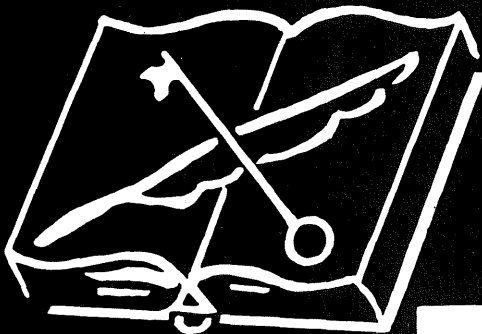


Principal Addresses Presented at the Seventh

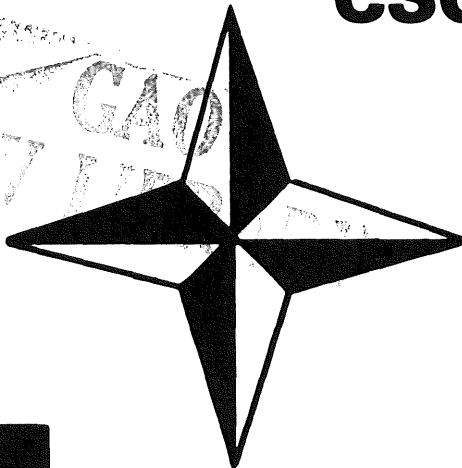
Financial Management Conference

Joint Financial Management Improvement Program 2/6/78

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SEVENTH
FINANCIAL MANAGEMENT CONFERENCE

FEBRUARY 6, 1978

PRESENTED BY THE
JOINT FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM

SEVENTH
FINANCIAL MANAGEMENT CONFERENCE
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FOREWORD

The Joint Financial Management Improvement Program is a cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Treasury Department, and the Civil Service Commission, working with each other and with operating agencies to improve financial management on a government-wide scale and in individual agencies. The JFMIP 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.

In order to enhance the spirit of cooperation and to share new ideas and developments, JFMIP sponsors a Financial Management Conference each year. The Seventh Annual Financial Management Conference, with the theme, "Impact of New Initiatives on Financial Management," was held in Washington, D.C., on February 6, 1978. The conference was addressed by prominent speakers from both the public and private sectors. In addition, several topics of current interest were discussed in concurrent workshops.

A special feature of the conference was presentation of the Financial Management Improvement Awards to Rear Admiral James R. Ahern, Deputy Comptroller of the Navy, and Mr. Lloyd F. Hara, Auditor, King County, Washington. The purpose of the award program is to recognize government employees who, through the practice of effective financial management, have achieved significant economies, efficiencies, and improvements in Federal, State or local governments. The presentation was made by Mr. Alan K. Campbell, Chairman of the U.S. Civil Service Commission. Other JFMIP principals attending the award ceremony were Mr. Elmer B. Staats, Comptroller General of the United States, and Mr. James T. McIntyre, Director of Office of Management and Budget. Mr. W. Michael Blumenthal, Secretary of Treasury was represented by Ms. Bette Anderson, Assistant Secretary of Treasury.

The principal presentations at the conference are being published in hope they will be helpful to the conference participants and others who are interested in the improvement of financial management. Opinions and beliefs expressed in this document are those of the authors and do not necessarily reflect the views or policies of the Federal Government or the organizations of the authors.

We wish to express our sincere appreciation to the speakers and other participants who contributed so much to make this a successful conference. Special thanks go to the members of the JFMIP Steering Committee, the JFMIP staff members, and representatives of the Bureau of Training, U.S. Civil Service Commission who devoted hard work and long hours behind the scenes to assure its success.

Susumu Uyeda
Executive Director

April 1978

ELSA A. PORTER
ASSISTANT SECRETARY FOR ADMINISTRATION
DEPARTMENT OF COMMERCE

In his letter inviting me to speak here, Wally Wasserstein (then Acting Executive Director, JFMIP) suggested that I talk about what the Department of Commerce is doing to increase the performance of effectiveness of its personnel. I had absolutely no problem understanding that assignment, and decided that I would focus on some of the initiatives that we have under way to humanize the workplace and improve the quality of working life, relating these efforts specifically to our Department's financial management initiatives.

So, I called together some of the senior management and financial management people of the Department to ask for their ideas on some of the subjects that I ought to cover this morning. They gave me a wealth of information about initiatives that we have recently undertaken to improve our financial management processes. But in discussing these activities with them, it soon became apparent that we were not talking the same language at all. They were talking about the technical part of the efforts we are making to improve financial processes, procedures, and systems. I was talking as well about the philosophical side of the picture, about how each of these initiatives reflects and reinforces basic human values that the leadership of the Department of Commerce is trying to emphasize and adhere to in our stewardship of that important and complex institution.

This failure in communication was a very important lesson for me. It was a vivid illustration of how far we have distanced ourselves as managers from the human elements in our work. It also pointed up the severe semantic difficulty that we have in talking about it.

Because of the way most of us have been trained to think, we have not been very successful in bridging the gap between management systems and the people affected by these systems. Many of us tend to think only of changes in systems as they relate to improving efficiency or lowering unit costs. While these are very important, we frequently fail to recognize the impact that system or procedural changes will have on the people who work in the organization, on the organization as a whole, and even on the society at large. So, in my allotted time this morning, I would like to tell you not only how we are improving the financial management systems and procedures, which we are, but also try to explain the

fundamental principles or values underlying those changes, and why we think they are so important to Federal employees, to the performance of our organization, and indeed to the well-being of the society.

Consider first, the question of trust, and the erosion of trust in our society--between government and the people, between business and labor, between producers and consumers, or bringing it right down to where we live, between ourselves as managers of a huge portion of the Nation's wealth and the entities to which that wealth is disbursed, state and local governments, profit or nonprofit making companies, and the individuals who have a proper claim on Government funds.

Now, the cost implications to management of various degrees of trust or mistrust are simply staggering. This is particularly evident in the audit world, which is charged with assuring the proper management of public resources. The length of an appropriate audit cycle, the size of an audit sample, even the techniques used for a particular audit are largely determined by a sense of trust. In the audit world, trust is fostered by the knowledge that an organization has a good accounting system, that its managers are competent, and its staff are well-trained. It has a track record of high-performance, it is likely to rank low on the list of organizations needing the expensive attention of our auditors. In the past, it has seemed to me, the audit profession was driven largely by what I would call the "I gotcha" syndrome. Government agencies disbursed their funds, and then the auditors were sent in to see if everything was "hunky-dory." The fun and excitement of auditing, I suspect, was really in catching somebody doing something wrong. When the Government got so big, during the second World War, however, the GAO, which used to do most of this kind of accounting, found that it couldn't handle the "I gotcha" work load all by itself, and delegated much of the internal audit function to the agencies.

In short, because of the size of the task, they were forced to trust the agencies to audit themselves, and what were the essential ingredients of that trust? Good accounting systems and competent people.

Now, words I find are very important. We talk about "credibility". Credibility comes from the Latin, "credere", meaning to believe, capable of being believed or worthy of confidence, trustworthy. A financial management strategy that is aimed at building trust or credibility, and thus reducing audit costs, is going to result in different

activities and priorities in an organization than a strategy that is based largely on mistrust. I don't mean to imply that the time will ever come in the foreseeable future, at least, when auditors will not be needed. Unfortunately, greed and ineptitude are part of the human condition that management must always deal with. The question is how?

It seems to me that the most cost efficient and effective way of dealing with potential error or fraud is to try to prevent it from happening. Therefore, instead of scheduling audits at the end of a grant or contract, one would schedule them increasingly at the front end, at the beginning. The purpose of these audits would be to assure that proper accounting procedures are being followed, that regulations are understood, and that the work involved is being carried out by competent people. The object is not to wait until the end of a program or a project to question its cost or its performance. At that point, the costs of recovery or retribution have become exorbitant. We in the Department of Commerce call these "pro-active audits", and we are investing much of our limited resources in this area. Pro-active audits provide technical assistance and advice before program policies and systems are set in concrete. Thus, they take advantage of the special competence and knowledge of the audit staff. Auditors, themselves, can exercise their considerable power more constructively. They must be listened to and reckoned with at any time, better at the beginning than at the end.

This is a reversal of the traditional role of auditors. It is a reversal of a traditional concept of the Inspector General. Inspectors General are established on the assumption that people can't be trusted and don't want to be helped. Their organizations are usually separated from the main body of activity to protect their independence, but the actual result is that they are cut off from the flow of vital information about organizational performance on an ongoing basis. Therefore, they can't prevent problems; they can only discover them and usually at a stage when they are beyond easy reparation. So, I personally deplore the current trend backwards towards "I gotcha" organizations.

Well, so much for trust. If I had time, I would like to talk about the cost implications of mistrust in many other sectors of our society. In consumer and environmental regulation for example, and labor-management relations. Perhaps that will become the subject of a pro-active audit by the General Accounting Office, but that is another subject.

Let me turn now to the second principle or value which underlies our financial management improvement efforts at the Department of Commerce. It is called "interdependence". Last week, the Department of Commerce was host in this very hotel, as a matter of fact, to the White House Conference on Balanced National Growth and Economic Development. It was an attempt to look at the economic needs of every sector of our society and to consider the policies for equitable growth that this country should now pursue. The headlines in the paper all week went largely to the hot debates between different factions, the Snow Belt versus the Sun Belt, urban versus rural, East versus West, and so forth.

My favorite speaker at the conference was Paul Ylvisaker, whose talk was not widely reported, but I think had the most important things to say. What we need, he said, is a declaration of interdependence, and just as East and West, urban and rural, North and South cannot function effectively without regard to each other's needs, so internally on our organization, financial management is inextricably bound to every other management system. They are all interdependent.

One of the questions that we asked early last year was how well our various financial management systems served the needs of program managers, and budget officers and other agency users. The answer was not very well. There was a great deal of redundancy in financial accounting, and a great deal of difficulty in getting one segment of the organization to talk peaceably with the other.

How many government organizations have their many Mid-East crisis today? We had ours, and what we have done is to negotiate openly and collaboratively and vociferously around not independence and isolation, but interdependence and cooperation. Our efforts have been aimed not only at satisfying the requirements laid down by GAO's accounting principles and standards, but also meeting the needs of program managers for timely and accurate financial data. We have set up a new Controller's office to manage (as the jargon goes) the interface of these important interdependencies. We have another project underway to look at the redundancies and the efficiencies that we gain by better management of the whole range of our information systems, including personnel, payroll, budget, accounting and productivity reporting systems.

Their interdependence seems so evident on the surface, yet in practice, they tend to be separate. As a long-term project, we are looking for ways, constantly, to bring these systems into better alignment with one another.

The third principle or value that we are working on is that of human development. Like trust and interdependence, it is a supremely important value for us as individuals and for the society because it is really the core of the American dream. Just consider that, for two centuries now, we have been both driven and sustained by this shared commitment of one another to the ideal of human development, respect and dignity for the individual, reason and compassion in our dealings with one another, and commitment to the growth and development of the competence and the creative expression that lies within every human being.

I think we tend to forget about this commitment, and we do so at our peril, for no society will endure long whose practices are not consistent with its basic principles. Our practices, in the Federal Government, are simply not now consistent with the principle of human development.

Consider for a minute, the assumptions on which our organization (and most other so-called modern organizations) are based. They are not human, they are largely technological. They assume that people are machine parts, and that human energy is used to drive organizational machinery. I am sure that many of you remember Robert Townsend's book: Up the Organization. He said that our organizational models are Caesar's legions and the Roman Catholic Church. And as far as authority and hierarchy are concerned, he was right. But in the 19th Century and down to our time, our organizational models have taken on an overlay, a technological complexion. Not only do we have hierarchy which assumes that all knowledge is at the top of the organization, which as all of you know is not true, we also have the division of labor and if this is not enough, we have the complexity of an ever-advancing technology which forces more and more specialization of work, for its real mastery.

Applied in a purely mechanistic fashion, such specialization becomes destructive of human beings. Let me give you an example. There is a job in one agency which is called a stapler; I think the grade is GS-2. Now, this job is not a machine, but a person who does nothing but staple paper together eight hours or so a day, day after day. What humanness is left in such a job? What possibilities for growth in those individuals have been either extinguished or diminished?

Our penchant to engineer every function so finely and mechanically has meant that much of what is human about work is systematically extracted. The trend has really been inexorable. If you think I am exaggerating, look at the

Federal Personnel Classification System. It sets up boxes, shaped by minutely defined standards, into which people are forced to fit, regardless of their individual differences. One's whole worth is evaluated by these standards, you know. The process is dehumanizing all by itself, but when, as is too frequently the case today, the standards are outstripped by fast-moving technology, the result is even more distressing to the people in the system.

I am very happy to say that the Civil Service Commission has now started to come to grips with this problem, and is sharply increasing its standard-writing staff, so that we will have more equity in the system.

Still, even with these improvements, it is a problem. I am reminded of Maria, in the musical, the Sound of Music. Do you remember the song, how to describe Maria; how do you describe the problem that is Maria; who is a person; how do you fairly evaluate the worth of a person through an organization? How do you fairly compensate people for their work? We have far from satisfactory answers to these questions. The collision of technology with human values is especially evident in those areas where machines have taken over work that people used to do. The automation of financial management systems is a prime example. It could be liberating, freeing people from repetitive and boring work--it should be liberating. But often, it nearly turns people into machine tenders, who subsequently are down-graded because they no longer have to do the kind of complicated calculations now performed more accurately, more efficiently, more quickly by computers.

We had a very poignant example of that, where one of our accounting systems was automated and the six people who formerly prepared the ledgers, at grades GS-5, 6, and 7, were rendered surplus and reduced to accounting technicians, at GS-3 and 4. One woman in her 50's said to me, "It just isn't fair. I have spent more than 20 years in this organization and it doesn't seem to me that they should pay me less just because we have machines that make the work easier. And so, it isn't fair."

At the very least, organizations have an obligation to see that employees are not adversely affected by automation or by reorganizations. We can retrain people and restructure their jobs upward, not downward, if we care about human development. We do, and therefore, we are spending considerable time and energy in the financial management area, looking at training needs and career ladders that will permit people to grow.

One major barrier to human development, oddly enough is an accounting barrier. It is simply the way we budget and account for human energy in Federal organizations. We all start out as slots, either full time, permanent or temporary slots. Have you thought of the impact of being a slot? It means, for one thing, that it is very difficult to arrange work in any other than a highly mechanized way-eight hour boxes-required because our laws and regulations and our accounting system requires them. These boxes have effectively discouraged efforts to tap the energies of a lot of people, especially women, students and older people for whom less than eight hours a day would be a better arrangement in their lives. The advent of flexitime with its sliding schedules is beginning to break down the barriers, but they are still there, deeply imbedded in budgeting, accounting, payroll, personnel and other systems related to the financial management of an organization.

I have dwelt somewhat heavily with the constraints of our system upon human development, but I want to say that even with these constraints, it is possible to bring our management practices more nearly into line with our management principles.

In the Department of Commerce now, we are exploring in a rather systematic way, the ideas that have been put forward during the last decade or so relating to the creation of truly human organizations. For example, we have begun in some areas to test Michael Maccaby's hypothesis of an effective organization. He maintains that the most effective organizations are those that meet their members' needs for four things: first for security, both job security, economic security, as well as social security-a feeling or sense of belonging to the organization. Second, for equity, for being treated fairly, paid fairly, promoted fairly, and rewarded fairly. Third, for individuation, for being treated as an individual, not a cog in a machine, but as an individual person, with individual needs for growth and development. And, finally, for democracy, for participation in decisions that affect a person's work life.

Now, providing those four principles-security, equity, individuation, and democracy-meeting those needs is a tall order in our present environment, but a great deal really is possible. It requires a lot of learning and a lot of change, especially on the part of supervisors, for whom these experiments in workplace democracy present a real threat, in terms of their hard-earned authority, and an economic threat as well, to their grade levels.

Well, I don't know how successful I have been today in communicating to you the basic operating principles that underlie our current efforts to improve our financial management systems and procedures; trust, interdependence, and human development. They all sound like soft, fuzzy words. They are not soft and fuzzy. They are absolutely vital reference points, which determine our financial management strategies and day-to-day operations. To distance ourselves from these values is to diminish our organizational effectiveness and to defeat the central purpose that this country pledged itself to, but has not yet realized in its 201 years.

We are committed to at least moving towards their realization. Thank you very much.

SELECTED QUESTIONS AND RESPONSES

Question: Is there anything that we in the public sector could do to reduce the personnel burden, to take a look at the work we are doing and the redundancies in work to reduce the numbers of people in Government?

Mrs. Porter: I agree that there is a lot that we can do. My concern is that in many areas we are overstaffed, and in many areas, we are understaffed. When you take a look at the size of the Federal work force, 2.8 million or so people, it hasn't really increased since the end of the Korean War, but our workload certainly has, and we have increased our productivity, primarily by the use of machines, automation and so forth.

I am sure that every organization has "fat" in it, here and there. I think that our efforts, though, ought to be focused on WORK and how to accomplish it more efficiently and effectively, but not without regard for the people in the system, and that is where my plea is, to focus our energies on retraining people in the system.

It is just not in human nature to say, "Hey, I am really not needed," when one's economic security is dependent upon a job.

Now, if we made it clear that a person who is not really working at full speed or somebody thinks that the work that they are doing really isn't essential, and created the incentives to get that information up front, but supplied them enough job security, or opportunities to transfer or grow or get training, I think that we would get a lot of reallocation of resources from fat areas to lean areas.

So, yes, I welcome your suggestion, and I think we can do it, but I think to try to do that, without considering the economic needs of people is to close our eyes to reality.

Question: Wouldn't there be some problem if the auditor assists management before actions are taken? Wouldn't he lose some of his independence by becoming part of management, or at least the appearance of this? Isn't an auditor's main importance and reason for being, the independent view he brings?

Mrs. Porter: The answer to that question, the last question is yes. Of course, the auditor's main importance and reason for being is the independent views he brings. My point is that that independent view is more effective when it is brought to bear up front before the mistakes are made, than at the end when they have already been made and can only be repaired with great cost and effort.

I don't think that the auditors lose their independence at all. They are part of management. They are our auditing arm of management, and management needs that independent arm.

My suggestion is simply that they intervene in the process, in looking at and evaluating the programs and systems before mistakes are made, rather than at a later time.

Question: How do you balance the humanistic values and needs with the work to be done on schedule?

Mrs. Porter: I think that a humanistic value is to have work done on schedule. One of the things that human beings like is to be competent, and they take pride in their work. And you know, the notion is that to be humanistic is to be soft and lazy--I don't agree with that.

I think that people like to be respected; they are proud of their craft; they are proud of their technology. My budget staff, for example, takes great pride in making every deadline, and that is humanistic, to be tough, and to work really well.

So, I think that the notion that being humanistic is soft has kind of spread through the system. Maybe it is because you can't measure it. I really think you can measure it. I think you can measure it in the increased productivity at the end.

Question: What would be the alternative of a non-slot system? Aren't organizations responsible for hiring what they need, and not what needs them?

Mrs. Porter: The only alternative for a non-slot system, that I can think of, and it is one of our problems today in evolving good accountability, good management systems in government, is to have controls on dollars instead of people. In other words, to eliminate ceilings. We could eliminate ceilings in government organizations if we had some other kind of accountability system, and that is why I have been working so hard for so many years with so many of my colleagues here on establishing good productivity measurement systems.

If you identify what it is the organization does, and what you think it will cost to do it, then hold that organization accountable for doing that, for performing it and leave it up to the manager to hire the people that he or she needs to manage, then I think that you have the opportunities for adjusting to part-time work, full-time work, and it is much more efficient.

But we don't. We don't have yet, really, good productivity measurement systems, accountability systems, and I think that is what we need to be working on, and I welcome ZBB for example because it forces us to do a better job of output measurement, which is really the first step to accountability, and I think the first step to moving away from ceiling controls as a method of accounting for the use of people resources in organizations.

Question: How do we break down Caesar's legions in our present system of government?

Mrs. Porter: It's hard, really difficult. Caesar's legions, I assume, is shorthand for hierarchy and authority, a military-like system. We have been brought up that way, and that is our sort of mental mind-set. Armies need hierarchies, and Caesar's legions needed that kind of structure.

I don't think, though, that the Department of Commerce needs it. We are not really fighting wars, or we try not to. And what we do need are the kinds of systems that allow people to participate in decisions, management decisions, to give of themselves, to bring all the knowledge that is really at the bottom of the organization up, in such a way, in an effective way, so that we can inform leaders and solve problems better. That is what democracy is all

about. It is my view that the last frontier of democracy in this country is in the workplace, and the struggles for the next 10 or 20 years are going to be over breaking down Caesar's legions and instituting democracy.

COMER S. COPPIE
SPECIAL ASSISTANT TO THE MAYOR, AND
DIRECTOR, OFFICE OF BUDGET AND MANAGEMENT SYSTEMS
GOVERNMENT OF THE DISTRICT OF COLUMBIA

As I was preparing my remarks for today, I came upon an interesting statement. Its authors say that it is perhaps the best, most succinct statement on the current state of municipal finance. Let me read it to you:

"It is generally admitted by students of municipal finance that the accounting methods of most cities of the United States are deplorably behind the times, and that similar methods could not be tolerated for a day in any successful, commercial corporation. These methods may possibly have met the local requirements when cities were smaller, but as municipal affairs have become more complex, the multiplication of matters to be reported has rendered these antiquated, accounting systems entirely inadequate."

The relevance of this statement to the current situation in municipal finance is very obvious. It is taken from the Journal of Accountancy, dated June, 1906.

The Mayor often reminds me that, when speaking before audiences such as this, we should not miss the opportunity to talk about the District of Columbia. He firmly believes we have a special obligation to educate people about the city, where it has come from, and where it appears to be headed. My remarks this morning, therefore, may sound self-serving. They are, to some extent, because we are trying to make people fully aware of what the District Government is all about.

Let me start by telling you something about the unique features of the District of Columbia Government.

First, in terms of the size, we are talking about a city population of some 700,000. Our operating budget is just under \$1.4 billion for the current fiscal year. The capital outlay budget, which finances the physical plant expansion in the city, is about \$150 million a year, depending on the year and the scope of our capital program. And, like any other state or city across the country, we also make use of Federal and other grants. These funds amount to roughly \$300 million. Over the current 12-month period, therefore, we constitute a \$1.8 billion corporation.

Unlike the Federal Government, the city's budget must be balanced each year. The operating budget is financed from local taxes and the annual Federal payment to the District of Columbia. Our capital outlay budget is financed through long-term loans from the United States Treasury.

By any measure, we have a large and complex budget. It is the second largest of any city in the United States, with New York City obviously ranking first by a wide margin. This perhaps surprising statistic brings me to my next point. In the area of service delivery, the District of Columbia is really a city, a state, and a county. In addition, the city carries special responsibilities as part of the Federal establishment, and delivers services which are typically provided through special districts, such as education, housing, and water and sewer services. In the case of the District, these all come under our jurisdiction and are reflected in our operating budget.

We have a Mayor-Council form of government; however, the budget process is legally tied to the Federal budget process. The budget for the District of Columbia is transmitted by the President to the Congress of the United States. It is ultimately appropriated by the Congress of the United States, and of course, signed into public law by the President.

The city faces enormous fiscal burdens. Mayor Washington is somewhat famous for coining the so called "15-5 Rule." The "15-5 Rule" states that mandatory budget costs will increase at the rate of about 15 percent a year, while revenues tend to grow at the rate of only 5 percent a year. As we complete a 12-month budget cycle and begin to plan for the next, we immediately face the reality of closing at least a ten percent gap because the budget has to be fully financed. When I refer to mandatory costs, I am not only talking about salary increases. These costs also include debt service, which is the repayment of loans that finance our capital outlay program, and the substantial costs associated with Metro. Subsidization of Metro fares currently amounts to \$40 million a year, compared to a \$0 base in 1971. This item is expected to cost the region around \$200 million within the next ten year period.

We are burdened by a budget condition that is, without question, very serious. The challenge for us, indeed the challenge for much of the public sector at the state and local level, but particularly at the local level, is how to constructively implement a program of retrenchment. This

has brought a new dimension to public finance, and has required new initiatives and sharp departures from traditional practice. Three major developments, or initiatives if you will, have had an impact on the District Government and its financial management practices.

The first was the 1967 reorganization of the government, which created the Mayor-Council form of government. Next came the 1974 approval of the Home Rule Charter, which authorized an elected Mayor and City Council for the District of Columbia Government. The charter gave the city more independence and authority, and brought the District's legal and financial structure more in line with that of a standard municipal corporation. And finally, the New York City fiscal crisis has had a spill-over effect on state and local finance generally, and a specific impact on the financial operations of the Government of the District of Columbia.

I would like to briefly discuss each of these developments. I think it is fair to observe, without disparaging earlier history in the city, that the financial management picture did not change significantly prior to 1967.

The 1967 reorganization had a major impact on the government, and on the need for financial management improvement. The 1967 reorganization replaced a three commissioner form of government in the District of Columbia. In the early period following the reorganization, particular emphasis was placed on process building and on generating the kind of information, both quantitative and qualitative, to allow the Mayor and the Council to make responsible and intelligent budget decisions.

It quickly became clear that this was easier said than done. Substantive change was slow because of the inherent complexity of the government and the lack of any reasonable degree of authority and control by the city over its own fiscal affairs. Financial management in the District remained subject to all Federal budget and accounting laws, regulations and procedures. Over a relatively short period of time, however, we were successful in developing the executive budget process and a more rational process for the allocation of resources. There were two significant resource management improvement efforts during this early period that I can address rather specifically:

1. The establishment of an issue analysis process

The budget process in the District of Columbia in the years before 1967 was very traditional, with little or no

emphasis on the identification and analysis of issues. We commenced an issue analysis process in the early 1970's, which is now a critical element in our budget planning. It has been and will continue to be refined with time, but we have already achieved substantial dividends from this activity.

One of the first issues identified for analysis was our police and fire pension system. We quickly discovered that this unfunded system was going to place an enormous burden on future city budgets if significant reforms were not instituted. Today, two bills are pending in the Congress which will place this pension system on an actuarially sound basis and modify ill-conceived and costly features of the program. The position we have taken on the issue is consistent with the nationwide movement to reform public employee retirement systems. If we are successful in bringing the pending legislation into public law, it will represent a significant example of how the systematic analysis of issues can reap substantial dividends for the city.

2. The implementation of a multi-year budget forecasting system

Prior to this time, little or no emphasis was placed on evaluating the outyear consequences of annual budget decisions. Restricting budget decision-making to an annual time horizon can lead to enormous program costs, which go far beyond what was envisioned at the time decisions are made. A painful example of this can be seen in the case of Metro. The program benefits of Metro are obvious. There is serious question now, however, as to whether the city and the region have the capacity to pay for it. If more emphasis was placed on the analysis of future cost implications at the time the region's mass transit program was first being considered, perhaps we would not be facing the staggering liabilities associated with Metro that we are today.

The District of Columbia has designed and built one of the most sophisticated multi-year budget planning systems to be found anywhere in the United States. It is used as a tool for program and fiscal policy making at the front-end of the budget cycle, rather than waiting until all the numbers are in to determine the true dimensions of the problem. The multi-year budget planning system has proved to be a powerful tool for strengthening financial management. Effective action cannot be taken to correct problems, nor can

costly mistakes be avoided, unless data is routinely made available to top level policy makers on the future cost implications of current and proposed commitments.

Home Rule was the second major development which affected financial management practice in the District. The elected Mayor and City Council took office in January of 1975. More than ever, the District was seen as a municipal corporation. The charter called for an annual post-audit of city finances, and gave the city the authority to enter the municipal bond market.

It became very evident in the early 1970's that the city was in a very precarious fiscal position. Major new sources of revenue would have to be found, and a program of retrenchment would have to be implemented. In short, we would have to reduce the annual growth in the budget. Hopefully, this could be accomplished without a curtailment of critical services or a massive reduction in force.

At this point, we gave particular priority to the design and implementation of a productivity improvement program. The results achieved have been impressive, and demonstrate that productivity improvement is a valid and effective technique for better utilizing resources and for maintaining the level of quality of service in the face of rising cost pressures. Realistically speaking, however, we cannot expect productivity improvement in the short term to resolve the immediate urban fiscal dilemma.

In 1975 the new home rule government moved forward to plan for its first bond sale under authority granted to it by the charter. Parenthetically, I would underscore what I said in the beginning--the city has been very much tied to the Federal budget process. The United States Treasury has served as both the city's banker and broker, and all our borrowings have been done through the United States Treasury. The charter, then, gave us the authority to shift from the Treasury to the municipal bond market.

The New York City fiscal crisis was a national headline during 1975. In addition to focusing much attention on New York City, it had the effect of making state and local finance a priority domestic issue. The District was challenged by the Congress in 1975 and prevented from completing a bond sale. Congress simply felt that not enough was known about the District of Columbia to justify its going forward to complete a bond sale. The primary motivation and concern behind Congressional action was directly influenced by the New York City situation.

The United States Senate authorized a survey of the city's financial management system. The survey was completed in June, 1976, by the Arthur Anderson Company. The survey was highly critical of financial management and control in the District of Columbia. The point was made that the city's books simply could not be audited. This led to a public law authorizing the creation of a Temporary Commission on Financial Oversight of the District of Columbia, and \$16 million was authorized for financial management systems improvement.

Today, the Commission is hard at work. By the end of fiscal year 1979, \$15 million will have been appropriated for financial management improvement in the District of Columbia. When all the new system have been designed and implemented, the District will have one of the most comprehensive and sophisticated financial management systems of any local jurisdiction in the United States.

The foregoing has highlighted some of the recent history of financial management improvement and development in the District of Columbia. Now I would like to make several points that have implications for financial management development in the public sector generally:

1. A comprehensive program of financial management reform and improvement must be well defined. Prominent in the plan must be a statement of objectives, total costs, and the time frame for implementation. The substantial costs of financial management improvement should not be underestimated.
2. The information needs of specific users of the system should be precisely defined. We have been sensitive to this in the District of Columbia. A high priority has been placed on the requirements of the Mayor and the City Council, but not at the expense of department heads and program managers. And now, increasingly, the special needs of auditors have been receiving attention because of the legal requirement for an annual audit in the District of Columbia.
3. A comprehensive training program for incumbent employees is indispensable to financial management improvement. Employees will be reluctant to change to new procedures unless they understand the reasons and the potential benefits.

4. As a result of Watergate and the New York City crisis, to cite two specific examples, emphasis on disclosure and accountability in government is greater than at any period in our history. The demand for financial disclosure is an outgrowth of this. However, financial disclosure ties in with a larger trend towards citizen demands for greater accountability of public officials for both financial and nonfinancial performance.

A vital part of management accountability to the public is meaningful disclosure on all results of management activity. This can mean a financial balance sheet or a quantitative record of service delivery performance. Disclosure of numbers revealing financial and program performance is the counterpart to the full disclosure already commonplace on local revenues, intergovernmental transfers, and other resources used by state and local governments.

Disclosure of program efficiency and effectiveness, however, is the exception rather than the rule. However, to verify fulfillment of the implicit contract between citizens and their government, actual performance should be revealed, so that officials can be held accountable for the use of tax dollars.

5. Several major cities are in need of substantial financial assistance. Frequently, this will mean assistance from state and/or the Federal Government. The trend toward increasing reliance on these sources of financial relief has the potential to erode the home rule power and authority of a local government. Therefore, as this problem is examined and solutions explored, the proper concern for maintaining balance in our Federal system must be shown.
6. A pot of gold which will provide answers to the District of Columbia's and other jurisdictions' expenditure-revenue gap is not at the end of the financial management improvement rainbow. Cities still will need massive doses of financial relief.

The reform movement now being emphasized and implemented in the District has the potential to strengthen management and accountability. The emphasis on financial management disclosure, as painful as the result might be, can and will enhance the government's credibility, and presumably will make it easier to get the ultimate assistance that is needed and required.

Thank you very much.

SELECTED QUESTIONS AND RESPONSES

Question: Since the New York City bankruptcy, has anybody looked at the District Government and its propensity for going bankrupt and what ought to be done about sources of revenue to prevent that from occurring?

Mr. Coppie: In the sophisticated sense of the question, the answer is probably no. Clearly, however, we have been very sensitive to the implications of the New York situation for the District of Columbia.

I would, perhaps, make one telling observation. It is very clear to me that the District of Columbia is over-programmed from the standpoint of financial capacity. Although I can't speak specifically about New York, other than what I have read and the conversations I have had with some of the officials in New York, this appears to be New York's problem, too.

We are a city, in one sense of that word, but our service delivery responsibility is very comprehensive. And the opportunities for relief, while perhaps obvious to us, certainly will be difficult to come by.

Over-programming of public services is in part a national problem. We talked about the discussion that has been going on over the last several years, and which is beginning to pick up now, concerning the nationalization of public assistance and Medicaid costs. At the peak of the New York situation in 1975, New York officials were arguing that Federal assumption of public assistance and Medicaid costs would, in a sense, substantially resolve their problem. For the District of Columbia, it would mean about \$100 million worth of relief. Looking at the current state of local finance in the north central and eastern regions of this country, there is obviously going to have to be both a re-direction of resources and major program adjustments if cities are to maintain critical services.

My second point is unique to the District of Columbia. We have a situation in this city where 60 percent of all personal income earned in the District of Columbia is earned by nonresidents. If we could tax nonresident income, at the source, as indeed every state in the United States has the authority to do, it would mean more than \$200 million in additional relief per year. Let me make a very critical point here. District officials are not talking about a commuter tax. We are talking about giving the District of Columbia authority to tax all income earned within its borders, a sovereign authority that all states enjoy. If you live in Maryland or Virginia and work in the District of Columbia, you would pay your income tax to the District and then credit it against your Maryland or Virginia filing. Or, if a District resident works in Maryland or Virginia, he would pay his income tax to Maryland or Virginia and credit it against his District of Columbia filing.

Maryland already has this arrangement with 33 other states; Virginia has it with more than 30. We feel we have a legitimate right to this same authority.

Question: What has the D.C. Government done to bring in light industry, to increase the tax base, and to relieve unemployment?

Mr. Coppie: I don't have specific data on that, but I can speak from experience and say, "not enough." For four years, starting in the early 1970's, we asked the Congress of the United States for funding to create an Office of Business and Economic Development. The mission of the Office would be to attract light industry and to undertake a wide range of initiatives designed to help with economic development of the city.

Each year, our request was denied. It was denied with prejudice on the basis that this is a government-town and there simply is not the occasion for industrial development along the lines of a more traditional type of city.

Recently, however, the Mayor and the City Council have decided to create such an office using Federal grant funds from the Department of Housing and Urban Development. The director of that Office was appointed recently. The Office will be an increasingly important and vital tool for economic development in the District of Columbia.

Question: Is welfare a part of the \$1.4 billion city budget? If so, what percent, and what measures have you found effective in reducing costs in this area?

Mr. Coppie: Yes, it is. The welfare cost is part of the city budget. We pay 50 percent of the total welfare and Medicaid costs, and the balance is paid by the Federal Government. That is the highest local percentage of any jurisdiction in the United States because we pay both the state and the city costs. New York City, for example, pays 25 percent of their welfare costs; the State of New York pays 25 percent, and 50 percent is paid for by the Federal Government.

As to the percentage of the total budget, I am not sure, but we pay 50 percent of the total welfare costs. The welfare-medicaid cost is about a \$200 million total cost; \$100 million is being paid by the city.

In addressing the last part of the question--what measures have you found effective in reducing costs in this area? I would make two rather specific points concerning this issue: The first, of course, is to give emphasis to employment and training so that potentially employable welfare recipients can be moved from the welfare rolls to the work rolls. And we have been successful in doing this.

Secondly, we have been doing a great deal to improve the administration of our welfare program, including timely recertification of the welfare population to ensure that they still qualify for assistance. And we are realizing dividends here too. In our 1978 budget, which is still pending in the Congress of the United States, we have requested more than 200 positions for the Department of Human Resources to accelerate recertification of the public assistance case load in the District of Columbia.

Question: Because of the "15-5" dilemma, what improvements have the D.C. Government made with respect to the collection of receivables from city residents, other than looking for additional revenues?

Mr. Coppie: As I recall, the delinquent taxes at the end of the 1976 fiscal year were in the amount of \$16 million. The city's Director of Finance and Revenue, who is essentially the city's tax collector, told the Congress in response to a similar question that his objective was to have that down to \$10 million by the end of fiscal year 1977. And in response to a question at our hearings last week, he indicated that the \$10 million target was, in fact, achieved.

Our accounting systems are deficient, as most of you know. The area that we are particularly deficient in, in relation to the question, is in the area of receivables for our enterprise operations, such as the D.C. General Hospital. As we get further into our financial management improvement program, I think the improvement in our collection performance will yield substantial additional revenue for the city. Not substantial enough to resolve the "15-5" dilemma, however. But as I have pointed out and emphasized here this morning, there will be a direct correlation between our ability to get the kind of relief that is necessary from another level, particularly the Federal level, and our capacity to show that our house is in order. If you have receivables sitting there, which you simply are not making the effort to get under control, then it certainly is going to prejudice your case in getting additional assistance from higher levels of authority.

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I come to you this morning, not as a financial technician. I come to you as a financial manager. And throughout the theme of my presentation today, I will emphasize and re-emphasize the need for financial management, as opposed to accounting or financing in the technical sense--the need for personnel management, as opposed to personnel specialization as my good friend John (John D. R. Cole - Chairman of the JFMIP Steering Committee, who served as the moderator) here referred to earlier this morning.

I plan to address three major issues within that theme. First, I will chat about what I see as the financial management work environment and some of its demands. Then, I will move into a discussion of what I consider to be the most important aspect of my presentation here today--the "real world" of financial management.

Let us go back for a moment to what Mrs. Porter and Mr. Coppie mentioned, along the lines of what is that current environment, and what are some of those demands that are placed upon you as financial managers, be it State, local, Federal or private.

- . There is, as was mentioned earlier, a need for greater accountability, and that need has been expressed by various sources. It's been expressed by the press, the public, senior officials within the private-State-local or Federal sectors, and many others too numerous to mention.

There is, as part of that accountability theme, a need for greater disclosure, some of which has come about as a result of the Freedom of Information Act and some as a result of public hearings, but in most from a better informed public. However you look at it, financial management today is confronted with a need for greater disclosure and greater public accountability.

- . There are also demands being generated for more productivity. For a lot of different reasons, productivity tends to be associated with financial management because a fully adequate, responsive, effective,

and efficient financial management program ought to have built-in productivity standards (measurable and quantifiable criteria), so that the management team knows the direction which they are or should be going.

- . Then, we have the concerns which develop from the need to obtain GAO approval of accounting systems. This is another requirement that is placed upon financial managers today. I don't know what the present statistics are, but I know when I was Assistant Secretary, and before that as Deputy, I believe the figure was somewhere around 50 percent of Federal accounting systems were non-GAO approved. Or put another way, only 50 percent of existing systems were sufficiently adequate to warrant GAO approval.
- . Managers today at policy levels, such as Cabinet officers, governors and mayors, are demanding more and more of the financial manager as it relates to their operating budgets. They want more than just numbers--they want program information, strategies, trends and solutions they can articulate in a convincing way to gain public support, OMB support, and the like. They want a budget that is workable, marketable, and supportable. Again, demands upon the financial manager.
- . Let's take a quick look for a moment at Government programs and their changes. As we all know, program changes in recent years have been drastic. The one that is probably the most startling of all is the Food Stamp program. In the early 1960s, Cleveland, Ohio, I believe it was, was established as a pilot city for the Food Stamp program. The program at that time was costing, as I recall, approximately \$100,000 per year. When I resigned my position as Assistant Secretary at USDA last July, that same Food Stamp program, after being expanded nationally, was costing the taxpayer somewhere in the vicinity of \$5.4 billion annually.
- . Now, what has taken place over that period of 15 or so years? The program changed in size, scope, complexity, and cost. But the supporting financial systems did not. At a time of program expansion and implementation, support systems, such as financial management, generally take a second seat to program delivery and execution. And, so it was with food

stamps. The program was moving far, far ahead of the systems to support it with the existing systems lacking the capability to provide the types of information top management needed to have in order to testify before the Congress, establish priorities, make major program decisions, and answer press or public inquiries. Or better than that, in order to know what direction he or she was going as a manager and an organization.

This situation is not only true of USDA and the Food Stamp program, but it is also generally true of programs clear across the public sector, including the Department of Commerce and the D.C. Government. Priority is generally not accorded support systems until sufficient program implementation time has elapsed or something major breaks. And when it breaks, financial managers begin to feel the "heat". That's another demand that is placed upon financial managers today.

I can't stand here, as a practical manager and one who has served at the lowest and highest levels of the Federal government, and tell you that I have all the answers. But I can tell you this, that financial managers must do a much better job of developing financial management systems that are sufficiently flexible to cope in a timely way with changing program operations, so that it doesn't take two, three, four, and in some cases ten years before the system is able to adequately support significant program expansion. I know full well that this is easier said than done, but the answer lies in financial managers becoming more involved with, and knowledgeable of, the organizational environment within which he or she works. This means greater involvement and less isolation.

And let's take a look at, perhaps, the single most significant demand placed upon financial managers today. It was alluded to earlier this morning, and that is, simply put, dollars. It took the Federal government, for example, over 180 years to get to a \$100 billion budget. It took it nine years to get to a \$200 billion. It took it three years, when in 1974, it reached a \$300 billion budget; two years later it got to \$400 billion; and we have just seen the latest budget submission calling for over \$500 billion. The public, the media, and you with the questions that were asked here earlier this morning about the Federal government and its budget--are all demanding more efficient, effective, and responsive government.

I recently read where a survey was conducted of 30 major industries, including government. The purpose of the study was to rate each of 30 basic industries according to certain performance categories, honesty, efficiency, productivity, etc., with "1" being the best and "30" being the worst. Members of Congress were rated 29th as to efficiency and Federal employees were rated 30th. With regard to honesty, Congress was rated 30th and Federal employees 29th. The unfortunate part is that these survey results may not necessarily be sound and fully supported. But the survey does show how the public views its Congress and Federal employees.

The public sees Federal spending always increasing and never decreasing; they walk into Federal buildings and see people not fully occupied or actively employed, and they draw conclusions from this. And, who is the ultimate recipient of much of these criticisms? The financial manager--that's who. He's asked to develop a system, produce a statement, an analysis, or report which can be used by senior officials to respond to these and other similar outside pressures.

Two years ago when I was Assistant Secretary, the Congress passed the Resources Planning Act requiring, among other things, that the U.S. Forest Service go public with its plans and related budget. They developed objectives, conducted regional meetings and met with the public to explain what they were going to spend and for what reason, what they were planning to accomplish for those Federal dollars, while at the same time seeking public input into their decision making process. To my knowledge, this approach was a first in the Federal Government. It not only provided for public input and accountability, but however difficult and demanding, it achieved an improved level of understanding between the people and its government.

These are but a few of the demands placed on financial managers today.

Now, let us take a look at some of the initiatives and developments in the world of financial management. Some of these activities are in direct response to those demands I just spoke of a few minutes ago.

. We have seen a movement in recent years toward the development of systems, financial management systems that are inwardly driven, rather than outwardly driven. For a number of years, we saw internal systems developed in response to outside demands--GAO, OMB, GSA and the like. These external reports and related documents were then adjusted and manipulated to satisfy internal needs. Yet, those external agencies were not the ones to be held ultimately accountable or responsible for day-to-day internal Management activities.

Now, we're beginning to see this trend reversed. Those systems are now being inwardly driven. The requirements of key managers are being identified, in terms of what they need to manage efficiently and effectively, and to be accountable to the public they serve. From those internal systems, needed data are obtained to satisfy external requirements. And that is the way it ought to be.

. Centralization versus decentralization--we have seen a movement during the last 10 to 15 years towards greater centralization. I, for one, have been a strong advocate of the centralization concept for a number of years, principally because we could effect very significant dollar savings by reason of the economies of scale involved. There were many battles. Any time you attempted to centralize a function, the inter-organizational politics that went to work were horrendous. But, because that bottom line spelled greater efficiency and greater effectiveness, we moved in that direction.

I think, though, we're going to see a change in direction during the next three to five years--toward more decentralization. Perhaps the single most pronounced technological development of recent years that will serve as a catalyst in this general area is the mini-computer. Whereas for years, you could

justify centralized processing based on the economics involved—largely because the alternatives were far too costly--the cost of the mini-computer has now become more economically viable, and with the "built-in" advantages associated with decentralization, I believe we'll begin to see an even greater movement in that direction.

One of the reasons we moved toward centralization initially was because top management--and Mrs. Porter talked about "trust"--top management felt that the only way they could get the data or the reports they needed in a timely and accurate manner was to exercise "hands-on" managerial control. So, they brought everything under one roof, appointed their man or woman to head it up, and thus, felt they would receive more accurate and responsive information. That didn't always produce the results desired, either.

. One of the other improvements that has taken place, and I think will continue, though not enough of it has already happened, is to make the budget system compatible with the accounting/financial management systems. I have seen so many organizations that have moved, fullsteam ahead, and developed a good financial management program, without first assuring its compatibility with the budget--only to later find themselves at the beginning of the budget cycle having to adjust numbers, account classifications, and line items from the accounting/financial management systems to be of any significant value in the budget development process. These system should be developed simultaneously or fully coordinated so that one can flow into the other with similar or complementary formats. It's been done and done successfully by some agencies--including USDA.

. Both Mrs. Porter and Mr. Coppie talked about integrated systems. I think that this is probably one of the most important aspects of financial management today. And within that area, the most significant is perhaps bringing together program accounting with administrative accounting. How frequently do we have financial managers sitting on one side of the table and program managers on the other and not communicating with one another--or program managers making policy decisions having significant dollar impact and affecting the organization's financial system without involving the financial manager in that decision-making process because of organization barriers,

communication problems or inter-organization politics. But as I will talk about in a few moments, part of that blame lays right here in this room. Financial managers, by and large, do not enjoy--and you are going to love this--do not enjoy a good image. They are too frequently viewed as "accountants" rather than "managers".

Program managers on the other hand are basically specialists or technicians. And because of this program expertise, their knowledge and understanding of financial management is understandably limited and is accorded a much lower priority. So, it is highly unlikely that a program manager will take the initiative and come to a financial manager and say, "Here is what I think I need, can you help me?" Because of his lack of understanding of financial management in general, the program manager is not aware of what you are capable of producing--let alone recognizing what he might need. The initiative should be the other way around. You as financial managers must take the initiative to assist the program manager.

Let me cite by way of illustration the Food Stamp program again. I don't want you to think that I'm citing the Food Stamp program again because I'm for or against it. My purpose is to communicate one consistent theme--and I thought the Food Stamp program offered this potential without unduly confusing my presentation with many other illustrations. Here's a program costing the taxpayer some \$5.4 billion annually and feeding in excess of 18 million people. The size and complexity of this program is such that the program manager's time is almost entirely consumed with making program policy decisions and responding to outside pressures and demands. Yet, he needs to know where he stands from the standpoint of: cost, performance, trends, participation, productivity, etc. Unless the financial manager initiates the action and works with him to identify joint management need--administrative as well as program--it's unlikely that program improvements or greater efficiency and effectiveness will result. It's simply a two way street--with the financial manager meeting the other more than half way. It need not be this way. But if it's better government we're seeking, and we all are, I see no other reasonable effective approach--not in today's public sector environment.

I think that an integrated financial management system, if it is truly integrated, ought to provide far more than just numbers, indicating whether you are above or below budget. Mrs. Porter talked about performance and productivity. One way to measure performance as part of an integrated approach is one which I feel very strongly about, having succeeded in getting this partially implemented while I was at USDA. That is to integrate management by objectives as part of your financial management program--identifying at the outset of the year goals and objectives in quantifiable terms, coupled with who will do what, by when, and how much. The integration will enable placing of that information into the system, and receiving quarterly feedback in terms of how much was spent, for what purpose, and what was accomplished as a result. And, most importantly, how do these reported actions compare to the goals and objectives agreed to at the beginning of the year? From this data additional questions will surface--such as: is there a need for more or fewer resources? Should the pace be accelerated or reduced? Are we spending and performing as planned or have we spent 80 percent of the dollars and only accomplished 20 percent of the objective? These are typical of the questions raised at program review time.

A fully integrated financial management system should give consideration to management by objectives, productivity, program and administrative data. It should also be structured so as to provide management with the information needed to facilitate and improve the evaluation and assessment of people. I believe that we do not--and I consider myself part of you in this process--we do not do a good effective job of evaluating and assessing the performance of our people. This brings me to the third major portion of my presentation here this morning.

Let's look at the "real world" situation of financial management--as I view it--for a moment.

When I talk about the "real world," I would like to take you, if I might, away from your role as a financial manager, and move you into a different environment. And let's call that environment, in the absence of anything better, the world of "political sensitivity." I am not talking about Republican, Democrat, or Independent. What I am talking about deals with your organization and profession.

First of all, let's be candid and realistic. We as financial managers generally do not enjoy a good image amongst many of the people we serve. And the reason for this isn't because we are not competent or doing a good professional job. The reason is that most of the people we serve are not fully aware of what we are, what we do and represent, or are capable of doing. How frequently do you, for example, write articles, such as I have written--and where are these articles published? They are generally published in accounting or management related magazines. And who reads those magazines? You and I. Thus, we find ourselves communicating vertically--rather than horizontally. This results in not reaching the right audience--the audience who really does not understand what we do or why we do it. Instead, we are making each one of us better informed and missing a most important target audience. The same is true with public speaking. I'm sure many of you participate in professional organizations and, by virtue of your jobs, do a great deal of public speaking. But I would venture to say that most of the audiences that you address have something in common with you and "financial management."

We tend to market ourselves internally instead of externally. Why not expand your horizons into an arena where you can make a most significant contribution by bringing the message of how important financial management is, and the types of services you can provide to a manager--not only to make him more effective but also to keep him out of trouble.

. A financial management system--however knowledgeable and competent you may be in the development of an effective, responsive, and GAO approved financial management system--will need to be sold before it can be implemented and operationalized. And, at every step of the way, the words "sell," "convince," "persuade" appear. No matter how effective the system, you still must be able to seek and obtain upper level support--and I'm not only talking about dollar support, I'm talking about when push gets to shove. Top management must understand what you have developed and must be willing to move forward and get it operationalized.

I frequently use the expression "ought" as opposed to "can." In my experience while serving in the bureaucracy, I found very competent managers recommending, and at times insisting, that the ideal system be adopted, without recognizing that they were perhaps going to have to make adjustments and settle for what "can" be rather than "ought" to be. And, I too frequently found many of these same managers not willing to negotiate and make those adjustments. The end result was that the proposed systems are still not operational.

I believe that as you move forward with a financial management system, or any proposal for that matter, you must recognize that somewhere along the road, you must allow, and be prepared for, negotiation. Far better to negotiate, make an adjustment without compromising your integrity and principles, and succeed in getting part of it implemented, than to hold out for the ideal and realize nothing. I think it was former President John Kennedy who said. "We can't negotiate with people that say what's mine is mine, and what's yours is negotiable." All too frequently, I have found financial managers coming to me and saying, "J.P., that is the way it is, must be, and the only way it can be." That, ladies and gentlemen, is not the way to effect change and make progress--particularly in the public sector. Adjustments, discussions, and negotiation are; it is better to get 30 percent this year and 30 percent next year than sit there and not get any at all.

In recent years, we have seen a move away from vertical management to what I call horizontal management or better put, "participatory management." And the same philosophy should hold true today for financial managers. My experience has shown that the most effective way to get financial management moving, particularly along the lines of new initiatives, is through a participatory process. And that means getting people involved in that decision-making process, on an on-going basis, seeking their input and recommendations. No, you don't have to accept at face value everything they give you. No, it is not what some call "pussycat" management. No, they are not going to dictate to you what to do and how to do it. Certainly, you may be challenged, and certainly, you might have to justify your position, but you should welcome that opportunity. You should, that is, if your position is valid and sound.

Through that participatory process, you develop team commitment to what it is you are striving to attain. You develop an understanding on the part of those affected. You have the support you need at the right places, from the right people, and hopefully at the right time. They believe in what it is you are attempting to accomplish, because they've participated in the process--they had an opportunity to be heard.

When I use the term "big picture," I'm referring to an understanding and appreciation of what's around you--your total operating environment as opposed to operating in isolation. Each one of you ought to know and understand what the number one man--or woman--in your organization is seeking to achieve--be it a mayor or a secretary of a Department. If you don't know or understand the total organization within which you are expected to operate, or put another way--an awareness of the "big picture"--you may be moving in one direction, while that top person may be articulating or taking a completely different position. That's one of the easiest ways I know to get yourself in hot water with your boss, the press, Congress, OMB, and the White House. Become better informed--try to understand and anticipate the "big picture" overview your boss will have as he considers your proposal for improvement. Always provide your boss with more than one alternative--one recommendation. Otherwise he or she can only accept or reject your proposal. With reasonable alternatives presented, a decision can usually be made to accept one of the options proposed. In so doing, every one saves face and emphasis is placed on what's been accepted rather than what's been rejected and progress is made.

Before closing, please allow me to make a couple of comments regarding the earlier point I made, as it relates to the evaluation of personnel. I have been in the private sector roughly six months now, and I find some very basic differences in the way programs of personnel management are handled. And the gentlemen who articulated his concern during the earlier question and answer session, about Federal employment, the size of the Federal work force, and what Government managers are doing about it, has a legitimate point.

Mrs. Porter's response, I believe was on target. I would like to add to that response. First of all, let me start with a very simple illustration concerning secretarial assistance. Did you know that in the private sector, particularly in the Washington community, and elsewhere as well, the top salary for an executive secretary to the president of a firm is generally around \$15,000-\$16,000 a year. How many of your secretaries earn more than \$15,000 a year? A large number of them, I'd venture to say.

I think this presents a most significant problem. When I was Assistant Secretary, I really wasn't concerned. But now that I'm with private industry and have to compete against those Federal secretarial salaries--it's tough--let me tell you. Oh I suppose you could say, well, private industries simply underpay their secretaries. I would debate that, but I think it illustrates the point. There are some basic differences between the private sector and the public sector. I've given you just one of many examples.

I talked about MBO. Mrs. Porter talked about productivity. Mr. Coppie talked about revenue. And we all talked about personnel performance and evaluation. I feel quite strongly about the fact that in the public sector, there needs to be--and the Carter administration is moving in that direction--there needs to be a far more effective way of distinguishing the above average performer from the substandard performer.

I know that some of you will tell me that in the public sector you really can't face up to substandard performance; you can't remove people. And, to those of you who believe in that conclusion, I must respectfully disagree--and remember, I've been there, and I've fired people. Oh yes--I lost some of those battles, but I won more than I lost. What's really important though is that the system--however difficult and complicated--can be made to work. The system for removing or rewarding is there. Surely, it isn't easy--certainly it's challenging. And it should be, to assure that the proposed action is sound and justified. Financial and personnel management systems, if effectively coordinated, utilized, and containing the right kinds of measurement data can go a long, long way in providing the baseline that is so critical to recognizing an above average performer and rewarding that individual, and recognizing the individual who is not performing, and doing something about him or her.

I will leave you with one thought. I don't know how many of you have ever taken the time to review the number of people in your Department, agency, or organization that are eligible for, and do in fact receive, what is called the annual within-grade salary increase. I did while I was Assistant Secretary at USDA. The results were covered by the media and soon became public information. I found that better than 99.9 percent of employees in the Department, and I made some preliminary checks elsewhere in town and found the same to exist there, received the so called within-grade increase. The increase, which ranges from about \$200 to \$1200 per employee is intended to be given--at least to my understanding--it is supposed to be given to those individuals having demonstrated the performance to merit the increase, and not become an automatic process. When it does--and it has--it loses its value and effectiveness. Everyone is treated alike--everyone is allegedly a proficient performer.

A lot of managers have told me: "But J.P., I must approve the salary increase because to do otherwise is most difficult--I don't have the support--I lack the evidence--I don't want to be challenged and go through 12 months of appeals and hearings--I don't have a system that gives me what I need as a manager." Those are excuses that attempt to justify the "why not's." How about reasons supporting why and how the system can be made to work? Again, I say to you, I have experienced the agony and pressures of denying salary within-grade increases. It never was pleasant nor easy. But it worked--not only in facing up to the substandard performers but in motivating some to do better and others to seek opportunities elsewhere. I always felt that as a manager, I had a responsibility to the taxpayer paying my salary and to my government to assure that those working for me were earning their keep--however difficult it was to administer. There are great risks in sitting back and letting others become involved--letting them take the lead. Those risks were best expressed by Plato when he said:

"The risk that you take by not becoming involved is to be led by people less competent than you"

Think about that . . . think about it--it's a most profound statement. Thank you very much.

SELECTED QUESTIONS AND RESPONSES

Question: Would you please comment on the budget preferences of the Congress, vis a vis, the President and OMB. Financial managers always seem to have endless demands with a paucity of resources.

Mr. Bolduc: I'm not sure if anyone can, but I will share with you my personal philosophy, and I am also sure that many of you might not agree with me.

I think first of all, financial managers, basically because of the reasons I articulated earlier, are not appreciated, nor understood and thus, by virtue of being identified as I was, a "housekeeper" at USDA, are viewed as being in a most dull, unimaginative and nonglamorous profession. Accordingly, they frequently are not provided levels of resources which are commensurate with their needs.

I personally have found a great deal of success at the onset of a budget development process, to identify those major goals or those major initiatives and sitting down with key players on the Hill, informing them of the direction we're pursuing. And that doesn't mean you release the President's budget in advance, or compromise the relationship between the executive and legislative. I am not talking about that at all. I am talking about preliminary discussions, in terms of major plans to seek their reaction and input, before final decisions are made and they first hear about them by reading the newspapers.

My experience has been that whenever we moved out with a major new initiative, much was gained simply by sitting down with those key players and saying, "Here is one major initiative we're thinking about--what do you think?" This did not mean necessarily to agree with everything they said or to incorporate all of their thoughts. But through that process of negotiation and discussion, progress was achieved that would otherwise not be. With perseverance and tenacity, you eventually succeed in realizing part or all of your initial objective.

By demonstrating success and results, I have always found it easier to justify and be provided those needed resources. The name of the game is "results." Evidence of what can be done with what you have, first, and then seek more only if you can't do more with what you have, or do more with less than you have. That's how I try to reconcile both.

Question: Do you feel that few of the uniform requirements imposed from OMB, GAO, and CSC are realistic in terms of the needs of top management in the agencies or public concern?

Mr. Bolduc: I hate to go back to what I have mentioned earlier in terms of the participatory process, but let me address the issue. Shouldn't the leadership, the vigor, the establishment of standards to shoot for, etc., come from the top down? In my view, the answer to that is yes. But it shouldn't be all one way communications. I have seen instances where OMB, GAO, and the Civil Service Commission have taken the lead in certain areas--though it initially started from the bottom up.

I have found, all too often, where Departments, agencies, and organizations independently develop what they believe to be good for them. And, once 90 percent complete, bringing it to the attention of GAO, OMB, and the CSC for the very first time--seeking their input and reaction and placing them in a most uncomfortable position.

With GAO, you must recognize they have to provide that independence and objectivity and frequently will not wish, and in most cases rightly so, to be involved in the early developmental stages of most projects. But I have never found OMB, nor the CSC, to turn me down whenever I have said, "Here is what we are thinking about, let's make this a team effort," so that we can participate together on an on-going basis. And, "If you have a problem let's hear about it now, not six months from now." I firmly believe that what it takes is a joint effort and not one of "we" and "they", but rather "us."

I have found other cases where we initiated certain actions only to learn early on that OMB would not support our position. I may not necessarily have agreed with their position, but I will tell you one thing, I respected their candor. And rather than waste my time and the efforts of my staff in developing something they were not going to entertain, I applied the resources elsewhere.

There are many initiatives that need to be undertaken. What's important is to achieve an understanding early on with the people who ultimately will judge and decide the worthiness of your initiative.

Question: If in three to five years, decentralization does happen, due to mini-computers or whatever, could and should the centralized systems be standard or uniform systems?

Mr. Bolduc: I am not sure there is a yes or no answer to that question. I think decisions will vary from organizational unit to organizational unit. Depending on the nature of the operation--be it scientific--management--program--some standardization may be necessary and desirable. In other cases it may not.

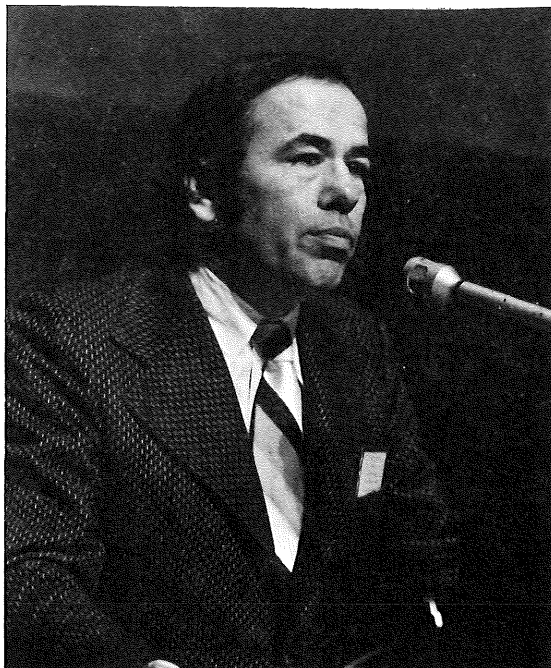
I've never had too much patience for standardization, though I know it can offer many advantages. Uniformity, perhaps, but I think that there currently is too much standardization in government--standardization for the sake of standardization that is--without anyone ever taking a look at the benefits, the results and the costs incurred.



Elsa A. Porter



**Conference Moderator
John D. R. Cole**



Comer S. Coppie

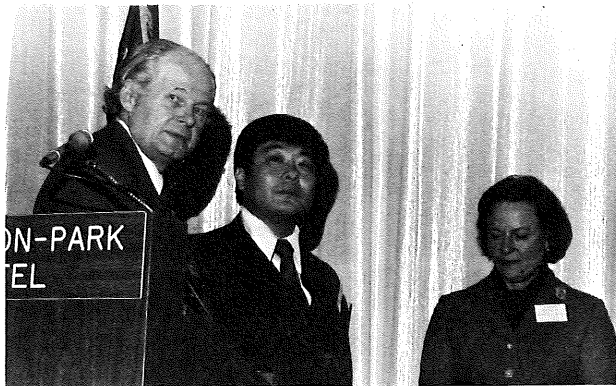
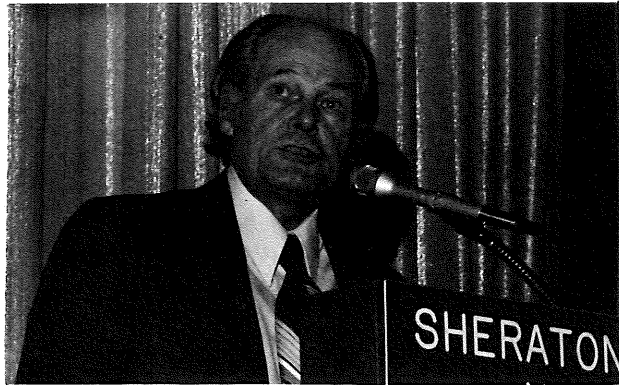


J. P. Bolduc



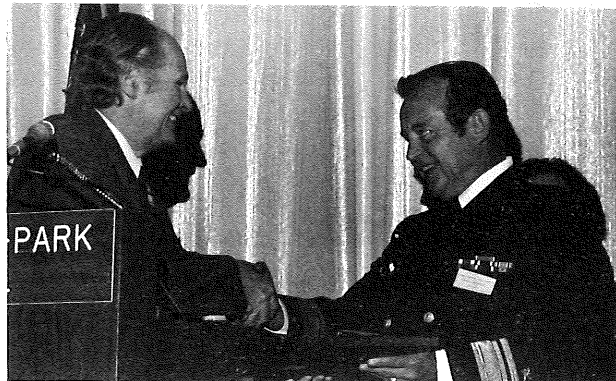
**Plenary Session Participants:(L to R)
J. P. Bolduc, Elsa A. Porter
John D. R. Cole, Comer S. Coppie**

CSC Chairman Alan K. Campbell



**Presentation of the Financial
Management Improvement Award
to Llodg F. Hara**

**Presentation of the Financial
Management Improvement Award
to Admiral James R. Ahern**



PRESENTATION OF FINANCIAL MANAGEMENT IMPROVEMENT AWARDS
REMARKS BY ALAN K. CAMPBELL
CHAIRMAN, U.S. CIVIL SERVICE COMMISSION

It is a pleasure to be here to greet my fellow Principals of the Joint Financial Management Improvement Program. I understand that it is a fairly rare occasion to have the Principals on hand, but I can assure you that we share a deep interest in this organization and will be concerned and deeply involved in the work of the Program.

While this is my first year of being formally associated with the JFMIP, I am aware of the work which the organization has done in the past and have a high regard for it. You professionals in the field of financial management are even better aware of its impact and do recognize by your presence here, and your work, its importance. I believe I speak for all of us when I say that my fellow Principals and I see our role as continuing the momentum of the past and insuring that the JFMIP continues to play an active and necessary role in improving financial management systems and practices.

Everyone in this room is fully aware of the increasing demands being placed upon the public sector for better performance, greater payoffs for investments, clearer accountability, and overall increased cost effectiveness of Government operations. These concerns represent a commitment of this Administration, a commitment to improve Government operations and public sector productivity. They also reflect an appropriate demand from the taxpaying public for a more efficient and effective Government.

To meet this rising and justifiable demand, there have to be many motivating elements, catalysts for change, and improvements across the board--and this I believe is the principal role of the Joint Financial Management Improvement Program. To achieve this objective, the Joint Program must have both leadership and support from the financial management community in the public sector and from us in the principal financial management agencies.

In the ensuing months we will be looking to all of you for both the initiative and the support needed to carry forward with a revitalized program.

My primary responsibility today is a most pleasant one. It is my privilege to present the Financial Management Improvement Awards for 1977. The purpose of these awards is to recognize individuals in government who have made outstanding contributions to the improvement of financial management--in the formulation of policies and programs, and in the implementation of these policies and programs.

There are two winners this year, and they demonstrate clearly the broad reach of the public sector financial management profession. One is being commended for his professional excellence in improving financial management systems at the Federal level in a major department with a budget of nearly \$40 billion a year. The other has demonstrated an equivalent excellence as a hands-on manager who has made very significant contributions at the local level.

These two gentlemen join a number of distinguished previous award winners, and I'm honored both to introduce them to you and to present them their awards.

Lloyd F. Hara

When he was named Auditor of King County, Washington, in 1969, Lloyd Hara had, at 29 become the youngest King County Auditor in its 108-year history, as well as the youngest in the state and one of the youngest in the country from a major metropolitan area. Under his leadership, King County has made both major strides in improving its audit program and in making that program an effective vehicle for innovation and management improvements. His professional advice and recommendations on such varied topics as management practices, tax policy, debt service and bond financing have literally saved King County taxpayers millions of dollars. His audit program has served as a model for similar program innovations in many other local governments and states.

For his leadership in improving financial management in King County, and for the potential impact of his contributions benefitting local governments throughout the country, Mr. Hara deserves great credit. The Joint Financial Management Improvement Program is privileged to honor him, and I am pleased, on behalf of all the Principals, to present him its annual award.

Rear Admiral James R. Ahern, SC, United States Navy

As both Deputy Comptroller and Acting Comptroller of the Navy, Admiral Ahern has guided a work force of nearly 5,000 persons and has directly managed an annual operating budget of nearly \$100 million supporting the work of the Navy-wide finance activities, the Naval Budget Office, the Naval Audit Service, and a host of other activities integral to the operations of one of the Government's largest, most diverse and complex financial operation.

Even more notable is the impact he has had on the management of large portions of the total Navy budget through numerous financial management improvement efforts. Admiral Ahern has been the driving force behind numerous innovative concepts in the Navy's financial management program due in large measure to his insight into the ADP and telecommunications technology. And he has demonstrated an exceptional capacity to translate conceptual plans and requirements into practical and effective operating financial systems. He is known and respected as a singularly dynamic and productive manager.

Admiral Ahern clearly deserves recognition for his excellent leadership of the Navy's financial management program and for his contributions to the Federal Government's financial management improvement efforts. I am pleased, on behalf of all the Principals, to present this 1977 Financial Management Improvement Award to him on behalf of the total Program.

Special Note: A note of appreciation is due to the committee which reviewed the award nominations, and recommended the two winners. The committee was composed of:

Dr. Mortimer A. Dittenhofer
Executive Vice President
Association of Government Accountants

Bernard B. Lynn
Partner, Price Waterhouse & Company

Richard E. Miller
Vice President
Executive Management Service, Inc.

WORKSHOP I
CRISIS IN THE PUBLIC PENSION SYSTEMS

Chairperson: Edwin C. Hustead
Chief Actuary
Bureau of Retirement, Insurance &
Occupational Health
U.S. Civil Service Commission

Panelists: John Perreca
Senior Vice-President
Edward H. Friend & Company

Richard G. SchreitmueLLer
Actuary
Social Security Administration

Mr. Hustead reviewed the current financing situation of the Civil Service Retirement system. Projected income levels which were established in 1969 under P.L. 91-93 will be sufficient to provide future projected benefits. Since, however, the Government contribution will continue to rise through the end of this century, some critics are arguing that it should be increased to a level amount.

Mr. SchreitmueLLer discussed Social Security financing as it stood before the December, 1977 legislation and as it stands now. The major problems of "double-indexing" and short-term financing have been resolved but long-term financing will probably have to be bolstered in the next generation.

Mr. Perreca discussed the severe problems that face State and local government pension plans. Pension costs at all levels of government will eventually reach a point where the taxpayers will demand a long, hard review of benefit levels.

Much of the audience discussion concerned investment policy for Governmental pension plans. Social Security and Civil Service Retirement funds are, by law, invested only in Federal issues. It was suggested that better income would be earned in the open market. The main problem with such investment is the sheer size of the funds involved.

The panelists discussed possible ways of integrating all retirement systems with Social Security benefits. The Congress has mandated a study of this issue by 1979. A show of hands from the audience established that most were not covered by Social Security and almost all preferred not to be covered.

WORKSHOP II
EFFECTS OF FEDERALLY ASSISTED
PROGRAMS ON STATE AND LOCAL
GOVERNMENTS

Chairperson: Susumu Uyeda
Financial Management Branch
Budget Review Division
Office of Management & Budget

Panelists: W.A. Broadus
Assistant Director
Financial & General Management
Studies Division
General Accounting Office

Lawrence D. Gilson
Associate Assistant to the President
Office for Intergovernmental Affairs
White House

Daniel H. McGrath
Director, Special Financing Staff
Department of the Treasury

Donald M. Nuttall
Finance Director
City of Santa Fe Springs,
California

The Federal Budget for Fiscal Year 1979 recently submitted to the Congress by President Carter provides for total outlays of about \$500 billion. Of this amount, Federal grants-in-aid to State and local governments are expected to be \$85 billion. This amount is expected to be over 26 percent of total State and local expenditures of the fiscal year.

President Carter, a former governor of Georgia, is well aware of the administrative problems associated with Federal grant programs. Due to his first-hand experience as a recipient of Federal grants, the President is extremely sensitive to the difficulties in their administration. In this connection, he has issued several memoranda to the Federal

agencies directing a determined effort to simplify the administrative requirements to grants. As part of his budget package, the President has also proposed the extension of advance funding to other programs.

Mr. Gilson stated that the President established a single White House intergovernmental focal point by designating Jack Watson as Secretary to the Cabinet and as Assistant to the President for Intergovernmental Relations. This unprecedented action brought together two essential functions of the Presidency: (1) policy coordination and (2) implementation through an intergovernmental perspective. Strong Presidential interest is evidenced by his holding of an unprecedented full cabinet meeting with the nation's governors in February and his directive requiring all agencies to involve State and local officials in the development of policies, budgeting priorities, program initiatives, reorganizations and regulatory actions.

Mr. Watson and his staff are involved in a variety of intergovernmental activities:

- Extensive discussions with the Governors in the development of the President's policies;
- Coordination of an interagency group with aim of targeting Federal resources in selected urban areas to get maximum effect of private, State, local and Federal investment;
- Sponsorship of a national energy conference for the nation's governors in conjunction with Federal energy officials;
- Oversight over Presidential initiative to cut red tape and improve the administration of the \$72 billion Federal aid system. Emphasis upon simplification, standardization, consolidation and reduction of requirements impacting upon States and communities;
- A major review of the Federal regulations which require the development of State, local or areawide plans as a condition of receiving Federal funds. This initiative undertaken at the specific instruction of the President was completed in November;
- Convening of an emergency cabinet level task force for dealing with last winter's weather and energy crises;

- Designation of senior level officials within each of the principal domestic agencies designated to serve as a one-stop intergovernmental contact for information and problem resolution. Jack Watson convenes the group monthly, and more frequently as needed, to identify and resolve cross-cutting issues and assure intergovernmental policy implementation;
- Revitalization of the Under Secretaries Group, co-chaired by Jack Watson and James McIntyre of OMB, as the policy oversight body for the Federal Regional Councils and significant State and community matters which require action at the highest level.

Mr. McGrath stated that Federal cash management initiatives must be consistent with equity in terms of the timing of funds transfers to and from other entities. Consistent with this principle, the first major Federal cash management initiative in the area of large advance payments took place in 1964 with the introduction of the letter-of-credit method. This method is designed to delay the flow of funds from Treasury as long as possible while making funds readily available to recipient organizations as needed for disbursement. Since 1964 modifications which further improve cash management, including the checks-paid and single letter-of-credit techniques, have been developed and implemented on a limited basis.

Another major initiative is the application of electronic funds transfer to deposits and payments. While this technique offers tremendous cash management benefit, expansion is restricted because of the limited operational capacity of the Treasury Financial Communications System.

Other recent initiatives relating to Federal cash management include:

1. Issuance of the revision of Treasury Department Circular No. 1075, Regulations Governing Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs, and the related implementing instructions;
2. Release of Treasury Department Circular No. 1084, Regulations Governing Cash Management Practices Within the Federal Government;
3. Exploration of the potential of requiring all banks handling the general accounts of Treasury to wire or telephonically transfer deposits.

4. Revision of the Federal Tax Deposit System;
5. Passage of legislation authorizing the investment of Treasury's operating cash;
6. Expansion of automatic funding of local currency bank balances; and,
7. Issuance of the Presidential directive to review cash management policies, practices, and organization throughout the Federal Government.

Mr. Nuttall stated that Generally Accepted Accounting Principles (GAAP) for State and local Governments have traditionally been established by the National Committee on Governmental Accounting, redesignated in 1974 as the National Council on Governmental Accounting (NCGA). The latest publication of these principles is the 1968 edition of Governmental Accounting, Auditing and Financial Reporting published by the Municipal Finance Officers Association (MFOA). The American Institute of Certified Public Accountants (AICPA) published an Audit Guide for State and Local Governments in 1974 which with some modifications recognizes the authority of the NCGA principles. The NCGA is currently in the process of making a minor restatement of these principles, with an exposure draft to be issued in February.

He also stated that the primary accounting relationship between the Federal Government and State and local Governments is the accounting for grants and entitlements shared by the Federal Government. The NCGA is also currently working on a Statement of Position to assist State and local Governments in accounting for these resources. It can create serious accounting problems, when different accounting systems are mandated on a recipient by different granting sources. It is hoped that Federal agencies prescribing accounting systems will look to established principles when formulating grant policies and not unnecessarily divergent or unique accounting systems.

Mr. Broadus stated that the Audit Improvement Project resulted from concerns expressed by State officials surrounding the administration of grants-in-aid programs. The project is a cooperative undertaking by the JFMIP to study various aspects of auditing federally assisted programs administered by State and local governments. The study included visits to selected officials at each of the levels

of government; involved with federally assisted programs.
The study is concentrating on the following issues:

- Audit duplication and audit overlap;
- Lack of audit coverage;
- Audit coordination;
- Mechanisms for reimbursing State and local auditors for audits;
- Varied and differing Federal audit organizational structures; audit guidelines, and reporting requirements;
- Reliance on other Federal audit organizations for audits; and,
- Reliance on State and local organizations for audits.

Mr. Broadus pointed out that the project is not an audit, but rather a study of the audit systems employed by all levels of governments on federally assisted programs and will result in a report to be issued in the summer of 1978. The report will discuss problems identified and will list alternative methods that Federal grantor agencies and recipients might use to improve accountability over federally assisted programs.

WORKSHOP III

ZERO-BASE BUDGETING: AN EVALUATION

Chairperson: David A. Winfield
Resources Systems Branch
Office of Management & Budget

Panelists: Robert W. Downey
Senior Budget Analyst
Office of Budget & Reports
Department of the Navy

Clifford J. Parker
Director, Program Analysis Division
Environmental Protection Agency

Stanley M. Silverman
Budget Officer
U.S. Information Agency

Rodney R. Weiher
Chief, Interior Branch
Office of Management & Budget

The purpose of the workshop was to describe the operational status of Zero-Base Budgeting (ZBB) in the Federal Government. The panel reviewed their recent experience in implementing ZBB, focusing on internal agency budget development as well as the review process within OMB. The panel also presented their ideas on improvements that should be made to ZBB, both from a Government-wide and an individual agency perspective.

Mr. Parker noted that ZBB served to highlight some of the traditional budget tensions between the regional administrators and the national media directors. Trade-offs were examined between (1) direct Federal vs. State and local administration, (2) direct Federal vs. contractual efforts, and (3) headquarters vs. field level operations. In total, ZBB helped to reallocate over 685 positions within the existing personnel ceilings. Mr. Parker described the major steps in the EPA process, focusing special attention on the relationship between the decision package structure and the ranking process.

Mr. Downey described the approach taken by Navy. When ZBB was implemented in the Federal Government, Navy was already in the mid-point of their budget cycle, and they therefore were not able to use ZBB in the programming section of the cycle. Navy needed a fairly liberal interpretation of ZBB theory in order to fit within their program and budget framework. They had problems with developing minimum levels at the program level, and therefore settled on defining a current level with both increments and decrements. Mr. Downey's presentation highlighted the need to implement ZBB at the middle to low operating levels within Federal agencies.

Mr. Silverman highlighted the extremely detailed approach taken by USIA to formulate its 1979 budget request (USIA prepared approximately 1200 packages). The ZBB ranking process aided the chiefs of the geographic regions in making program trade-offs. One of the biggest values of ZBB in USIA came from using the decisions made for the 1979 budget to guide the 1978 operating budget. Mr. Silverman also highlighted the need for extensive field involvement in ZBB as well as the need for top-level commitment.

Mr. Weiher described how ZBB was used in OMB, noting both the strengths and weaknesses of the process.

- Strengths. ZBB was most effective when the objectives were measurable. The identification of levels below the current level was valuable in examining the base; however, more emphasis should be placed on this aspect next year. The ranking process was very valuable to OMB as it formulated its recommendations and proposed trade-offs.
- Weaknesses. There often was not enough time to implement ZBB in the major departments. Quite often examiners noted gaps in information which had to be backed up by additional data. Paperwork did increase.

Mr. Weiher also noted that the OMB examiners were in the process of meeting with the agencies to help resolve particular problems with the 1979 submissions.

WORKSHOP IV
RELATIONSHIP OF THE ACCOUNTING PROFESSION TO
THE FEDERAL GOVERNMENT

Chairperson: Roscoe L. Egger, Jr.
Partner
Price Waterhouse & Company; also,
Chairman,
AICPA Government Executive Board

Panelists: A. Clarence Sampson
Acting Chief Accountant
Securities & Exchange Commission

John B. Chesson
Majority Counsel
Sub-Committee on Reports
Accounting & Management
U.S. Senate

John J. Van Benten
Senior Partner
George S. Olive & Company
Indianapolis, Indiana; also,
Member, AICPA Cohen Commission

This workshop dealt with the issues and factors which gave rise to Congressional inquiries, reports and recommendations for further regulation of the accounting profession. The workshop Chairman Roscoe Egger gave an overview of the situation as it has evolved during the last two years. This overview included a sketch of the inquiries by the Senate Subcommittee on Reports, Accounting and Management headed by the late Senator Lee Metcalf as well as those prompted by Congressman John Moss, Chairman of the House Subcommittee on Oversight and Investigation. Reference was made to the response by the profession together with discussions of other activities including the two-and-half-year study by the Cohen Commission.

Mr. Sampson discussed current issues pending before the Securities and Exchange Commission (SEC) with respect to corporate accountability and the role of the accounting

profession. He touched on such subjects as specialized services by accountants, the new SEC Practice Section being developed by the AICPA, and views of the SEC together with its current activities in related areas.

Mr. Van Benten reviewed some of the highlights of the Cohen Commission's report and outlined in general recommendations for improving the quality of auditing by the accounting profession.

Mr. Chesson responded to questions related to the report by the Subcommittee on Reports, Accounting and Management, and the hearings together with related matters.

Following the panel presentations, there were general discussion and questions and answers on the subjects discussed and related matters.

APPENDIX

FINANCIAL MANAGEMENT IMPROVEMENT AWARD WINNERS

1971	J. Patrick Dugan Treasurer-Controller Export-Import Bank
	John P. Abbadessa Controller Atomic Energy Commission
1972	Robert C. Moot Assistant Secretary of Defense (Comptroller)
	Richard E. Miller Associate Assistant Secretary for Administration Department of Labor
1973	Edward W. Stepnick Director HEW Audit Agency
	Robert R. Ringwood State Auditor Wisconsin
1974	Bernard B. Lynn Director Defense Contract Audit Agency
	Martin Ives Deputy Comptroller State of New York

1975 Terence E. McClary
Assistant Secretary of Defense (Comptroller)
Department of Defense

John E. Dever
City Manager of the City of Sunnyvale
Sunnyvale, California

1976 Alice M. Rivlin
Director
Congressional Budget Office

Joseph T. Davis
Assistant Commissioner (Administration)
Internal Revenue Service

1977 Rear Admiral James R. Ahern, SC, USN
Deputy Comptroller of the Navy

Lloyd F. Hara
King County Auditor
Seattle, Washington