



Comptroller General  
of the United States

Washington, D.C. 20548

B-227712

January 7, 1988

The Honorable Jack Brooks  
Chairman, Committee on Government  
Operations  
House of Representatives

Dear Mr. Chairman:

This letter responds to your request for comments on the "Federal Financial Management Improvement and Public Accountability Act" (H.R. 3142, 100th Congress), introduced by Representative Joseph J. DioGuardi. The purpose of this bill is to provide central direction to, and coordination of, federal financial management activities. It is also intended to provide for the production of adequate, accurate, timely, and consistent financial data for use by the executive branch and the Congress.

As I stated in my June 25, 1987, letter to you (a copy of which is enclosed), I am concerned about the government's lack of effective financial management and accountability. I believe that if reforms are to provide effective and lasting improvements, they must be guided by a cohesive framework under centralized leadership and that they must include discipline and accountability.

Further, I strongly believe that a legislative foundation is crucial to the success of the reform effort. Experience has shown that any major federal management reform is more likely to be successful when supported by a legislative foundation rather than when carried out by ad hoc groups or initiatives. Accordingly, in June 1987, GAO provided you with a bill addressing elements which it believes are critical to successful reform. Briefly stated, the bill which we drafted provides for:

- (1) centralized leadership which is responsible for a governmentwide plan to improve financial management systems and for annual progress reporting,
- (2) corresponding financial management leadership in executive branch departments and agencies, and

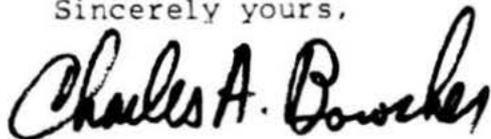
- (3) annual preparation and audit of agency and governmentwide financial statements to foster accountability and system integrity.

Representative DioGuardi's bill, H.R. 3142, provides for many of the above elements, although in a slightly different manner than does our draft bill. In addition, the "Federal Financial Management Reform Act of 1987" (S. 1529, 100th Congress), introduced by Senator John Glenn, addresses many of these same concerns.

Legislation requiring the leadership, planning, reporting, and auditing which I outlined above will provide a means for overseeing the government's success in meeting the goal of improved federal financial management. Providing a legislative basis for these critical elements is also essential for helping to achieve permanence, consistency, and control over improvement efforts.

I would be pleased to meet with you to discuss these important issues. In addition, my staff is available to discuss some other matters of a technical nature.

Sincerely yours,



Charles A. Bowsher  
Comptroller General  
of the United States

Enclosure



Comptroller General  
of the United States

Washington, D.C. 20548

June 25, 1987

The Honorable Jack Brooks  
Chairman, Committee on Government  
Operations  
House of Representatives

Dear Mr. Chairman:

The federal government's lack of effective financial management and accountability is being increasingly highlighted through our own reports as well as those made by agency heads under the Federal Managers' Financial Integrity Act and by the inspectors general. Recent reports are replete with examples of problems ranging from an inability to account for a half billion dollars of foreign military sales deposits to an inability to manage or report on the loans and accounts owed to our government. Billions of dollars are being spent on uncoordinated efforts to upgrade accounting systems which have routinely failed to meet their objectives. I am concerned about our government's inability to effectively hold federal managers accountable for their financial activities, generally because we lack essential financial data.

I am also concerned about our continued reliance on antiquated systems that do not provide the information required for effective management, program, funding, and revenue-generating decisionmaking. We can no longer afford to rely on systems and concepts that do not provide the financial information and accountability needed by the Congress, federal managers, and the public.

I know that you share my concern over the government's lack of effective financial management and accountability as evidenced by your strong leadership in sponsoring important legislation addressing these problems, including the Financial Integrity Act, the Single Audit Act, the Inspector General Act, the Prompt Pay Act, and the Debt Collection Act. Your leadership is needed once again.

We must build on these past legislative initiatives to continue improving federal financial management. I believe that improvement, if it is to be effective and lasting, must be guided by a cohesive framework under centralized leadership and must provide accountability and discipline. Agencywide and, ultimately, governmentwide financial statements and the performance of annual financial audits will provide this accountability and discipline. The financial management leadership must be capable of developing an overall plan of action which clearly defines objectives, and, equally important, this leadership must be capable of implementing that plan.

System improvement will not come about overnight. It is therefore crucial that the reform initiative be started promptly and have the assurance of continuity of its leadership, purpose, and approach across successive administrations. To achieve this, a financial management leadership structure must be legislatively mandated rather than left to ad hoc groups or initiatives.

Experience has shown that major federal management reform of any kind is more likely to succeed if it has a legislative underpinning. Consequently, we drafted the attached bill to address the long-standing financial management problems.

Very briefly, the bill provides for

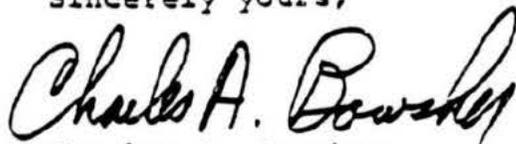
- (1) centralized leadership that is responsible for developing and implementing a governmentwide plan for improving financial management systems and reporting annually on the plan's progress,
- (2) corresponding financial management leadership in executive branch departments and agencies, and
- (3) annual preparation and audit of agency and governmentwide financial statements to foster accountability and system integrity.

I believe this legislation will enable us to more effectively manage and control the federal government's financial activities, will begin to restore the accountability and credibility of our government to the public, and will result in measurable monetary savings to the government of billions of dollars.

I am sending you our draft bill for your consideration because of your long-standing leadership in this area. I am also sending a copy of our draft bill today to the Chairman, Senate Committee on Governmental Affairs. I

would be pleased to work with you concerning this bill and would appreciate the opportunity to meet with you in the near future to discuss these important issues.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles A. Bowsher". The signature is written in black ink and is positioned above the typed name.

Charles A. Bowsher  
Comptroller General  
of the United States

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