand and appreciate the need for exactness, objectivity and independence. Whatever success I enjoy today is largely attributed to being a "numbers person" and having an accounting background. However, since our academic training and day-to-day work experience have often taught us that there is a right and a wrong, and that there is very little in between, we tend not to be as flexible as the work environment in the 1980's will demand from each of us.

I believe it was President Kennedy who said, "We cannot negotiate with people who say, what's mine is mine and what's yours is negotiable." All too frequently, individuals in financial management approach other managers and attempt to sell their position or negotiate on those terms. Achieving a greater level of flexibility is not only desirable but possible without compromising your objectivity and independence.

The second critical success factor is risk. Frequently, the accountant or financial manager finds it extremely difficult to accept anything less than a complete story -- a full set of facts and figures. Today's operating environment requires a level of comfort with many numerical estimates and ranges, which frequently lacks precision and a level of exactness. Understanding the manager you serve who, at times, will need numbers and information in a more timely fashion and is willing to sacrifice exactness and completeness in order to make timely decisions is something that financial managers will need to recognize, accept and respond to during the 80's.

Another factor -- the third -- is communication, that is, the ability to communicate with nonfinancial managers in laymen's terms so they understand what you're saying. You, as financial managers cannot, for example, meet with new political appointees and talk to them about budget authority, obligations and outlays. You might have impressed the new appointee with your technical knowledge, only to become depressed when you later discover the appointee's complete lack of understanding about the budget process. Instead, your focus should be on communicating in a way that people will understand. You should speak in nontechnical terms, if it's results you're interested in.

Organizational diversification is the fourth critical success factor. Most individuals in financial management today have experienced what I call a vertically integrated career: an undergraduate degree in business or accounting, a graduate degree, followed by work as an accountant, auditor, financial officer, budget analyst, or financial manager. Most seem to stay within the budget and financial management arena.

Those of you who are determined to succeed in the 1980's will develop a career plan that will take you outside of financial management for a "cross-fertilization" experience. Following this developmental experience, you will return to the financial management arena better prepared and with a different perspective on what it's like to sit on the other side of the desk. Since most financial managers today occupy staff positions, you should experience what it's like to be a day-to-day line manager, so you can better understand what managers need and thus perform more effectively in the future.

The fifth critical success factor is timeliness. How do you preclude achieving a required, rather than desired, level of exactness at the expense of timeliness? If I need certain information, a specific analysis, or a report tomorrow to make a decision, and I do not receive it in a timely fashion, I'm likely to make that decision -- if time is of the essence -- and run the risk of being wrong, rather than not make the decision at all. Remember, there are times when some information, however general, is better than no information at all. Therefore, it's imperative that you understand the decisionmaker's requirement. Financial managers strive for exactness in reporting information to the senior level manager when some of the information sought can be satisfied by ranges and estimates. Therefore, before proceeding to do everything as usual, consider the possibility of incurring risks whenever and wherever appropriate -- challenge yourselves to assess whether past practices should apply or whether risk taking may be more appropriate and effective.

The sixth critical success factor is technological awareness. We're living in a world of change that will be unprecedented in the months and years ahead. Employees will no longer be sitting in their offices with their calculators cranking out numbers. Many of you by 1990 will be working at home aided by a computer terminal and communicating technology -- doing analyses, making inquiries and communicating with your fellow co-workers at home and at the office.

You need not be a computer expert or technician. However, you should understand the computer environment, so that you know what computers can or cannot do. You cannot afford to sit back and close your eyes to new technology and refuse to learn new ways to solve old problems. It really isn't a matter of whether you're going to learn and adjust to this new world of technology. The question is when will you begin? The technology is here today. Better than 51 percent of the total workforce in America today is employed in offices. One trillion dollars a year is spent to employ and support white collar employees in private and public sector offices throughout the country. Most of that amount, or about 72 percent, is spent to support you and me -- professional employees. Therefore, with this kind of potential pay off, you can expect a great deal of attention focused on the office environment and the productivity gain and dollar savings that can be realized through the introduction of automated equipment in the office -- that's got to have a significant impact on how you and I will do our work. You will need to know what's available and what it can or cannot do for you in order to maximize your abilities and capabilities to deliver the services you're paid to provide.

The seventh critical success factor is what I call the "holistic" approach. Do not become so parochial as to look only at financial management and ignore other areas. Let's assume for a moment that the recent passage of legislation will require the implementation of a new social program. Program officials will generally look at financial and cost information only as it relates, for example, to the food stamp program. They generally will not take into account other associated costs such as new personnel, space, relocation, organizational equipment, administrative and overhead costs. Therefore, it is critical that financial managers know enough about an entire program and look at the total picture in terms of providing valuable and meaningful financial management information to program managers. It's easier and clearly more effective for a financial manager to understand the total picture -- the program in this case -- than for the program manager to understand financial management.

Utilization of the best practices is the eighth critical success factor. This is what I call avoiding the "NIH" syndrome, the not-invented-here syndrome. This syndrome explains why we have over 300 different accounting systems, 300 payroll systems, 5,000 procurement data bases, and countless numbers of duplicative and overlapping software packages and management systems in the Federal Government. There are thousands upon thousands of good, demonstrably successful practices and techniques that are available from other agencies and are not being used. One example is the effective process by which the National Finance Center at the Department of Agriculture processes payment vouchers and payroll checks. The Center processes some 30,000 vouchers per day at an approximate cost of less than one dollar per voucher. There are hundreds of other installations in Government that process the same type of vouchers for a great deal more, ranging from $2 to over $8 per voucher and perhaps even more.

The ninth critical success factor is power. The financial manager of the eighties will have the opportunity -- because of the information he or she has access to -- to influence, direct and control. Information is power. If you do not believe me, take a look at the perpetual survivors in the Federal Government -- those who have survived presidential appointment after presidential appointment for 20 years. Again, let me repeat, information is power -- it is power at your disposal to be used judiciously and appropriately.

The last critical success factor is justifying your existence. With the significant technological changes that will take place in the 1980 timeframe, it is important for you to demonstrate your worth -- that you're making an effective contribution to your organization. If you do not adjust to changing times, you are likely to be doomed for extinction and be replaced by someone who's "with it." It's never too late to learn, but don't wait too long or it will be an uphill battle.

<u>Summary</u>

You're now aware of what the Grace Commission is doing -- what Joe Wright and Reform '88 are trying to get done -- and we have a President who's willing to challenge practices of the past and implement change for the good of the American people.

The question before you is whether you will join in to help restructure and improve financial management in the public sector or let this opportunity pass you by. Will you let that opportunity take place or will you make it happen? The difference between making it happen and letting it happen is the difference between failing and succeeding, between being a winner or a loser. The loser is the person that lets things happen. The winner is the person that makes things happen. As Robert Kennedy once said, "Though these are difficult and perplexing times, so too are they filled with opportunities and challenges." Those opportunities are before you. Will you join in and help Joe Wright and this Administration with the Reform '88 initiatives and make the changes required? Will you join in and assist in implementing recommendations made by the Grace Commission to control and reduce costs?

One of the most vital professions in this day and age is financial management -- in large measure, it holds the key to the future solvency of our Government. Financial managers will have an opportunity for significant input in this process of change if they want to become involved and participate. Public financial management as we know it today will not be recognized by 1990. We -- you and I -- cannot be satisfied with the present -- the status quo -- or we are destined to fail. We must leap and grab that opportunity for change and become a part and play a role in carving out our future financial management environment.

In closing, I would suggest that if you elect not to become involved, the risk that you are taking is to be supervised by people less competent than you. Let me repeat, if you do not become involved and make things happen then you will let them happen and run the risk of having someone less competent than you as your leader. I look foward to your assisting us in the implementation of the recommendations of the President's Private Sector Survey on Cost Controls.

JOSEPH WRIGHT, JR.

Deputy Director
Office of Management and Budget

Good afternoon. It is indeed a pleasure to participate in the 12th annual JFMIP conference. Today I want to talk to you about some of the major problems that exist in the management of this Federal bureaucracy and some initiatives being taken by this Administration in dealing with those problems.

In Administration after Administration, dedicated people come to Washington, filled with good intentions about improving Government. In their effort to accomplish a great deal in a short time, they have often ended up expanding programs and increasing the size of Government. This has resulted in more people in Government and ever-increasing Federal budgets. Administrative management practices have not kept pace, leaving the door open for waste, abuse and even fraud. This is not surprising when you consider the size and complexity of programs we are asked to manage. In this Administration, we are committed to changing this direction by introducing better management processes.

We manage more than 2,000 programs, which run the gamut from natural gas prices to savings bonds. These programs reflect tremendous growth and change in constituencies during the past 20 years. The workforce resides in 13 cabinet departments and a multitude of independent agencies. We have seen the demise of only one -- the Community Services Administration -- and four new cabinet departments have been given birth since 1965.

To illustrate the enormous growth in Government programs, note the budgets of two of the major departments in 1960 compared to 1982. In 1960, the Health, Education and Welfare budget was $26.8 billion and the Department of Defense (DOD) budget was $23.9 billion. In 1982, the Health and Human Services budget was $251.7 billion and the DOD budget was $182.9 billion. This is astounding growth. I think you will note that the social programs have grown considerably faster than the defense programs.

Government has increasingly assumed responsibility for feeding those in need. Uncle Sam provides 95 million meals a day at an annual cost of $17.8 billion. Thirteen years ago these programs cost $960 million. The food stamp program, which began in the early 60's, has grown to where it serves over 21 million people.

The number of veteran's programs has increased. The complexity index has zoomed. The Veteran's Pension Program alone has three layers to be maintained concurrently, each mandated by the Congress: the pre-1961 system; the 1969-78 system; and the post-1978 system. Each has its own rules, benefits and administrative requirements. To complicate matters, a whole new constituency appeared in the post-Vietnam era -- a sensitive period that required new rules and processes.

Much of the growth in size and complexity occurred when new program areas were thrown into existing cabinet agencies, straining the administrative and management systems to a point of inefficiency from which they have never fully recovered. For example, the Department of Transportation alone administers almost 100 highway programs today, compared to 14 in 1963. The number of highway requirements increased from 15 to 53 during that same period, each requiring a separate tracking system.

The point of all of these examples is that Government's mission -- translated into programs -- is bursting the seams of the administrative systems serving those programs. The problem can no longer be ignored, nor patched with a lick and a promise.

The administrative costs of executive branch agencies will total about $138 billion in 1983, including personnel costs -- about 17 percent of the whole Federal budget. If we could assume that through improved processes, systems, and management practices, we could reduce these administration costs by 10 percent, think of the payoff. That savings of $14 billion could reduce the projected budget deficit for fiscal year 1984 by nearly 10 percent, and if done properly, would not adversely affect the delivery of Federal programs. In fact, improved systems should enhance program delivery.

The size of the Federal Government and Government-financed work force is enormous. It is the largest employer in the country with 2.8 million civilian workers supplemented by 3 million contract employees and another 5 million State and local employees administering Federal funds.

A good portion of civilian and contract employees are housed in 405,000 Government-owned office and other buildings, and in thousands of leased buildings -- a total of 3 billion square feet of space to be cleaned, maintained and kept secure. Forty-thousand people are employed for these purposes alone.

To implement the many programs, Government employees are required to travel. Imagine the record-keeping involved in $5 billion worth of tickets and related travel expenses for thousands of employees each year. Outdated, redundant regulations have added to the burden, and a lack of good travel management processes has increased the cost to the taxpayer.

There are 332 identified accounting systems in the Federal Government. Only 63 percent meet the standards of the General Accounting Office, and most are not functioning optimally.

This, of course, leads to the subject of computers. According to our best records, the Government employs 150,000 people to run its 16,000 overworked computers at a cost of $6 billion, annually. The average age of this equipment is more than six years old. Considering that the older the computer, the more space, maintenance, labor and energy consumed, there is a great potential for savings in updating many of the Government's computers.

An inventory of existing management systems in all major agencies identified over 600 major management and administrative systems in four basic areas -- personnel, property, dollars, and information. Most of them are incompatible, even within individual agencies. So, what are we going to do about these problems?

When President Reagan came to Washington, he promised the American people a more responsive, more economical, more efficient, and less wasteful form of Government. He asked us to search out the problems, many of which I have just outlined, and then to do something about them. By last summer, we had made some progress, but the President believed strongly that our efforts required broadening with more direction. Thus, the idea for Reform '88 was born. The formation of Reform '88 was announced in September 1982. Reform '88 highlights this Administration's commitment to large scale reform of the Federal Government's management processes over the next six years.

We recognized that the goal of permanent, structural systems improvement would require strong and continuing White House and agency commitment in implementing effective administrative systems for Government-wide use. Therefore, last September, the President established a new Cabinet Council on Management and Administration (CCMA). The CCMA is chaired by President Reagan with Ed Meese as the Chairman Pro Tempore. The committee is made up of a select group of departmental cabinet officers. So, you can see, the entire effort has the attention of the highest levels of Government.

One of the first issues addressed by Reform '88 was the antiquated communications system between the White House and major Government agencies. We were using cars and drivers shuttling back and forth with memos and agendas with red stickers "URGENT." Security officials were going bonkers! That was the same way when Madison was in the White House. That finally ended, and the first electronic mail system linking the White House and the cabinet departments is already in operation and will be expanded.

Secondly, we are tracking a series of management improvement initiatives which will result in savings of $20-30 billion over the next three years. The third major accomplishment involved OMB getting its house in order. Steps have been taken toward reducing central management regulations directed to the agencies. A review of OMB regulations by the Assistant Secretaries for Management and OMB itself will result in reductions in OMB management regulations of between 20 and 30 percent, and that is still growing.

The guts of Reform '88, however, are the institutional improvements that will be made over the next several years -- improvements that will survive changes in political leadership and turnover in career personnel. The improvements which have been identified fall into four broad areas: the budget process, financial management systems, resource management, and a management information system that ties them all together.

The cornerstone of financial management in the Federal Government is the budget process. Our objective is not to tamper with the content or organization of that process, but to expand the application of ADP technology to the various systems that drive the process -- from budget formulation through preparation and submission to the Congress and, finally, appropriation actions. Our goal is to reduce the clerical drudgery and processing burdens associated with the budget process and to enhance the timeliness and reliability of the data. Existing technology can be used to improve this process. Eighteen of one hundred and one agencies are now transmitting budget data in machine-readable form.

Our goal is for 22 major agencies to have fully-automated systems for use in transmitting numeric data for their fiscal 1985 budget submissions. The remaining 79 agencies will be tied in as rapidly as possible. The result will be a faster and more accurate exchange between agencies and OMB budget examiners, and enhanced analytical capabilities.

Timely, accurate financial data are essential to improving overall management in the Federal establishment. One of the first steps toward achieving that objective is for each agency to have an adequate, GAO-approved accounting system that meets management's needs and is compatible for Government-wide interface. In spite of sporadic efforts by most agencies over the past 30 years, less than two-thirds of all Federal accounting systems have gained GAO approval. Even less are operating these systems as described. A major initiative is required to ensure that

Government builds responsive accounting systems. Reform '88 will take an active role in requiring agencies to enhance their systems.

Valid verifiable accounting data are only the first step in the improvement effort. Data are not information until they are intelligently used. Managers must establish processes in which they can use data effectively to manage and control their financial operations. In response to this need and as a corollary to the accounting project, OMB will be working with GAO to develop standards and guidelines which will serve as a basis for financial management within departments and agencies. These standards, when applied Government-wide, will be flexible enough to accomodate the unique needs of individual departments and agencies, but will also serve as the basis for ultimately developing uniform accounting information across Government.

Better financial data are the cornerstone to improving overall management in every Federal entity. Most agencies and major operating components have developed their own decentralized, nonstandard systems with independent data bases to support unique management needs. It is very difficult to obtain department-wide data, much less Government-wide data, other than through cumbersome processes with a high probability of inaccuracy. There is no way to collect these data in a timely manner.

The Department of Commerce has a project underway which has the potential to be used as a model for building common financial information repositories across Government. Commerce is taking data from existing accounting systems and putting them into a standardized, accessible, and controlled repository, using a "bridge" program concept.

While the details of the Government-wide approach are being shaped, we are optimistic that a common financial reporting capability for all departments can be in place by December 31, 1984. This will be a major milestone in the effort to build responsive reporting capabilities in Government.

Both debt and credit management offer opportunities for enormous savings to Government through improved management and systems. Gross debt grew from $77.6 billion in 1974 to $273.2 billion in 1982. About 80 percent of the total debt is loans to students, homeowners, businesses and farmers. About $27.3 billion is delinquent income taxes. Overpayments under Federal entitlement and assistance programs account for another $3 billion.

Delinquencies and write-offs are rising at a rapid rate. Our delinquency rate was 41 percent the past year, compared to 8 percent for national banks. Our write-offs are 66 percent higher than national banks. The deteriorating trend must be reversed.

Agencies have been directed to strengthen their administration in this area. This will be accomplished by upgrading management information systems, by making collection systems less labor and paper-intensive, by using higher quality servicing and collection methods, and by setting goals to reduce delinquencies. We will move quickly to implement the Debt Collection Act of 1982, which makes available to agencies collection tools previously denied by law. We intend to automate servicing and collection functions, dispose of portions of agencies' loan portfolios, and use up-front risk analysis and credit scoring procedures.

There are also great opportunities for improvements in the cash management area. An almost unimaginable $1.7 trillion per year passes through Government systems. The Government pays 5 million civilian and military personnel and processes 640 million checks, annually. The Federal Government does not manage taxpayers' money well. This must be changed. There is a cash flow of almost $7 billion each business day. This makes effective cash management a tremendous concern and priority. Inefficient practices cost the taxpayers millions of dollars each year in unnecessary interest costs.

The potential for savings is great. For example, accelerating the collection and deposit of funds by only one day would result in $269 million in interest savings per year. Improving the timing and control over disbursements by only one day would result in $312 million in interest savings each year. Although not all of this cash flow is subject to changes in processing time, some portions of it can be accelerated by many days or weeks.

By the end of this year, we expect the agencies to have cash management systems which will rival those of the private sector. They will insure that: (1) incoming funds will be collected by wire transfer and lockbox systems; (2) all collections will be processed and deposited to the Treasury on the same day received; (3) payments to vendors and contractors will be made exactly on the date due -- not before and not after; (4) progress payments and advance financing under larger Government contracts will be more selective and controlled; and (5) disbursements to grantees will be more closely monitored and controlled.

Many of these actions can be achieved through administrative improvements. Some of the improvements we seek may require changes of law. We do now and will continue to work closely with the Congress where it is appropriate in achieving these goals. The House Government Operations Committee and the Senate Committee on Governmental Affairs have had a major impact toward better management with their leadership in the enactment of the Brooks Act and the Paperwork Reduction Act. So we share a common goal with the Congress of a better Government for our constituents.

In summary, our vision, and part of the legacy this Administration will leave the American people, is a Federal Government operating in a businesslike manner. This means nothing less than a Government that provides essential public services of high quality as efficiently as possible.

The group in this room has more to do with the success of this project than anyone else in the Federal Government. This will be a grinding, tough project, but it can be done. We have success in two departments: Agriculture and Commerce. When we are finished, it will have been the largest and most extensive management improvement project that has ever been undertaken. We need your help to achieve our Reform '88 goals.

PART II - LUNCHEON SESSION

AWARDS NOMINATION REVIEW COMMITTEE AND AWARD WINNERS
Pictured from left to right: Roger Feldman, Joyce Blalock, Harold Stugart, Roland Burris and Ronald Lynch.

Pictured from left to right: Charles Bowsher, Joyce Blalock, Roger Feldman, Michael Serlin, Gerald Murphy, Roland Burris, Carole Dineen, Ronald Lynch, Susumu Uyeda and Virginia Robinson

PRESENTATION
of the
1982 DONALD L. SCANTLEBURY MEMORIAL AWARDS
by Susumu Uyeda

It is my pleasure to be here today to honor and present the 1982 Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management improvement to two outstanding financial leaders.

The Joint Financial Management Improvement Program named its annual awards to honor and commemorate Donald L. Scantlebury, who made a profound impact on financial management both in the private and public sectors. At the time of his death in June 1981, he was Chief Accountant and Director of the Accounting and Financial Management Division in the U.S. General Accounting Office and served on the JFMIP Steering Committee. This award is a continuing tribute to Don, who was a dynamic leader in promoting financial management improvements and a true innovator, always at the forefront of the professional frontier, setting high standards for all of us to follow.

It is indeed my honor and privilege to present the 1982 awards to two individuals, who are outstanding leaders in improving financial management practices at the Federal and State government levels.

The first recipient is Harold L. Stugart, Auditor General of the Department of the Army. Mr. Stugart is being commended for his outstanding leadership and the significant contributions he made in the accounting and financial management profession. Mr. Stugart, the first Army Auditor General, was responsible for realigning the U.S. Army Audit Agency which resulted in improved audit operations and better communications. He has made the Army Audit Agency a viable and indispensable tool for the top Army management, without sacrificing the independence of that agency. In recognition of his outstanding leadership and managerial ability in audit operations, Mr. Stugart received a Senior Executive Service exceptional performance award in October 1980 and 1982 and a Presidential Meritorious Executive award in 1981.

Prior to being selected as Army Auditor General, Mr. Stugart spent 17 years with the General Accounting Office. As head of GAO's fraud task force which was established in 1978, Mr. Stugart initiated the development of a local "hotline" telephone number in the Washington area to allow concerned citizens the opportunity to report fraud occurrences. Under his guidance, a GAO task force was established to examine the extent and cause of fraud in Federal agencies. Mr. Stugart and his staff noted weaknesses in internal controls of those agencies and recommended corrective actions to be taken. His innovative approaches to exposing potential abuses and mismanagement have been exceptional and the results substantial.

His contributions on the job as well as to the financial management profession have indeed been significant. It is a great pleasure to present the 1982 Donald L. Scantlebury award to Mr. Stugart which reads:

> "The Joint Financial Management Improvement Program presents the Donald L. Scantlebury Memorial Award to Harold L. Stugart in recognition of exceptional and continued leadership in Federal financial management in the prevention and detection of fraud, waste and abuse, and the improvement of Army's audit operations."

The second recipient is Roland W. Burris, State Comptroller of Illinois. Mr. Burris is being commended for his noteworthy contributions to the State Comptrollership and the maintenance of integrity he has instilled in the profession. He has been exceptional in his effort to educate the general public in his State about State finances, a difficult goal indeed.

Mr. Burris published a monthly fiscal report which included a detail analysis of fiscal transactions and charts and graphs comparing each State agency's spending. His efforts were so astounding that two respected newspapers, the Chicago Sun Times and the Chicago Tribune, commented favorably on his achievement.

Mr. Burris was exceptional in bringing the State of Illinois forward on the fiscal front. He, with the help of Illinois' Auditor General, restructured the State's cash accounting system to conform with generally accepted accounting principles. Through their efforts, Illinois became the third State to conform with generally accepted accounting principles.

In addition, through Mr. Burris' efforts

--An "Ombudsman" program was established to assist individual citizens, retirees and firms providing services to the State when they encountered problems in receiving payments from the State;

--A new check replacement system was implemented to aid senior citizens whose pension checks were lost or stolen;

--A new security, emergency and disaster planning unit was established to ensure continued accounting operations in the event of a major natural disaster;

--An agency-wide management by objective program was developed which reduced turn-around time in check or warrant processing;

--A new expenditure analysis review unit was established which was responsible for reviewing support documents for payments already transacted by the State; and

--A two year program was initiated to develop a clear and concise document on what happens to tax dollars.

Mr. Burris' record is definitely one which government financial managers should emulate. It is indeed a pleasure to present the 1982 Donald L. Scantlebury Award to Roland Burris which reads:

> "The Joint Financial Management Improvement Program presents the Donald L. Scantlebury Memorial Award to Roland W. Burris in recognition of exceptional and continued leadership at the State level by significantly improving financial services and upgrading the quality of State operations."

PART III - WORKSHOPS

WORKSHOP #1

REFORM IN BUDGETARY PROCESS

LEADER

Dale McOmber
Former Assistant Director for Budget Review
Office of Management and Budget

PANELISTS

Louis Fisher
Specialist, Congressional Research Service
Library of Congress

Harry Havens
Assistant Comptroller General for
Program Evaluation
General Accounting Office

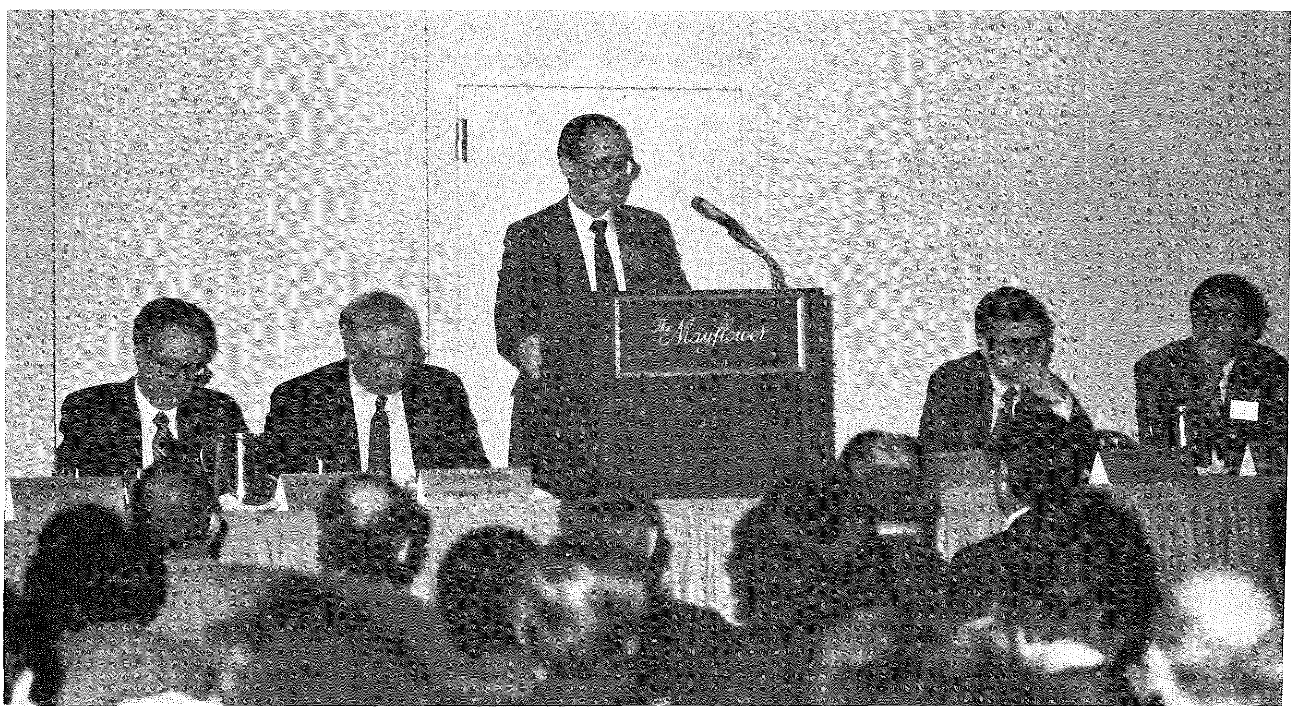
Anthony Itteilag
Deputy Assistant Secretary, Budget
Department of Health and Human Services

George Strauss
Chief, Resources Systems Branch
Office of Management and Budget

LEADER

Dale McOmber

PANELISTS



Pictured from left to right: George Strauss, Dale McOmber, Harry Havens, Anthony Itteilag and Louis Fisher

DALE McOMBER began the workshop by stating that there is one truism in the budget process -- it is a governmental process by which Americans decide through the President and their representatives what the people want to do with the resources given to the Federal Government by the people. Any budget reform process should be aimed at facilitating that improvement.

LOUIS FISHER provided his views on budget reform in the Legislative Branch, specifically addressing the Budgeting Act of 1974 and how well it has worked. Since the Congressional Budget Act of 1974 was enacted, there has been a legislative budget. This budget must satisfy two key objectives: (1) place restraint on spending and (2) provide accountability in the budget process. There is a deficiency on both scores, both in terms of restraint and accountability.

The budget is supposed to be a neutral tool to be used for restraint and to stimulate the economy. Mr. Fisher's view was that the Act was intended to restrict Federal spending. A more difficult issue is the behavior of spending since the Act in 1974. An analysis of the first 4 years showed that, spending was encouraged to stimulate the economy and bring unemployment down with little regard to inflation, size of the budget, or the size of the budget deficit. During this period, the Act facilitated the expansion of the budget, size of the deficit, and budget outlays.

The years between 1979-1982 were different, because both branches of Government became more concerned about inflation, spending and entitlements. Thus, the Government began experiments with the reconciliation process. Also, at this time, the Congress was aware that there was a need to restrain spending. Even though there was more attention on restraint, there was a marked decrease in accountability.

The fiscal year 1980 deficit was $59.6 billion, which was $36.6 billion more than anticipated from the first budget resolution held in the spring. Revisions that were needed in the second resolution in the fall were not made until the spring of the following year, when the next budget was acted on. There was never a separate vote, discussion, position, debate or accountability on the previous year's deficits.

In other years, a similar pattern existed with the deficit being revised upward with little accountability on the part of the Congress. There are also features in the fiscal year 1984 first budget resolution that are of concern and have not received much attention. There is a provision in the House resolution that will automatically trigger in the deficit of the first resolution, if the Congress does not pass a second resolution. Also, it appears that there is a new kind of resolution called an adjustment resolution, which revises the level of the total budget outlays, budget authority and revenues based on technical economic assumptions. A budget resolution may be revised based on technical assumptions such as inflation and interest rates, with limited debate, and the deficit will be larger because of these assumptions. Yet, the Congress will not assume responsibility for this deficit, because there are outside forces causing it which the Congress cannot control.

HARRY HAVENS discussed "Budgeting for Public Investment." Traditionally, the Federal Government has played a major role in developing the nation's public facilities. It has developed a national transportation network of roads, inland waterways and harbors. It has encompassed areas of flood prevention, public sanitation, educational facilities, and housing. However, the Federal Government today does not have a coherent framework within which to develop a capital investment strategy or a budget on capital investment.

There is a tendency for institutions to preserve current operations at the expense of new capital investment during times of scarce budget resources. For some forms of capital investment, the priorities among components are distorted.

There is a public awareness that public capital facilities have to be upgraded or replaced. Public capital investment is a basic function of Government in the same sense that national defense or income security is a function of Government.

Spending for capital assets is different from spending for current services. Since these differences do exist, and the accumulation of public capital is a basic function of Government, the budget process should include an explicit focus on the accumulation of capital assets and on allocating resources among various types of capital accumulation. Mr. Havens then highlighted the advantages and disadvantages of having a separate capital budget.

The budget could be modified to acquire capital assets by having a separate capital budget, such as those used by most State and local governments. However, Mr. Havens personally dislikes this approach, since it tends to obscure the totality of Government activity.

Many proponents of a separate capital budget also argue that deficits should be limited to financing the capital account. Following the Keynesian economic model, Mr. Havens thought that having a separate capital budget would be unwise at the Federal level, given the National Government's responsibility for promoting economic stabilization and growth. There is no reason to assume that the appropriate size of the capital account would equal the deficit or surplus needed for economic stabilization purposes.

Thus, what is needed is a way of addressing the level of public capital investment while maintaining the unified budget. There are several ways of doing so. The preferable way to treat the capital program would be as a separate budget function. The subfunctions could consist of program categories or agencies, whichever seemed most convenient. Depreciation could be charged to the operating functions and credited to the capital function as a routine bookkeeping transaction. The capital function would, thus, reflect totals for both gross and net capital investment. This approach has the advantage of closely approximating a capital budget without sacrificing the integrity of the unified budget.

An alternative would be the separation of capital from current operations within each functional category, perhaps through a set of separate subfunctions for capital. The overall capital program for the Government would be the sum of the subfunctions. This has both the advantages and disadvantages of being a less dramatic departure from current practice.

Mr. Havens favors a separate capital function, because it is more likely to yield the visibility and attention a capital investment program should receive. After all, when energy emerged as a major issue, an energy function was created in the budget. The functional category structure is not inviolable. There are some technical hurdles that will have to be overcome, i.e., establishing a value and depreciation schedule for national monuments. These problems can be resolved, if a decision to have a separate capital function is made. It can be done in the way most problems are solved in budgeting and accounting, by analyzing and debating the matter and then coming to an agreement on a conventional or generally accepted way of handling it.

ANTHONY ITTEILAG described the problems in the budget process from an agency's perspective. What has evolved over the last couple of years in the budget process is truly astounding. His theory is that there are three circles representing the budget process that should intersect, but they seldom do today. One circle involves working on the budget for the Office of Management and Budget; another involves preparing budget figures for the appropriations committees; and the third intersecting circle, which is much smaller, involves those activities agencies must do for the budget committees and the Congressional Budget Office. He stated that the quality of the budget processes, irrespective of the results, is going to continue to deteriorate if something is not done about the noninteraction of conflicting requirements placed on agencies.

Some reforms are needed such as the elimination of the budget appendix, which is seldom used and creates an immense amount of work that has very little payoff. Another suggestion is to eliminate the "secret" process that agencies go through with OMB from the period of time when agencies submit the budget, to the time when the President's budget is released to the public. The amount of work expended to try to keep the budget figures secret is not worth the effort. Time is wasted to answer charges that appear in the newspaper of supposedly secret decisions that become public and tend to skew the whole nature of debate on the budget.

Another suggestion was to have the appropriations committees review the information they demand from the agencies. The committees want all the material they have always wanted, if not more, even though times and priorities have changed. There are times when agencies are doing work for Congressional committees and other work for the Executive Branch at the same time, but neither party will yield on their deadlines for the information.

He noted that there has been a deterioration in the quality of the budget review and the quality of the decisions in the budget process. It probably stems from the reality of the deficit and the inability of society to come to grips with what is really driving all decisions.

Over the past several years, the budget process has not produced the intended results. There has been multiple continuing resolutions or multiple supplemental appropriations. These continuing resolutions or supplementals have different names on the bills, since it seems that Congressmen with pet interests or pet projects use this system to the best advantage to get their pet items funded. Mr. Itteilag thinks that what is needed is more rational thinking to the very difficult problems that face us and more structure and accountability to the whole process.

GEORGE STRAUSS suggested some changes that could be made in the budget formulation process. Currently, the budget process in the Congress, the Office of Management and Budget, and the Executive Branch agencies is not tight or neat. It is redundant and requires a great deal of effort. This process is very frustrating at times.

There are four issues from the 1974 Budget Act that were discussed. The first one is time -- the Congress is concerned about limiting the time the budget process takes out of the legislative calendar. In recent years, 75 to 80 percent of the legislative sessions have been dominated by the budget, whether it be the appropriation, budget resolution or the reconciliation processes.

The second issue is the need for some fundamental reform of the appropriation process. Some examples are biennual budgeting and capital budgeting. There is also some concern over relatively minor adjustments in the process, such as the timing of the first and second budget resolution and the timing of the fiscal year.

The third issue, which is of interest to the Office of Management and Budget, is how the budget resolutions are implemented by the Congress. There are essentially two mechanisms that are used both in the Act and in practice by the Congress to implement the budget resolutions. The first is often referred to as "302 A and B" allocations that are made by the appropriation committees. Secondly, in recent years the reconciliation process has been used in the spring resolution for the next fiscal year's budget rather than in the fall resolution of the prior year's budget.

There are several problems with the "302" allocations, which could probably be rectified with a little bit of effort and goodwill and a few minor statutory changes. Typically, changes in the "302" allocations appear between the House and the Senate. If one allocation is higher than the other, then you get into the issue of which budget figures are used. Thus, there are several versions: the President's budget, the House Congressional budget and several other budgets from the different Congressional committees. Attempts should be made to set a common standard between the two Houses of the Congress, not meaning that each House cannot have different priorities, but at least they should be out in the open and not hidden.

The last issue is the assumptions that are made in connection with budget resolutions. These assumptions are not really dealt with by the Congress. A reconciliation between the two Houses should be used for policy assumptions, and they should be reconciled to specific authorizing committees. This has worked relatively well for entitlements but has not worked too well for other areas.

There are no major compelling reasons for significant statutory departures from the Budget Act of 1974, but he advised to be cautious in the area of capital budgeting.

WORKSHOP # 2

REFORM IN FINANCE AND ACCOUNTING

LEADER

Michael Serlin
Assistant Commissioner for Government-Wide Accounting
Department of the Treasury

PANELISTS

Marcus Page
Director, Government Accounting Systems Staff
Department of the Treasury

Virginia Robinson
Associate Director, Financial Systems
Accounting and Financial Management Division
General Accounting Office

Clyde Jeffcoat
Principal Deputy
U.S. Army Finance and Accounting Center
Ft. Benjamin Harrison
Department of the Army

Dave Gribble
Senior Systems Accountant
Office of Management and Budget

LEADER

Michael Serlin

PANELISTS

Pictured from left to right: Clyde Jeffcoat, Marcus Page, Micheal Serlin, Virginia Robinson and Dave Gribble

MICHAEL SERLIN commenced the workshop by introducing the panelists as people with specific examples of reforms in finance and accounting, reforms that are taking place right now. Much is said each year about changes in finance and accounting. However, rather than speak about a brave new future ten years hence, as is generally the case when addressing change, the workshop speakers would be discussing the changes occurring at this moment or within a matter of months. As J. P. Bolduc made very clear in his keynote address, changes are going to happen whether people want them to or not. We can either be part of the change, we can bring about changes, or we can end up being the victims of change.

MARCUS PAGE, the first speaker, presented Treasury's initiatives in finance and accounting. As part of its strategic planning process, the Bureau of Government Financial Operations (BGFO) evaluated its role as the Government's central accountant. BGFO found that: (1) many of the financial processes involved in the present system of accounting for collection and disbursement of monies were still based on an ever-increasing burden of paperwork input and output; (2) over the years Treasury had agreed to several means of processing the same transaction with different agencies, resulting in inconsistent processing methods; (3) computer and software support were obsolete; and (4) many of the financial processes had evolved without thought to consistent structural application -- some were based on detailed input, while others were based on both detail and summary input. Clearly, there was much room for improvement.

BGFO has approximately 80 developmental activities underway. Several were discussed by Mr. Page to provide some idea of the scope of changes BGFO is undertaking. Under each of the three major BGFO functions -- disbursement, collection, central accounting -- is a study underway that would provide a conceptual design for the future and provide direction and data for short-term projects. The purpose of the Government Payment Mechanisms Study is to develop a Government-wide payment mechanism concept for the future and a plan of steps needed to get from the current environment to the proposed future environment. The Collections Study is designed to consider current and future collection requirements and to research the range of possible techniques for supporting timely collections and immediate funds availability. The third major study is the Government-Wide Accounting Study. This study is concerned with the overall integration of reporting of account balances from cash and accounting operations, and maintaining account balances by disbursing offices, banks, agencies and other entities responsible for Federal funds.

Under BGFO's disbursement function, three projects currently underway are Electronic Payment Requests, Conversion to Paper Check and Limited Payability. Under the proposed Electronic Payment Requests System, Federal agencies would electronically certify and transmit payment request data to Treasury disbursing centers in lieu of transmitting payment request data on paper or magnetic tape. Even after the transition to electronic funds transfer is completed, a percentage of payments will still be made by check. The Federal Government presently makes most of its payments by punch-card checks using equipment that is increasingly obsolete and subject to breakdown. The conversion to paper check and the procurement of modern printing equipment are essential to BGFO to continue to provide quality check preparing service for the U.S. Government. Under the Limited Payability Project, Treasury is developing legislation which would limit the payability of Treasury checks within a specific period. Presently, Treasury checks have no stale date and can be presented for payment forever.

Under the collection function, the purpose of the Automated Treasury General Accounts Project is to automate the transfer of funds and accounting data from the depositary institutions to Treasury, to provide an automated process for monitoring performance of the depositary network and for reviewing depositary collections, and finally, to provide an automated analysis to support audit requirements.

BGFO is automating much of the paper-based accounting data currently reported by agencies to Treasury. The objective of the Check Payment and Reconciliation Redesign Project is to provide a replacement system for the present centralized check payment and reconciliation system that serves the needs of check claims and the central accounting function. The objective of Cash Management Accounting is to automate the Government-wide cash control operation in Treasury. Cash control is one of the time critical processes that provides daily Treasury cash balance information to the Fiscal Assistant Secretary for daily investment decisions and for the preparation of the Daily Treasury Statement. BGFO is developing a fully automated microcomputer based system that will provide far greater control over security transactions and will greatly improve the reports response time.

The Treasury Fiscal Requirements Manual, retitled the Treasury Financial Manual is currently offered both in book form and on microfiche. A project has been completed for offering the Treasury Financial Manual to agency users through computer terminals.

VIRGINIA ROBINSON began her discussion of GAO's Evolving Approaches by addressing a number of GAO initiatives directly related to the recently enacted Federal Managers' Financial Integrity Act. An exposure draft of the new internal control standards was issued in December by GAO. While the standards are new, the underlying concepts are not completely new. The compilation of one comprehensive issuance on internal controls for the agencies to follow actually involved pulling together many previously issued documents on internal controls. The suggestions and comments received from agencies and other organizations are being reviewed and will be considered in the final internal control standards which will be issued in the next few months.

In addition to internal controls, the Act requires that Department Heads certify that their accounting systems comply with the principles and standards issued by GAO. GAO has gone through the old version of Title 2 and selected those principles and standards that are directly applicable to how accounting systems should actually be operating. Within the next few weeks, a letter will be sent informing the heads of departments and agencies of what is expected for reporting under the Act.

Major initiatives relating to GAO's review and oversight functions are presently underway. GAO is preparing for the Comptroller General to testify in November to the Congress on agencies' preparations to comply with the reporting requirements of the Financial Integrity Act. Preparations are being made by GAO for reviewing and assessing the agency reports scheduled for submission in December, and GAO is working on a strategy for on-site reviews of agencies' internal control and accounting systems in order to effectively respond to anticipated requests for information.

In addition to his responsibilities in implementing the Financial Integrity Act, the Comptroller General continues to be responsible for the review and approval of accounting systems under the auspices of the Accounting and Auditing Act of 1950. Prior emphasis, however, was placed on the design of the systems, primarily the systems' documentation, rather than the actual systems in operation as emphasized in the Integrity Act. Consequently, GAO is developing a strategy to approve agencies' systems based on the actual operation rather than simply what is described in the system design. To the extent resources are available, GAO will continue to provide assistance to agencies on the development of systems.

CLYDE JEFFCOAT presented an agency perspective on Reform '88. He stated that the reasons for modernizing the Army's accounting systems are: (1) to improve efficiency and economy through automating labor intensive functions, (2) to improve poor or incorrect accounting practices that have cost considerable dollars, (3) to tighten up internal controls, and (4) to generate management information as well as financial information.

Several environmental influences have contributed to the Army's present situation, including: (1) the austerity program that the Department of Defense has been following subsequent to the Vietnam years; (2) the difficulty in obtaining the state-of-the-art technology; (3) the lack of professional credential requirements for financial managers, excluding accountants, and (4) the Army's global combat mission -- its unique operational conditions which encompass decentralized fund control, foreign national payrolls, foreign currency conversions and procurement, limited access to computer and communication facilities on battlefield, and special accounting controls for pilferable inventory.

About five years ago, in recognition of the Army's need to modernize its financial systems, a consultant was hired to perform a study. The consultant found there was a need for management structure, or a coding system used by all of the different administrative systems like personnel, procurement and accounting, to link transactions occuring in one system with similar transactions that occur in another system. The study found that, in integrating the systems, it was necessary to concurrently redesign the various systems and to obtain fourth generation computer equipment.

Mr. Jeffcoat questioned some of the Reform '88 reporting requirements and cautioned that when standardizing systems, the nature of the agencies should be considered. Reform '88 needs to take into account not only the symptoms of poor administration but also the causes of poor administration. Focus should be given to the qualifications of professional managers and how these individuals are classified. The impact of new laws and policies need to be considered before their promulgation to determine the impact on the internal control environment. Finally, there is a need to promote more flexibility in acquiring computer hardware.

DAVE GRIBBLE described the White House and OMB Emphasis. OMB has a number of projects under Reform '88: automating the budget process, debt collection, cash management and internal controls. A number of new legislative requirements are being implemented, such as the Federal Managers' Financial Integrity Act, the Prompt Payment Act and the Debt Collection Act. In fact, the number of legislations passed in 1982 warranted the reenactment of Title 31 of the U.S. Code.

In words that seemed an appropriate conclusion to the workshop, Mr. Gribble stated that the key word for the workshop seemed to be "change." The truth is that things are going to happen rather quickly. There is going to be some revolutionary changes . . . and they may not be quiet revolutions.

WORKSHOP # 3

REFORM IN AUDITING

LEADER

Frank Sato
Inspector General
Veterans Administration

PANELIST

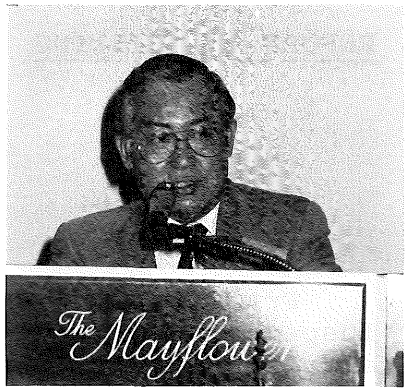
Charles Dempsey
Inspector General
Environmental Protection Agency

James Thomas
Inspector General
Department of Education

Philip Kropatkin
Assistant Inspector General for Audit
Department of Health and Human Services

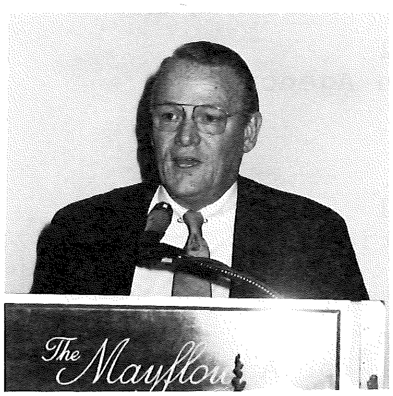
June Brown
Inspector General
National Aeronautics and Space Administration

LEADER



Frank Sato

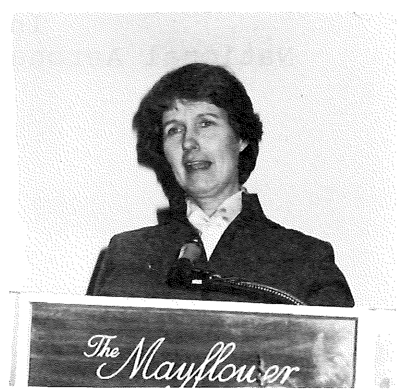
PANELIST



Charles Dempsey

James Thomas

Philip Kropatkin



June Brown

FRANK SATO reiterated several issues as presented by the Conference's morning keynote speaker, J. P. Bolduc. Public administrators have to be primarily concerned with four key issues. They are: strategy, structure, systems, and people. Mr. Sato mentioned that in developing strategy, managers should be concerned with three things; the purpose or objectives of the organization, mandates or source of support, and the organization's administrative capability. Concerning the Inspector General concept, Mr. Sato stated that auditors should enhance consistency in defining standards and improve audit training, specifically in the areas of statistical sampling and automated data processing technology. He also pointed out that in order to address the issues surrounding audit reform, auditors need to promote and enhance the reform, influence change, bring about improvements, and encourage other auditors to do their jobs better.

CHARLES DEMPSEY pointed out that the role of the Inspector General is increasing in importance, especially in the internal control area. He stressed that the Federal Managers' Financial Integrity Act of 1982 was direly needed, because Federal managers were not carrying out their responsibilities to maintain good management systems and internal control. The financial management community contributed to this problem, because they did not emphasize to management the importance of maintaining good systems. Mr. Dempsey emphasized that auditors need to play down the independence and objectivity standard and to become more involved and cooperate with managers to improve systems and operations.

The Inspectors' General Act requires that the Inspectors General advise the agency heads on all matters concerning the promotion of economy, efficiency and effectiveness in (1) the administration of programs and operations, and (2) the prevention and detection of fraud, waste and abuse. Mr. Dempsey stressed that the best way to improve internal control in accounting and administrative systems is to attack the problem through prevention. He stated that while detection is important, the Inspectors General and managers must devote more attention to determine ways to prevent the occurrence of fraud, waste and abuse. Prevention has become more significant in the past few months, since the President's Council on Integrity and Efficiency recently established a standing committee on prevention with the purpose of developing techniques and exchanging ideas.

Mr. Dempsey stated that management at all levels within the Department of Housing and Urban Development (HUD) has had an interest in internal controls, even before the issuance of OMB Circular A-123, "Internal Control Systems." HUD has made significant strides to strengthen internal control in administrative and accounting systems. A separate Fraud Control and Management Operation Staff, which consists of senior auditors and investigators, was organized to work with management to develop techniques to prevent fraud, waste and abuse. Unlike

HUD's Office of Audit and Investigations, the Fraud Control and Management Operations Staff does not perform audits. They concentrate their efforts on prevention and provide guidance and technical assistance to management. Also, all HUD managers are held accountable for internal control through their performance appraisal. Any manager who is operating below performance in the internal control area is reported to the Congress on HUD's semiannual report. HUD's internal control program has had much success, and it attributes this success to communications with their managers. Mr. Dempsey stressed that auditors need to get away from their "green eyeshade mentality" and begin to cooperate, and provide guidance and technical assistance to management.

JAMES THOMAS stated that the Attachment P to OMB Circular A-102, "Uniform Requirements for Grants to State and Local Governments," was set up to do away with business as usual in auditing grantees at State and local governmental units. The regulations eliminate Federal auditors from auditing each individual grant, and instead, require use of the single audit concept that would be performed on the organizational entity that would encompass all funds and programs, Federal or State. The concept provides for a single Federal cognizance for each of the organizational entities to be audited. Once the organization decided what entity was to be covered by the single audit, a Federal cognizant agency would be assigned to be the sole agency representative. The Federal cognizance can be carried out by a single agency or through a committee process.

JFMIP established a steering committee to aid in the implementation of the single audit concept. The JFMIP Single Audit Implementation Steering Committee had consisted of Federal, State and local auditors. Through this effort, the Cognizant Audit Agency Guidelines were developed. These guidelines were issued to provide a clear understanding of the responsibilities of cognizant audit agencies and to inform recipients of these responsibilities. During this initial stage, of the thousands of organizational entities receiving Federal funds, the Inspectors General received approximately 330 audit reports under single audit.

Subsequently, the President's Council on Integrity and Efficiency set up an evaluation committee to determine the success of single audit implementation. The evaluation is being completed in two phases. Phase I is a data gathering and organization stage, looking at the cognizant agencies' organizational entities, methods of assignment for cognizancy, and liaisons between the cognizant Federal agency and the organizational entity. Questionnaires have been distributed to each Federal Inspector General. The committee currently is in the process of consolidating the responses to the questionnaires. A summary report of the data will be released to all of the Inspectors General. Included in this process is an attempt to find out how many audit reports have been received, what kind of technical assistance has been given to the auditee and the auditor, what kind of quality control reviews have been made of the work papers, and what the audit costs are.

Phase II involves using the data collected to interview Federal and State auditors, managers, public accountants, etc., to determine how well their needs have been satisfied, what kind of assistance has been received, what kind of problems have been encountered, and whether those problems have been resolved. The committee will be looking at audit reports to determine whether applicable requirements have been followed.

The committee has found, in discussions with State auditors and CPA groups, that different Offices of Inspector General in the regions are not consistent in the way they carry out single audit requirements. Mr. Thomas stated that the best way to assure compliance is through a series of newly developed training programs. Courses have been developed, and the committee is conducting them at Federal audit offices nationwide. He also pointed out that there are a number of issues that the committee has not adequately addressed, such as subrecipients, materiality and evaluation of the peer review process.

Currently, there are a series of audit guides available, Circular 102, Attachment P from the Office of Management and Budget and the "Red Book" from the General Accounting Office, which will be superseded by the AICPA audit guide. The AICPA audit guide is in a draft form and should be released next year. In the meantime, a series of meetings were held with the AICPA, GAO and OMB to reach a consensus on what's needed for the audit guide. One of the issues in dispute is the extent of testing in the compliance area.

PHILIP KROPATKIN discussed the single audit effort as it relates to universities and other nonprofit organizations. Specifically, he addressed the status of projects to implement OMB Circular A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations."

He stated that many recipient organizations are inundated with Federal and State regulations, correspondence from Federal granting agencies, and central regulating agencies. In addition, the recipient has to deal with State organizations, local organizations, Federal auditors and private auditors. The recipient organization may be in a dilemma sorting out all of these regulations and contacts.

For many years, the Federal Government was auditing these nonprofit organizations and doing a poor job. The colleges and other organizations usually were not very responsive, because they devoted most of their time to developing their products.

Therefore, a change to simplify the audit procedures and make managers more accountable for their actions was needed. More importantly, most generally accepted accounting standards state that the managerial responsibilities include accurate accounting of records, making reports, and accountability for the assets. On the other hand, the auditors' responsibilities are to examine financial records and provide guidance and assistance on improving management systems.

To make the auditor's job easier, it was necessary to bring the universities, Federal and State auditors and CPA firms together and jointly develop a specific set of rules and objectives that everyone could follow. One issue that was resolved was to review the entire process which is the basis of Circular A-110 versus auditing individual grants.

In implementing Circular A-110, the Department of Health and Human Services took the lead on the initiative, since they awarded about 95 percent of these grants. They identified universities' capabilities and isolated critical elements. At this time, an audit report package is in the test phase at some universities. There are some differences with the Circular that still have to be overcome. However, the project is proceeding successfully. Through the efforts of single audit concept, HHS has been able to disengage over 150 staff years of Federal audit time.

JUNE BROWN discussed the President's Council on Integrity and Efficiency's (PCIE) efforts with computer auditing and computer audit training. The Computer Audit Study Group under PCIE is charged with training auditors and investigators on how to become proficient in auditing computer systems. The job is a tremendous one, because there are so many different kinds of systems. The training of auditors and investigators in this area would take a great deal of time, since they have to learn about different retrieval languages, job control languages and the essentials. Also, different audit software packages used for retrieval of audit information require different techniques, and auditors would have to know how to use these packages.

This group initiated a study to assess training needs in the audit community. They surveyed various laws and circulars to determine the Inspector General responsibilities in administering computer audit training. Training centers, CPA firms and other organizations were surveyed to determine available training. The committee developed a three-tier approach to audit and investigative training. At the first level are the beginners, the second level includes computer specialists, and the third level is the proficient level where the auditor has specialized in some particular area. The group estimated the cost of training and looked at the classification of specialists that are working in the Inspector General community. The group published a booklet summarizing this computer audit study.

In September of 1982, the group presented the study and recommendations to the President's Council. All of the Inspectors General agreed to the proposals and approved the recommendation to further develop computer audit training courses. The group assessed that 5,000 in Inspector General offices, 5,000 auditors in the Department of Defense and 5,000 auditors in other areas needed to be trained. Since that time, they have held a series of meetings with experts in academia and industry to develop a more detailed analysis of what is necessary for computer audit training. The Inspectors General reviewed the latest small computers on the market and found that these computers utilize available software packages for ready use by auditors and investigators for data retrieval and analysis. Using modern equipment, training could be completed very easily, because the auditors do not need to know how to program or learn a computer language.

Chosen by the group was a portable microcomputer that can fit into a two-inch briefcase and is about the same size as a book. This small black box has a keyboard and memory inside, and a top that flips up with a CRT screen. Auditors can use this microcomputer to retrieve data from most computer systems. Using two finger commands, the auditor can manipulate the retrieved data, create pie charts, bar charts, graphs, etc. The committee has tested this machine with several auditors and discovered that it takes an average of four to eight hours of training before they feel comfortable with the equipment. Also, the trainees have to be taught how to use the equipment as a tool in performing audits.

The group expects to offer the first training on this equipment early this fall and will be offering courses continuously after that. The basic course lasts one week, and the group will create various data bases and hands-on case studies for the trainees. In addition to the one-week course they will offer other courses in skills development on microprocessors, microprocessors for senior managers, introduction to microprocessors for executives, and advanced skills development for microprocessors.

WORKSHOP # 4

REFORMS DUE TO TECHNOLOGICAL ADVANCES

LEADER

Walter Anderson
Associate Director Senior Level
Automatic Data Processing
Accounting and Financial Management Division
General Accounting Office

PANELISTS

Al Iagnemmo
Computer Specialist
General Services Administration

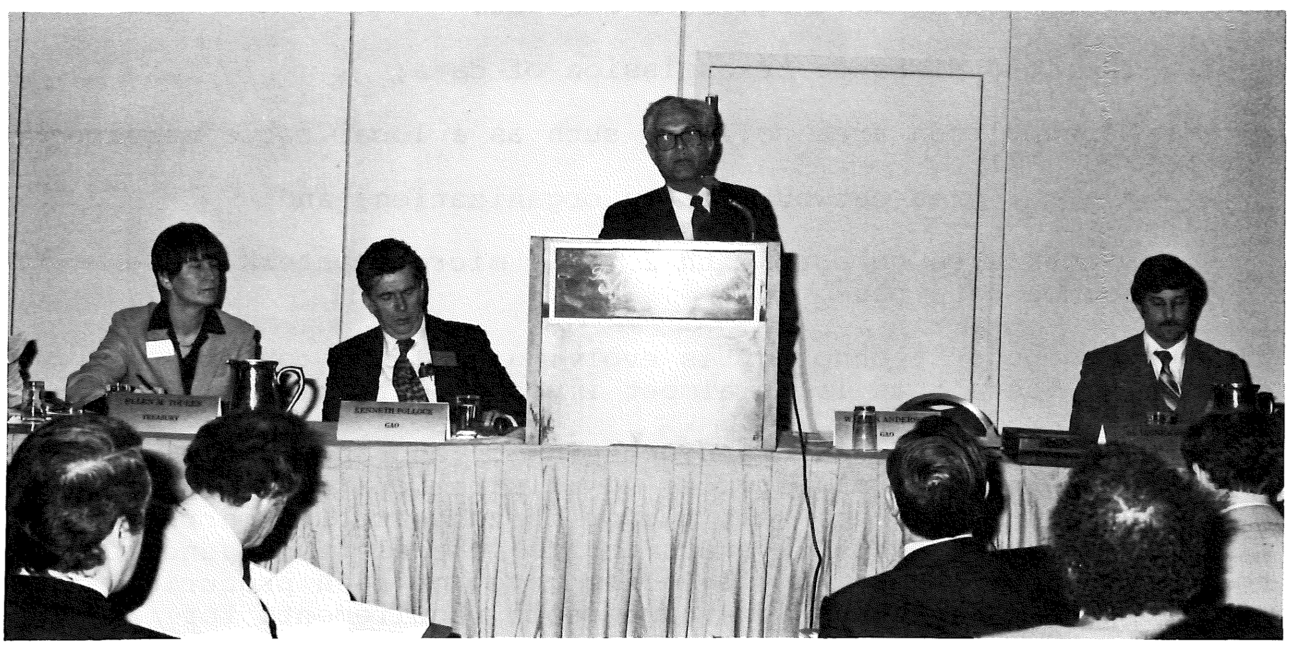
Kenneth Pollock
Deputy Assistant Director
Automatic Data Processing
Accounting and Financial Management Division
General Accounting Office

Ellen Todres
Senior Advisor
Cash Management Operations Staff
Bureau of Government Financial Operations
Department of the Treasury

LEADER

Walter Anderson

PANELISTS



Pictured from left to right: Ellen Todres, Kenneth Pollock, Walter Anderson and Al Iagnemmo

WALTER ANDERSON began by discussing the evolution of automatic data processing from punch cards in the 1950's to the present. The latest technology using microcomputers started to be marketed in about 1977. The microcomputer allowed for distributing the computer resources to the user. As a result, the 1980's will result in widespread use of the microcomputer by managers and other professionals.

The microcomputers are being used currently for three main purposes. As can be seen below, the most common usage today is word processing.

Type of software	Percentage of users
Word processing	66
Electronic spreadsheets and financial analysis	50
Business graphics and communication	33

Other types of uses are also becoming more common including electronic filing, integrated software and electronic mail.

These uses will become rapidly available in the home and office by using micros with networks. The major categories of networks developing in the 1980's include:

--The long distance transmission of data;

--Metropolitan area services such as a local cable service;

--A local area network for an organization; and

--A work area network with 2 to 16 microcomputers and a common data base.

The microcomputer technology is evolving and will continue to develop so fast, that it is almost impossible to keep up.

AL IAGNEMMO started his discussion by addressing the new initiatives the General Services Administration (GSA) is undertaking. GSA, during the past two or three years has carried a minimal number of microcomputers on its schedule for agencies to purchase. However, many agencies have not been procuring microcomputers because of the cumbersome requirements for procurement.

Starting July 1, 1983, Government agencies will be able to use a new GSA service. About 40 of the most popular microcomputers will be available at discount prices. There will be a single order and billing concept where agencies submit orders and make payments directly to GSA.

He then discussed what Federal managers should consider when buying a micro. The initial considerations should include a determination of what you want to do and what other alternatives are available. Usually, the microcomputer will be automating existing manual systems. Thus, normally it is not difficult to obtain an understanding of what you want to do. Once this is done, various alternatives like timesharing with terminals should be considered, but most of these options involve excessive approval time and cost significantly more than stand-alone microcomputers.

There are about 10 major characteristics that should be addressed in the selection of a specific microcomputer:

(1) Manufacturer: The manufacturer should have adequate sales and service representatives for support. Find out the type of warranty that is provided, and the company reputation for quality.

(2) Price: The price can include software, modems, etc. Find out what capabilities come as standards or as options. Usually, printers are considered as a separate item that can cost an additional $500 to $3,000.

(3) Processor: Presently, microprocessors are usually 8, 16 or 32 bit. A machine that uses odd processors should not be selected, because in the future, it may not be possible to find any programs available that will run on the microcomputers.

(4) Capacity: "Random Access Memory (RAM)" is usually expressed in bytes, e.g., 64 K or 64,000 bytes. However, "Read Only Memory" should also be considered, because, if it is not adequate, a large percentage of RAM will be tied up in operating systems.

(5) Storage: Normally one or more floppy disks and/or a hard disk will be required. Also, micro disks are coming on the market, but there is no standardization at this time.

(6) Monitor: Old monitors may have limited capabilities. It should have at least 80 character display and 24 lines. Also, it is preferrable to use a green or amber screen for extended use.

(7) Keyboard: The keyboard should have both upper and lower case, a roll-over function and various specific function keys.

(8) Ergonomics: Find out if human engineering features are built into the microcomputer, such as: screen tilt, audio and tactile feedback and movable keyboard.

(9) Peripherals: Find out if the system can be expanded as needed by connecting additional disks, printers or modems.

(10) Software: This is the most important consideration. Software is written for a specific microcomputer operating system. Therefore, not all software will operate on a specific machine. Normally, there is a large variety of commercial software available which is very reasonable. Software packages start below a hundred dollars but may cost up to a couple thousand dollars.

If more information is desired, a detailed manual is available on microcomputer procurement. It can be obtained by sending a $3.00 handling charge to:

Sue Campbell
U.S. Graduate School, USDA
Special Programs, Room 108
600 Maryland Avenue, SW
Washington, DC 20024

KEN POLLOCK discussed General Accounting Office's (GAO) study on the use of electronic workstations by auditors. The project was set up in 1981 to determine the feasibility of the General Accounting Office using electronic work stations. The Inspectors General and the General Accounting Office were not utilizing the new microcomputer technology, although the technology was being used in the private sector.

The project was set up in the Los Angeles Region, the Atlanta Region and Headquarters in Washington, DC. A small group was trained at each location on the use of the equipment. The demand soon exceeded the available equipment, and committees had to be set up to control and allocate time for usage.

After about one year, the test concluded that evaluators would save about 24 percent of the time spent performing an audit and writing a report. Also, they found auditors were able to do a much better job of analysis and performed many functions not feasible manually. As a result, GAO has committed itself to a work station concept and is purchasing the necessary equipment. GAO does plan to perform further studies to improve the usage of the work stations once they are in place.

ELLEN TODRES discussed using bar code technology for the input of data to computerized systems. She was involved in a study done by the Joint Financial Management Improvement Program in 1981. The study looked at 10 Government agency systems that used bar coding technology.

The most prevalent use of this technology included in the study was for property control. This technology is also used by industry and Government to input data for a wide variety of computer systems including: forms management, document sorting, tracking work-in-process, production control, order processing, automatic billing, quality control, mail operations and security.

The use of machine readable symbols are primarily two types: optical character symbols and bar codes. Bar codes are more prevalent, because the equipment is cheaper and data entry is more accurate. These systems maximize the degree of automated data input which minimizes errors. As a result, the accuracy and reliability of management information obtained from the computerized systems are substantially improved.

If you are interested in more details on how to use this technology, a copy of "Bar Code Technology" is available from the Joint Financial Management Improvement Program.

PART IV

PREVIOUS AWARD WINNERS

DONALD L. SCANTLEBURY MEMORIAL AWARD WINNERS

1982	Harold L. Stugart Auditor General Department of the Army	Roland W. Burris State Comptroller Illinois
1981	David Sitrin Deputy Associate Director for National Security Office of Management and Budget	Thomas W. Hayes Auditor General State of California

FINANCIAL MANAGEMENT IMPROVEMENT AWARD WINNERS
(1971 - 1980)

1980	Marcus Page Director, Division of Financial Management Environmental Protection Agency	Robert Cronson Auditor General State of Illinois
1979	June Gibbs Brown Inspector General Department of the Interior	Anthony Piccirilli Auditor General State of Rhode Island
1978	William M. Henderson Fiscal Affairs Specialist Department of the Treasury	Frank L. Greathouse Director, Division of State and Municipal Audit State of Tennessee
1977	Rear Admiral James R. Ahern Deputy Comptroller of the Navy	Lloyd F. Hara, Auditor King County, Washington
1976	Alice M. Rivlin Director Congressional Budget Office	Joseph T. Davis Assistant Commissioner (Administration) Internal Revenue Service
1975	Terence E. McClary Assistant Secretary of Defense (Comptroller) Department of Defense	John E. Dever City Manager of the City of Sunnyvale Sunnyvale, California
1974	Bernard B. Lynn Director Defense Contract Audit Agency	Martin Ives Deputy Comptroller State of New York
1973	Edward W. Stepnick Director, HEW Audit Agency	Robert R. Ringwood State Auditor, Wisconsin
1972	Robert C. Moot Assistant Secretary of Defense (Comptroller)	Richard E. Miller Associate Assistant Secretary for Administration Department of Labor
1971	J. Patrick Dugan Treasurer-Controller Export-Import Bank	John P. Abbadessa Controller Atomic Energy Commission