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JOINT FINANCIAL MANAGEMENT  
IMPROVEMENT PROGRAM



*1991 Report on  
Financial Management Improvements*

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## Preface

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**T**his annual report by the Joint Financial Management Improvement Program (JFMIP) highlights agencies' accomplishments in improving their financial management systems and operations. By disseminating this information by means of this annual report, JFMIP fulfills one of its primary roles to act as a catalyst for improving financial management policies and practices governmentwide.

The *1991 Report on Financial Management Improvements* describes initiatives of central and program agencies to implement the Chief Financial Officers Act of 1990. Chapter 2, Initiatives to Improve Financial Management Governmentwide, describes many actions to develop and implement a comprehensive program of financial management improvement throughout the government. Many of these actions had impetus in the CFO Act, as this report covers the first full year of the federal government's adherence to that legislation.

I would like to commend the agencies identified in this annual report for their accomplishments in 1991. I hope the exchange of information made possible by this report promotes application of the programs and innovations developed and implemented by other agencies for improving their financial management systems and operations. I welcome and encourage each agency to request additional information on the accomplishments cited in this annual report by contacting either JFMIP or the agency contact point for the accomplishment.

I want to thank all agency officials who contributed to this annual report and to congratulate those whose personal efforts resulted in these improvements. I look forward to hearing from you on future financial management improvements, and I appreciate your continuing support.

  
Virginia Robinson  
Executive Director

June 1992

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## Chapter 1

### *Joint Financial Management Improvement Program*

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#### BACKGROUND

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Department of the Treasury, Office of Management and Budget, Office of Personnel Management, and the General Accounting Office. JFMIP's mission is to work to improve financial management practices and policies throughout the government. The JFMIP was begun in 1948 by the Secretary of the Treasury, Director of the Bureau of the Budget, and the Comptroller General of the United States; it was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The former Civil Service Commission, now the Office of Personnel Management, joined the JFMIP's sponsorship in 1966. The JFMIP receives its leadership and guidance from four Principals: Office of Personnel Management Director Constance B. Newman, Comptroller General Charles A. Bowsher, Secretary of the Treasury Nicholas F. Brady, and Office of Management and Budget Director Richard G. Darman.

The JFMIP is administered by a Steering Committee, which is comprised of representatives of the Principals, the Executive Director of JFMIP, and a representative from a program agency. Since April 1990, program agencies have been represented by the Department of Defense. Appendix A lists the JFMIP officials and staff in 1991.

Under the guidance of the Steering Committee, the JFMIP staff develops, directs, and undertakes improvement programs

and projects. These efforts depend upon the active participation of personnel from the four central agencies and the operating agencies. To facilitate this cooperative approach, liaison representatives are designated for each federal agency. Appendix B lists these liaison representatives.

The JFMIP's projects include special studies to resolve specific problems with governmentwide application. Such studies are often performed by interagency project teams consisting of staff from both the central and program agencies. JFMIP provides advice on specific financial management problems; in addition, it provides referrals to sources of expertise, contacts central agencies, and provides informal consultation.

The JFMIP acts as a clearinghouse for sharing and disseminating good financial management techniques and technologies. The JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management practices. Appendix C lists publications in 1991 and other available publications.

#### JFMIP PROJECTS COMPLETED AND UNDERWAY

##### Standardization of Financial Information

A draft report for the *Project on Standardization of Basic Financial Information Requirements of Central Agencies* was distributed for comment to department and agency

financial management offices (February 1991). After its review, the interagency task force on standardization issued the final report (October 1991).

The task force, for the first time ever, put together a comprehensive inventory of financial information requirements of the central agencies (over 1,500 data elements for budget related information alone), arraying them in logical and hierarchical order with proposed standard names and definitions. The inventory will enable the understanding of the relationship among data elements; will be a tool in the design of central data base system and information architecture; and will serve as a basis for adjustments and refinements, as appropriate and necessary, to the Standard General Ledger. With the inventory, it is possible to more closely envision the movement of consistent and compatible financial data through electronic means from the operating agencies to a central information data bank without preparing and processing single-purpose hard copy reports.

##### Government Accountants' Continuing Professional Education

The JFMIP released, for 1991, the first edition of *Continuing Professional Education: Federal GS-510 Accountants' Report, Compendium of Courses* and prepared its second edition for distribution at the beginning of 1992. The *Compendium* groups training opportunities by the following subject area categories: (1) updates on generally accepted accounting principles, concepts, and applications; (2) federal



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accounting, budgeting, and reporting; and (3) other appropriate education. Those three subject areas had been set forth in the JFMIP's publication titled *Continuing Professional Education: Federal GS-510 Accountants Report* (December 1990). Appendices to the document list conferences and programs, identify organizations providing financial management continuing professional education, and provide information about department and agency courses which may be available to accountants from other agencies. The *Compendium* will be issued annually, supplemented by annual updates to include continuing education opportunities available each Fall.

### **Financial Handbook for Federal Executives and Managers**

This handbook, first issued in 1981 and revised in 1984, was updated in 1991. The objective of the handbook is to improve understanding of financial management and encourage closer working relationships among financial and nonfinancial managers. The latest edition includes the latest developments in financial management from passage of such legislation as the Chief Financial Officers Act and the Credit Reform Act, the advent of total quality management, and other developments.

### **Core Financial System Requirements**

A JFMIP project began in 1991 to update the *Core Financial System Requirements* issued in January

1988. Since issuance, significant developments in financial management have occurred, such as passage of the Chief Financial Officers Act of 1990; passage of other legislation for cash management, credit reform, debt collection, and merged (M) accounts; and establishment of the Federal Accounting Standards Advisory Board. The project consists of updating the requirements due to legislative changes as well as from comments received from the Chief Financial Officers Council and others in the financial management community.

Several other system requirements projects are described in the following paragraphs:

In addition to the *Core Financial System Requirements*, system requirements have been developed for Travel (January 1991) and Payroll-Personnel (May 1990 reprint). Projects are also underway to develop system requirements in other areas.

In 1991, a project team was organized to develop requirements for systems used for the financial management of seized and forfeited assets. Such systems relate to the federal government's authority to seize and take ownership (forfeiture) of private property from individuals involved in civil or criminal wrongdoing. Numerous agencies have forfeiture authority (principally the Department of Justice, the U.S. Customs Service, the Drug Enforcement Administration and the Internal Revenue Service); the sensitive nature of the programs make financial management systems a key program component. By the end of 1991, the project team had

completed a draft of system requirements for seized and forfeited assets.

A project was established to develop system requirements for inventories; by the end of 1991, a scoping document had been drafted and the project team was organizing for work. This project team, led by the Department of Defense, will include representatives from the Departments of Energy, Treasury, and Transportation, NASA, GSA, OMB, and GAO.

A credit management project, to be led by the Office of Management and Budget, will be established in the Spring of 1992.

## **INFORMATION EXCHANGE**

### **Briefings and Presentations**

**T**he JFMIP staff participated in workshops, seminars, and forums throughout the year to disseminate information on current financial management issues.

The Executive Director and staff met with federal financial managers to share information on financial management activities, discuss ongoing JFMIP efforts, and seek ideas for future projects. The agencies visited in 1991 included the Resolution Trust Corporation; National Institutes of Health; Equal Employment Opportunity Commission; the Departments of Defense (Defense Finance and Accounting Service, Denver), Education, Justice, Interior (Minerals Management Service and U.S. Geological Survey), Treasury (Customs Service and Financial Management Service), and Housing

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and Urban Development; Federal Trade Commission; Environmental Protection Agency; Office of Personnel Management; Smithsonian Institution; Office of Management and Budget; and ACTION. Meetings were held with individual financial managers on specific issues. Other information visits were conducted with the Federal Executives Institute, the Financial Executives Institute and with some private corporations in conjunction with the Private Sector Council.

The JFMIP participated in meetings with the Chief Financial Officers Council and other interagency councils including the Federal Financial Managers Council, which consists of senior financial managers from large federal departments and agencies, and the Comptroller's Roundtable, which represents top financial officials from independent federal agencies. In addition, JFMIP interacted during 1991 with the President's Council on Management Improvement, President's Council on Integrity and Efficiency, National Intergovernmental Audit Forum, and the Federal Accounting Standards Advisory Board (FASAB). Interagency council activities and a description of FASAB's 1991 activities are presented in Chapter 2.

### **JFMIP News Bulletin**

Since 1970, JFMIP has published a quarterly news bulletin to provide current information on financial management activities and developments. Articles cover a broad range of topics including central and program agency initiatives, financial system

operations and developments, cash and credit management, training, and effects of the Chief Financial Officer Act of 1990.

### **Annual Report**

The JFMIP annual report summarizes the activities of JFMIP during the year and highlights the accomplishments and initiatives of central and program agencies in improving financial management. This year was especially important because it was the first year that has been covered under the comprehensive financial management improvements envisioned under the CFO Act. The JFMIP has published the annual report since 1950.

### **Financial Management Directory**

JFMIP's *Directory for Financial Managers* facilitates the interchange of financial management information by making available the names of financial management offices and officials to the financial management community. The directory was first published in 1973, with the most recent directory published in the Fall 1991.

### **Annual Conference**

The JFMIP sponsors an annual financial management conference to address current issues in financial management policies and practices within the government. An estimated 900 people from the federal, state, and local governments and the private sector attended the JFMIP 20th Annual Conference held on March 18, 1991, in Washington, D.C. The

theme of the conference was *Improving Program Delivery and Stewardship through Modern Financial Management*.

Deputy Secretary of Defense Donald J. Atwood and Deputy Secretary of Transportation Elaine L. Chao were the keynote speakers. Secretary Atwood pointed out the success of Operation Desert Storm and discussed the organizational changes that the Department of Defense is making to improve the way it does business. Deputy Secretary Chao indicated how the Department of Transportation is incorporating the principles set forth in the Chief Financial Officers (CFO) Act of 1990.

Frank Hodsoll, Executive Associate Director, Office of Management and Budget, and the Chief Financial Officer of the United States, highlighted the major points of the CFO Act and its impact on federal financial management. He described how the CFO Act changes organizations and authorities. In the area of financial management standards, he noted the importance of the establishment of the Federal Accounting Standards Advisory Board (FASAB) by the Office of Management and Budget, Department of the Treasury, and the General Accounting Office. Mr. Hodsoll described financial management changes resulting from OMB's Five-Point Program and he challenged financial managers in the implementation of these goals.

Deputy Secretary of the Treasury John E. Robson discussed issues of future economic growth, the federal budget for fiscal year 1992, and reform of the banking system. He

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indicated that future program managers will have to work closely with their chief financial officers. He stated that accountability for financial results will increase; and managers will have to manage assets and liabilities while demonstrating that program results are worth the cost.

OPM Director Constance B. Newman directed her remarks to the issues of productivity, quality, public image, and management. She described changes in the government's work force and its management. She stated that financial management expertise is needed to assist in the total management of the federal government's resources—including human resources.

Luncheon ceremonies included presentation of the 1990 Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management improvement. The award recognizes individuals who make a profound impact on financial management in both the private and public sectors. The Award was named in honor of Mr. Scantlebury who was serving on the JFMIP Steering Committee at the time of his death. In remarks preceding the presentation of the awards, Elmer Staats, Chairman of the Federal Accounting Standards Advisory Board, spoke in commemoration of the 10th anniversary of the awards and the 20th annual conference of the JFMIP.

JFMIP honored three individuals as distinguished leaders in financial management improvements in the public sector. The awards were presented by Deputy Secretary of the Treasury Robson. Tom L. Allen, State Auditor of Utah, and Robert L. Yates, Vice President and Controller, Tennessee Valley Authority received the Donald L. Scantlebury Memorial Awards. Jeffrey C. Steinhoff, Director, Civil Audits, Accounting and Financial Management Division, General Accounting Office, received a Special Award for Distinguished Leadership.

The proceedings of the conference were published in June 1991.



*Robert L. Yates, Jeffrey C. Steinhoff, and Tom L. Allen*

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## Chapter 2

### Initiatives to Improve Financial Management Governmentwide

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#### **OFFICE OF MANAGEMENT AND BUDGET**

##### **Progress on OMB Reorganization**

**T**he Chief Financial Officers Act of 1990 (CFO Act) requires the Office of Management and Budget (OMB) to assume financial management responsibility for the Executive Branch, appoint a Deputy Director for Management and a Controller, and establish an Office of Federal Financial Management (OFFM).

To meet its organizational obligations, OMB reorganized its Financial Management Division into the statutorily-mandated OFFM in August 1991. This reorganization included establishment of a separate branch to address financial systems policies and problems and definition of expanded responsibilities in three areas: financial management organization; asset management; and accounting, auditing, and financial reporting policies and

practices. OFFM is made up of four branches: Credit and Cash Management, Financial Standards and Reporting, Federal Financial Systems, and Management Integrity.

The Deputy Director for Management (Frank Hodson) and the Controller (Edward J. Mazur) were sworn into office on November 26, 1991, and December 2, 1991, respectively. The authorities and responsibilities of these officials encompass all pertinent requirements of the CFO Act.

##### **Progress on Agency Organizational Proposals**

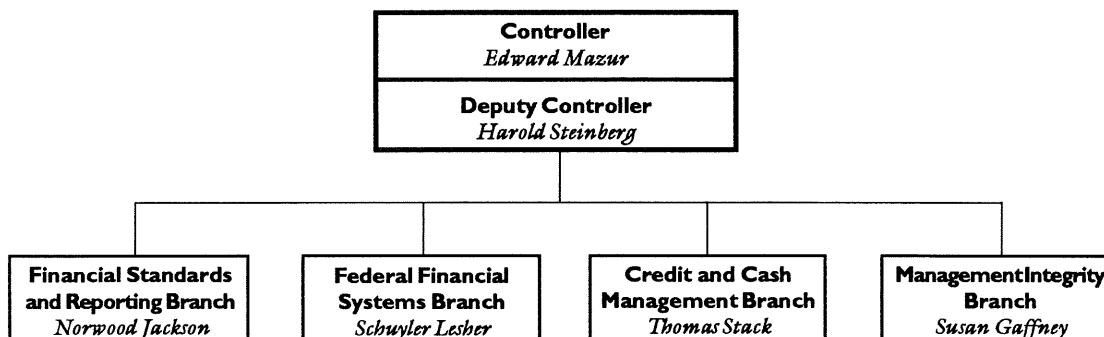
The CFO Act identified 23 agencies for which the heads of the agencies were to formulate, and submit for OMB approval, proposals for the organization of financial management functions under the CFO. In February 1991, OMB provided those agencies with guidance for preparing organizational plans. The guidance emphasized that all CFO organizations must have certain

critical financial management authorities and responsibilities. The guidance did not constrain agency heads from including additional authorities and responsibilities within the CFO organization. As of February 1992, organizational proposals for 21 of the 23 agencies covered by the CFO Act had been approved by OMB.

##### **Accounting Standards**

In October 1990, three of the Principals of the JFMIP (the Secretary of the Treasury, the Director of OMB, and the Comptroller General) established the Federal Accounting Standards Advisory Board (FASAB). The Board's mission is to propose accounting standards for consideration by the three JFMIP Principals. FASAB recommendations approved by the three JFMIP Principals become the official accounting standards for the federal government. Such standards are integral to providing accurate, comparable, and reliable federal financial reports.

#### **Office of Management and Budget Organization Chart**



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## *Initiatives to Improve Financial Management Governmentwide*

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### **Comprehensive Central Shared Information Database**

Over the last several years, OMB has participated in the JFMIP *Project on Standardization of Basic Financial Information Requirements of Central Agencies* to clarify budget concepts and relationships of various budget requirements.

The Department of the Treasury and OMB have embarked on a major project to integrate their financial databases by 1994. The intent of this project is to eliminate duplicate data entry by the program agencies that is now required to meet the information needs of both central agencies.

### **Agency Systems Applications**

OMB held hearings with each major agency to review its systems plans and status in preparation for the fiscal year 1993 budget recommendations. On the basis of information gathered during these hearings, OMB and Treasury will select five agencies for detailed systems reviews during 1992. The reviews will focus on the adequacy of each agency's systems planning process as well as an analysis of requested investment levels.

Functional requirements will be developed for each major systems application in the program agencies. The functional requirements will describe the minimum processes each systems application must perform to meet its mission and to support information requirements.

During 1991, functional standards were published for credit reform activities as an appendix to OMB Circular A-34.  
[Schuyler Leshner, (202) 395-6903]

### **Preparation and Audit of Financial Statements**

OMB issued guidance in accordance with the provisions of the CFO Act on the form and content of federal financial statements and the requirements for audit of such statements. Further, OMB identified 138 activities and organizations that have trust funds, revolving funds, and/or substantial commercial activities for which annual audited financial statements are to be prepared. Under authority granted under the Act, OMB waived the requirement for audited financial statements on 1991 activity for approximately one-half of these reporting entities. As part of the CFO Act requirement for a pilot program for organizationwide audited financial statements, five agencies prepared statements for 1990 operations and three of these received independent audits of their 1990 statements.

OMB's guidance on the preparation and audit of financial statements expanded the traditional definitions of financial statements and audit coverage. Financial statements are to include (1) a narrative discussion (overview) of the reporting entity and its program and financial performance, and (2) supplemental financial and management information. Audit guidance expands traditional audit coverage with respect to internal controls and the overview and supplemental parts of the financial statement.

### **Performance Information**

OMB, as described above, has expanded the traditional definition of financial statements to include an overview of the reporting entity and

its program and financial performance. OMB believes such performance measures will provide decision-makers with information that is essential for more informed program judgments.

OMB has identified three types of performance indicators that should be systematically measured and reported by agency CFOs:

- financial management performance indicators;
- financial performance indicators; and
- program performance indicators.

A number of fact finding and analytical efforts are under way to assist OMB and the agencies in specifying these indicators.

### **Communication with Financial Officers of State and Local Governments**

OMB traditionally has maintained contacts with financial officers of state and local governments to develop policy circulars on financial and grants management. The Financial Standards and Reporting Branch of the Office of Federal Financial Management is responsible for seven OMB circulars which provide guidance on the administration, allowability of charges, and audit of federal programs administered by state and local governments and universities.

During the year, several revisions to these guidance documents were undertaken:

- An updated Compliance Supplement for state and local government audits was issued. The Compliance Supplement specifies the principal program requirements under which major feder-

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ally-funded programs are administered and is designed to facilitate audits conducted in accordance with OMB Circular A-128.

- A new Compliance Supplement for audits of institutions of higher education and other non-profit organizations was issued. It is designed to facilitate audits conducted in accordance with OMB Circular A-133.
- Staff studies were undertaken on possible revisions to OMB Circulars A-21, A-87, and A-122 which establish cost principles for grants and contracts with educational institutions, state and local governments, and non-profit organizations, respectively. An interim revision to Circular A-21 was issued during the year. Revised circulars will be issued in 1992.

[Norwood Jackson, (202) 395-3993]

### **Budget Initiatives**

The *Budget of the United States Government, Fiscal Year 1993*, includes some important changes or proposed changes. Most significantly, the *Budget* includes a proposal to shift the accounting for deposit insurance and pension guarantees from a cash basis to an accrual basis beginning with the transactions for 1992. (The conversion of all other insurance programs is planned for 1993 and will be reflected in the 1994 budget.) The proposal initially would affect the pension guarantee program of the Pension Benefit Guaranty Corporation and the deposit insurance programs of the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, and the National

Credit Union Administration. The proposal, which is similar to credit reform accounting, would require separate accounting for the accrued costs at the time of conversion, the new accrual costs after conversion, and the associated cash flows. Like credit transactions, the cost estimates would be included in the budget totals, and the cash flows would not.

Budget authority for most special, revolving, and trust funds has been redefined to exclude funds that are precluded from obligation in a fiscal year by legislatively imposed limitations or benefit formulas. This change makes the treatment for affected funds consistent with the treatment required by the Bureau of Economic Advisors (BEA) for specified trust funds beginning with the 1992 Budget.

The Budget generally refers to the Gross Domestic Product (GDP), rather than the Gross National Product (GNP), when showing receipts and outlays as percents of total production. The shift to GDP is consistent with the emphasis placed on this measure by the BEA since it released its benchmark revision of the national income and product accounts in December 1991. However, GNP deflators were used where required by law, such as in constructing baselines specified by the Budget Enforcement Act.

### **Federal Credit Reform**

To facilitate the implementation of the Credit Reform Act of 1990 and to provide better budget and financial accounting information on federal credit programs, Treasury and OMB are cooperatively

developing an automated credit execution database on Treasury's Accounting Database for the Evaluation of Performance Trends (ADEPT). Pursuant to OMB Circular No. A-34, Part VI, agencies will begin reporting credit execution information (SF 143) with the end of year report for fiscal year 1992. These data will be used in the development of subsidy and borrowing estimates for the fiscal year 1994 budget.

### **Improvements in Budget Information Systems**

In cooperation with the Treasury's Financial Management Service, the reports on budget execution (SF 133) and credit execution (SF 143) required under OMB Circular No. A-34 will include the object class breakouts of obligations previously reported on the Report of Object Class (SF 225). The SF 225 will no longer be reported separately. This reflects a first effort to integrate budget and accounting data by the central agencies and will provide an opportunity to compare object class "actuals" provided in the President's budget with object class amounts reported by agency central accounting systems.

A systems modernization and integration project is underway at OMB to replace mainframe computer-based budget information systems used for a number of years to prepare and analyze the federal budget. OMB will implement a single new budget data structure in a modern relational database management system. It is expected that the new database implementation will provide improved flexibility for

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accessing and manipulating budget data. It is also anticipated that information links to other central federal financial management data bases will be facilitated as a result of the shift to the use of an industry standard relational database.

[Edward Rea, (202) 395-3172]

### **Credit Management**

At the end of 1990, the government's loan portfolio totaled about \$840 billion, of which \$210 billion was in direct loans and \$630 billion in guaranteed loans. The Executive Branch and the Congress have worked to strengthen management of this portfolio by improving organizational capacity, improving the quality of information provided to decisionmakers, and helping agencies reduce their risk exposure.

### **Improved Organizational Capacity**

The CFO Act identifies systems for credit management as one of the responsibilities of the agency chief financial officers. This action complements the Federal Credit Reform Act of 1990 and supports the initiative to strengthen the technical qualifications of credit staff. In 1992, the President's Budget includes additional authority and a requirement for agencies to implement measures to improve credit management and debt collection.

### **Improved Information for Decisionmakers**

The Omnibus Budget Reconciliation Act of 1990 reforms credit budgeting by requiring calculation of, and annual

appropriations for, the subsidies inherent in direct and guaranteed loan programs. Beginning in 1992, budgets will reflect the real costs of government credit. Credit reform will require credit agencies to become more accurate and accountable; there will be budget consequences for inaccuracy after 1994. The CFO Act requires, no later than 1992, annual audited financial statements for all credit programs. OMB and the Department of Housing and Urban Development (HUD) promote the use of a shared database so that federal lenders will screen prospective applicants for defaulted federal loans. The Federal Civil Penalties Inflation Adjustment Act of 1990 instituted reporting requirements for federal agency assessments and collections of civil monetary penalties (CMPs). In January, OMB submitted to Congress the second annual CMP report, which, for the first time provided a baseline for tracking agency management of CMP receivables. During fiscal year 1992, OMB plans to work with agency CFOs to set meaningful performance objectives.

### **Reduced Risk Exposure**

In November 1990, OMB issued policy guidance regarding management of the government's guaranteed loan programs. The policy guidance sets out extensive requirements for lender qualification, standard lender agreements, lender reviews, portfolio management, inventory management, and asset disposition. In addition, the Federal Credit Policy Working Group (FCPWG), is receiving "Early Warning

Reports" that highlight significant trends for each major credit agency, in portfolio performance and relevant economic indicators. These quarterly reports help to ensure that senior agency and credit officials have timely information on actual or potential problems in their credit programs. In 1992, OMB will develop in consultation with the FCPWG quantitative goals for improving credit management and debt collection performance.

[Ed Chase, (202) 395-3066]

### **Cash Management**

The Administration's goal is to convert, to the maximum feasible extent, the federal government's annual cash flow of more than \$2 trillion to a fully electronic payment and collection system. This effort will save administrative costs, reduce borrowing, and improve service to the public.

### **Payments**

A series of demonstration projects, started in 1990, is currently testing delivery of federal benefits through automated teller machines and point-of-sale terminals. Aggressive implementation of the Prompt Payment Act has resulted in nearly 88 percent of federal payments to vendors being made on time, avoiding interest and late payment penalties. (This compares with 84 percent of federal payments made on time in 1986.) OMB strongly supports agency use of electronic payments through Vendor Express and the governmentwide Small Purchase Card contracted for through the General Services



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Administration. These efforts to improve payment systems have been reinforced by the Cash Management Improvement Act of 1990 and the Food, Agriculture, Conservation, and Trade Act of 1990. The latter act requires establishment of electronic benefit transfer standards for the Food Stamp Program by April 1992.

### *Collections*

The Federal Debt Collection Procedures Act of 1990 improves the prospects for federal collections of debt. The Federal Tax Deposit Redesign Project, now in its testing phase and scheduled for completion in 1994, will automate the receipt, processing, and deposit of nearly \$1 trillion in annual employer tax deposits. [Suzanne Duval, OMB, (202) 395-3066]

## **DEPARTMENT OF THE TREASURY**

### **Financial Management Systems**

#### **MIDAS**

**T**he Financial Management Service is developing a financial management information service entitled MIDAS to provide financial information for budgetary, financial, and program area decisions. In order for it to provide detailed financial information and analyses, the requirements and scope of MIDAS will be defined with the assistance of financial managers.

MIDAS will focus on providing four primary services: (1) needs identification, (2) information brokerage, (3) product

development, and (4) value-added analyses.

The phases of system development include a series of needs assessment workshops and a feasibility study. Implementations of MIDAS are scheduled to begin in fiscal year 1994. [Ray Reinhart, (202) 874-7703]

#### *System 90*

System 90, the Financial Management Service's integrated data processing platform, will provide a modern financial infrastructure for the federal government. Its foundation has included installation of a Local Area Network (LAN) and hardware environment. Design efforts in progress include baselining the functional data requirements and development of system requirements specifications. The design-and-build stages of the first application, PACER (Payments and Claims Enhanced Reconciliation) is expected to be completed by mid-1993 with a pilot beginning in 1994 and rollout commencing in 1995. The completed System 90 will provide a modern efficient financial system, direct agency access to information, expedited claims resolution on outstanding payments and a standardized integrated system. [Bill Anderson, (202) 874-6830]

#### *STAR Project*

The Financial Management Service is upgrading all automated processes that support the government's budget execution system. This system integrates the fiscal activities of all agencies, banks, and disbursing officers authorized

to handle government funds. It is the *only* source of fundamental financial information as the government's surplus or deficit. The upgrade project, titled STAR, will improve the overall accuracy, timeliness, and integrity of the government's financial information, and will eventually support on-line information access by agencies. More than one-half of the total STAR system currently is operational. Remaining STAR applications will be phased in by late 1993. [Cindi Janson, (202) 874-8250]

#### *Agency Financial Systems*

The Financial Management Service continued to conduct reviews of agencies' financial management systems. In 1991, joint reviews were conducted by the FMS and the Office of Management and Budget of 23 major agencies' strategic five year systems plans. Five agencies have been selected for specialized in-depth reviews.

The FMS implemented a new training class to assist agencies in improving their financial systems planning capabilities. Personnel will be taught to evaluate the adequacy of their agency's financial management systems adequacy and the appropriateness of their strategic planning processes. This self evaluation capability will result in better planning and more efficient development of financial management systems. [Mary Lee Mason, (202) 208-1393]



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### ***Financial Management Systems Schedule***

The Financial Management Service has undertaken joint sponsorship of the General Services Administration (GSA) Financial Management Systems Schedule (FMSS) with the CFO Council's Financial Systems Committee. This mandatory schedule is the vehicle by which agencies may contract for financial systems software without obtaining a waiver and going through a rigorous procurement process.

Benchmark testing of the proposed software packages for the 1992 schedule is underway. FMS will continue to administer the schedule, keep the request for proposals current with the latest requirements for agency financial systems, and publish guidance to ensure effective agency and vendor use of the schedule. [Mary Lee Mason, (202) 208-1393]

### **Automated Applications**

#### ***Digital Check Imaging***

FMS has been working with the Federal Reserve Bank (FRB) of Boston on a prototype project to develop and test the use of digital check imaging in the production environment of the federal government's check sorting and processing operation. This environment requires very high-speed image capture pre-processing, compression, storage on high-density media, and subsequent retrieval. FMS currently is working on an internal prototype for digital imaging of check claims that will complement the FRB initiative. The two initiatives will

increase efficiency by replacing the paper and microfilm system with workstations capable of retrieving, displaying, and printing document and check images. Two FRB pilots are scheduled for fiscal year 1993 with a complete rollout in fiscal year 1995. The FMS rollout is scheduled to be completed in fiscal year 1993 in anticipation of the FRB pilots. [William Holcombe, (301) 344-0431]

### ***ADEPT***

The Accounting Database for the Evaluation of Performance Trends (ADEPT) is a relational database which contains financial and budgetary data reported to the Department of the Treasury and to the Office of Management and Budget (OMB) by federal agencies. The ADEPT system provides users with the capability to perform trend analysis at a program, agency, or governmentwide level. Program performance can be compared over time and between different programs. Users can obtain information through standard reports, queries, and downloads to personal computers. In February of 1991 ADEPT began processing the SF 133/DD 1176 budget execution reports on a monthly basis.

Credit reform and the CFO legislation requires significant changes to FMS and OMB credit report formats, impacting the database and related analytical reports.

FMS staff members are currently generating plans and cost estimates for the development and implementation of the revised SF 220-8 and the SF 143 credit reports on ADEPT. [Scott Spell, (202) 208-1467]

### ***Government On-Line Accounting Link System***

At the Financial Management Service, critical objectives include elimination of paper document processing and improvement of the accuracy for federal financial data. An important tool used to undertake this initiative is the Government On-Line Accounting Link System (GOALS), a commercial time-sharing service.

Since 1991, FMS has acted through Agency User Groups to elicit information about improving GOALS and to inform federal agencies of new and revised applications. The information exchange helps FMS continue to improve the services it provides to agencies.

In June 1992, federal agencies will start to submit employee federal tax payments electronically to Internal Revenue Service through GOALS. This will reduce the number of erroneous assessments and misapplied payments and help increase the federal agency compliance with the tax laws and regulations. [Michael Norman, (202) 874-8270]

### ***Foreign Currency Accounting System (FCAS)***

The FMS has initiated a contract to develop a fully automated Foreign Currency Accounting System (FCAS) on personal computers (PC) linked to a local area network (LAN). The system's objectives are to streamline the posting, error correction, and reporting of foreign currency information.

Phase I of the system, providing for the processing of foreign

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currency transactions and the generation of financial reports, has been implemented. The FCAS allows users on-line data entry, editing, standard and ad hoc database queries, and the automation of various foreign currency reports. Timeliness and accuracy of transaction processing was greatly improved.

Phase II will address the ability of the system to accept Overseas Financial Management System (OFMS) data files. This effort will eliminate on-line data entry of foreign currency data and provide for the automated upload of the Department of State's Overseas Financial Management System (OFMS) foreign currency transactions into FCAS. Batch data testing for Phase II will take place in the early part of 1992. [Roseanne McKnew, (202) 208-1555]

### *Treasury Receivable Accounting and Collection System (TRACS)*

Treasury Receivable Accounting and Collection System (TRACS) is a new accounting and collection system developed to process check claims. TRACS's implementation in August 1991, replaced three separate automated systems formerly used to process check claims activities. TRACS combined the features resident in the three obsolete systems and eliminated many operational problems and duplications. It provides all accounting, financial reporting, debt billing, and collection activities associated with Treasury's check claims process.

[Lavon Warren, (202) 874-7920]

### **Accounting Policies and Procedures**

#### *Credit Management Publications*

In 1991, the Financial Management Service continued to issue guidance to agencies on implementing effective credit management policies, procedures, and standards. The following documents were published to complement the Treasury Financial Manual Credit Supplement:

- *Recommendations for Managing and Disposing of the Federal Government's Real Property Acquired Through Loan Defaults* (February 1991),
- *Guide to Credit Bureau Reporting* (July 1991),
- *Guidelines to Conducting Federal Employee Salary Offset* (July 1991),
- *Litigation Referral Process Handbook* (August 1991),
- *Credit Extension Subgroup Report* (August 1991),
- *Credit Fact Sheet* (August 1991), and
- *Federal Direct Loan Operating Procedures* (August 1991).

FMS is revising *Treasury Financial Manual Credit Supplement* to incorporate a new chapter on guaranteed loans. The document will be published in 1992. [Marilyn M. Barnes, (202) 874-6574]

### *Training Related Initiatives*

#### **Dollars & Sense**

The FMS offers a 2-day seminar to explain the Department of the Treasury's central accounting requirements. The seminar is titled "Dollars and Sense, Making Sense of Treasury's Central Accounting Requirements." It describes how FMS processes receipt and expenditure data and emphasizes the importance of consistency across reports. "Dollars and Sense" helps participants analyze, reconcile, reclassify, adjust, and ensure the accuracy of specific financial data. This seminar will continue to be offered to agencies in 1992. [Lorraine Hollen de Perez, (202) 874-6552]

#### **What's All This Jazz About ...**

The FMS also offers a training class that focuses on operational concerns of federal financial management. "What's All This Jazz About...Improving Program Results Through Sound Financial Management" is targeted for program and line managers, held accountable for the success of a program. The "Jazz" seminar describes tools and techniques for troubleshooting financial management operations. This course will continue to be offered to agencies in 1992. [Penny Nelson, (202) 874-6946]

#### **Credit Reform**

FMS is developing a training program to instruct government financial managers and operating accountants in procedures required by credit reform legislation, including the Credit Reform Act of 1990. This seminar, which clarifies

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many new accounting requirements brought about by credit reform, will be offered to agencies beginning in 1992. [Warren Cottingham, (202) 208-2424]

### *Changes to "M" and Other Expired Accounts*

During 1991, the Financial Management Service worked with the Office of Management and Budget, the General Accounting Office and Congressional staffs to implement changes to "M" (merged accounts) and other expired accounts required by Section 1405 of the National Defense Authorization Act of 1991. In February 1991, the FMS issued governmentwide guidance through Treasury Bulletin 91-03. Government agencies were required in 1991 to complete and return various reports provided by FMS. Using this information and data maintained by the FMS, all unobligated and certain obligated fund balances were withdrawn from agency "M" accounts. Also, unobligated balances were restored to agency appropriation accounts for fiscal years 1989 and 1990. The final phases of the Act will be executed as additional unobligated balances are withdrawn from the "M" accounts in fiscal year 1992 and all "M" account balances are withdrawn and cancelled in fiscal year 1993. [Cathie Blewitt, (202) 208-1480]

### **Management Improvement**

#### *Seized and Forfeited Assets*

The Financial Management Service (FMS) is developing a "model of best practices" for the

management, storage, maintenance, and disposal of seized and forfeited assets by federal law enforcement agencies. As part of the Project USA management improvement program, FMS will identify strategies, tools, and techniques to improve the management of the more than \$1 billion of seized and forfeited assets. Techniques will be identified to safeguard the value of those assets and strategies to measure the performance of seized and forfeited assets programs will be recommended. FMS will survey federal law enforcement agencies and other agencies involved in the management and disposal of assets.

The model, focusing on law enforcement agencies, will highlight effective and innovative ways to manage seized and forfeited asset programs. It will discuss essential and useful strategies, procedures, and tools which increase government revenues and/or decrease the time and cost of asset management and disposal. The completion date is July 1992. [James E. Knox, (202) 874-6866]

#### *Program Performance*

Under the auspices of the FMS's Project USA, a long-term "Program Performance" project is being developed to improve management and accountability and assess taxpayer benefits from government use of public funds.

The project will develop a system of program performance goal setting, measuring, and reporting for the federal government. It will result in a tool for program managers to use to improve program management, increase management accountability, identify comparable program "best

practices," and access quantitative and qualitative program results.

From program performance models based on exemplary practices in private industry and the private sector, the FMS will develop models to measure various government businesses and program activities. The models will feature business performance standards (metrics), development of qualitative and quantitative measures for goals and correlated costs of program processes and services, adjustable performance goals and indicators, a measurement monitoring and reporting system, and benchmarking against business best practices.

Performance measurement procedures will be designed with consideration of program managers' needs, CFOs' management requirements and external oversight reporting usage. The FMS is working with the Office of Management and Budget and the General Accounting Office to learn from program performance experiences of foreign governments, as well as state and local governments. [Karen Pedone, (202) 874-6768]

#### *Strategic Financial Management Improvement Planning*

The FMS's Project USA has undertaken a Strategic Financial Management Planning initiative that will develop a comprehensive financial management improvement planning process.

This effort is getting under way via pilots with the Immigration and Naturalization Service and the Department of Education in fiscal year 1992. It is designed to help agency Chief Financial Officers and

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program managers link program and financial management objectives through comprehensive planning. Comprehensive plans will cover internal controls, financial systems, credit management, debt collection, cash management, financial accounting and reporting, and other financial management areas.

The pilot agency plans are expected to be completed by the end of fiscal year 1992. Completion of a model planning guide for use across government is expected in fiscal year 1993. [Avis Higgins, (202) 874-6510]

### **Cash Management**

#### ***Cash Management Improvement Act (CMIA)***

The Financial Management Service has been charged with implementing the Cash Management Improvement Act of 1990 (CMIA—P.L. 101-453). The CMIA will streamline the transfer of nearly \$150 billion in funds between the federal and state governments. The Act requires that interest be paid by one party to the other if funds are received late or if funds are withdrawn too early.

The Secretary of the Treasury has delegated responsibility to the FMS for writing and implementing regulations, negotiating and signing agreements with all states specifying how the regulations will be executed within each state, and enforcing the implementation process.

Under the Act's implementing regulations, a federal program agency can be penalized by the amount of interest which Treasury must pay out due to late payments

made by the offending federal agency to a state. The exchange of interest is an enforcement mechanism toward achieving the goal of ensuring that payments between the federal and state governments are made on time—neither early nor late.

The Congressional Budget Office has estimated that savings of \$65 million annually will accrue to the federal government when this Act is fully implemented, beginning on October 24, 1992. [John Galligan, (202) 874-6935]

#### ***Vendor Express/Electronic Payment System***

The Financial Management Service through its Vendor Express Program continues toward the strategic goal of an "electronic treasury." Fiscal year 1991 saw a 43 percent increase in transaction volume and a 174 percent increase in dollar volume. In calendar year 1991, federal agencies made over 290,000 payments a month totaling more than \$20 billion. The FMS anticipates increased 1992 volumes will result from the automated clearing house (ACH) Network for electronic payments.

International Vendor Express payments had been initiated by the Department of State. Payments, however, were temporarily halted to incorporate required security procedures.

The FMS is implementing an Electronic Certification System (ECS) to replace optical character recognition (OCR) readers used in the check payment process. ECS is described subsequently in "Other Improvements."

Agencies with large volume transactions to the same vendor

require an efficient means to transmit payments. For these, the FMS is developing a Corporate Trade Exchange (CTX) payment format. The CTX format, initially utilized by the Department of Defense, can transmit multiple addenda records (up to 4990) for a single payment amount through the ACH network. The FMS plans to conduct a CTX pilot in the latter half of calendar year 1992. [Victoria M. Blackman, (202) 874-6597]

#### ***Electronic Benefit Transfer (EBT)***

The Financial Management Service, through its Electronic Benefit Transfer (EBT) program, has advanced the use of automated teller machines and point-of-sale terminals to deliver benefit payments to recipients of direct federal and federally-administered/state-operated benefits. The program is primarily focused on recipients who do not have bank accounts or who elect not to receive their payments via Direct Deposit. An EBT Steering Committee has been established comprised of senior level management officials from federal program agencies, the Federal Reserve Board, and the Office of Management and Budget. The committee provides policy level guidance on key EBT issues such as cost, financial settlement and expansion.

EBT pilot projects continue on both the federal and state levels. The pilot in Houston which delivers multiple direct federal benefits is currently expanding its scope and a goal of 5,000 participants is targeted by April, 1993. Seven other states or counties have operating EBT pilots and as many

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as 20 other states are investigating EBT as a payment mechanism. The use of Smartcard technology is currently being examined in two of the EBT pilots.

An EBT Prototype project is being developed and will be conducted in a geographic region that includes at least one metropolitan area. This prototype will test achieving cost efficiencies through economies of scale and the integration of direct federal and federally-administered/state-operated benefits on one system. In addition, a comprehensive study to identify the costs associated with all aspects of EBT will be conducted in 1992.

The EBT program offers many benefits to the government, the recipient, retailers, and other parties involved in the electronic delivery of benefits. [Lee Jones, (202) 874-6763]

### *Direct Deposit*

The Financial Management Service promotes direct deposit as the preferred or normal method of receiving government payments. Significant growths in the different direct deposit programs (such as federal salary and social security) and interest in new applications (travel reimbursement, IRS tax refunds) show that federal agencies and the general public are accepting direct deposit as the most efficient method of making and receiving federal payments.

Currently 79 percent of federal employees of the 18 largest Treasury-disbursed agencies have chosen to receive their salaries by direct deposit. The FMS has provided advice to agencies in marketing direct deposit and encouraging participation. The

FMS is presently working with the Department of Housing and Urban Development (HUD) to develop a campaign to market direct deposit of travel reimbursements to approximately 5,000 HUD travelers.

A FASTSTART Form was developed to make the direct deposit program more attractive to federal employees. Designed specifically for federal employee use, the form allows federal agencies to capture employee banking information from a voided personal check. Thus, employees are not required to visit their financial institutions to obtain direct deposit enrollment information. The FASTSTART form will be available through the GSA Optional Forms Program in August 1992.

The FMS continues to work with the Social Security Administration (SSA) to increase the percentage of SSA benefit recipients participating in the direct deposit program. The majority of recipients, 52.9 percent receive SSA benefits by direct deposit. The FMS continues to reach check recipients through direct mail campaigns. In May and August of fiscal year 1991, check recipients received check inserts, along with their payments, promoting SSA's toll-free number for direct deposit enrollments. The FMS also distributed a worksheet entitled "Dial Direct Deposit," to financial institutions to assist them in enrolling SSA recipients using the toll-free number. [David Burns, (202) 874-6631]

### *Automated Direct Deposit Enrollments*

The FMS and the Social Security Administration (SSA) conducted a feasibility study on automated direct

deposit enrollments. The study was completed successfully under a major initiative aimed at streamlining direct deposit enrollment services for both government beneficiaries and financial institutions. Twenty-five financial institutions participated in the study and as of October 31, 1991, over 50,000 automated direct deposit enrollments had been processed. The feasibility study showed that direct deposit enrollments by automated clearing house (ACH) were expedited by one month, the start date was more predictable and errors were lower than with the paper enrollment form. The FMS is now working with the National Automated Clearing House Association to determine how the automated direct deposit enrollments program will be expanded. [Janelle Edgar, (202) 874-6644]

### *Electronic Filing/Direct Deposit of Tax Returns*

Another direct deposit program with a growing interest from the general public is the electronic filing/direct deposit of tax refunds program. This program allows taxpayers who file tax returns electronically to receive tax refunds faster and safer by direct deposit. In the 1991 tax filing season, just one year after the program was offered nationwide, 7.5 million taxpayers filed their tax returns electronically and of these 6.2 million chose direct deposit for refunds. In the 1992 tax filing season, 10.7 million taxpayers are expected to file their tax returns electronically and 9 million taxpayers are expected to choose the direct deposit option. [Shirley Hopkins (202) 874-6814]

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### *Imprest Fund Debit Cards*

The Financial Management Service completed a test on the use of magnetic debit cards by imprest fund cashiers in December 1991. The test was conducted at locations within the FMS Regional Financial Centers, the Department of Commerce, and the Department of Transportation. The test allowed imprest fund cashiers to make cash withdrawals through a nationwide automated teller machine network. Since the conclusion of the test program, the Department of Commerce's National Oceanic and Atmospheric Administration has continued using debit cards in six imprest fund locations.

The FMS will conduct market research in mid-1992 to investigate the use of debit cards for imprest fund replenishment by other federal agencies. [Gary Garner, (202) 874-6751]

### *Government Third Party Drafts*

The Financial Management Service and several other agencies are working with General Services Administration (GSA) to develop a statement of work for a governmentwide third-party draft contract to facilitate the process by which agencies will be able to obtain third party draft services. Agencies will continue to be able to use third party drafts for imprest fund transactions such as small purchases, travel advances, and travel reimbursements. Third party drafts can be used to supplement the imprest fund and even eliminate cash disbursements made by imprest fund cashiers. [John Schmid, (202) 874-7026]

### *U.S. Treasury Time Deposit Accounts*

Approximately \$800 million dollars is held in U.S. Treasury Time Deposit Accounts by the Financial Management Service at financial institutions to support essential banking services. These banking activities involve the many cash management collection mechanisms made available to federal agencies, such as domestic and international Treasury General Accounts (TGAs), CASH-LINK, lockbox, and credit cards. These collection mechanisms accelerate the availability of billions of dollars to the U.S. Treasury. The FMS oversees the use of these accounts and provides policies and procedures for their use by financial institutions and federal agencies.

During 1991, the FMS implemented major changes in operational and accounting processes involving U.S. Treasury Time Deposit Accounts. These changes will save hundreds of thousands of dollars by eliminating redundant accounts, and by replacing manual procedures and paper reports with electronic fund transfers, standard automated accounting entries, and electronic reports. Overall reconciliation efforts and internal controls have been significantly enhanced. Federal Reserve Banks and financial institutions benefit by decreasing labor-intensive paper-based processing and accounting functions. Treasury's depositories are especially pleased with the streamlined operations and prefer the new procedures.

The enhancements provide savings to organizations both inside and outside of the government.

They improve financial management and reporting, strengthen internal FMS working relationships, and increase the quality of service to the FMS customers. [James Wu or Sharon Allen, (202) 874-8610]

### *Electronic Federal Tax Deposit*

The Financial Management Service and the Internal Revenue Service (IRS), are acting to convert the paper-based Federal Tax Deposit (FTD) system to an electronic process. Many types of business taxes are paid through the FTD system. The timing of payments follow a schedule based on the size of the taxpayer's payroll. In fiscal year 1990, 5 million corporate taxpayers remitted \$880 billion in FTD payments to over 14,000 Treasury tax and loan (TT&L) depositories. The FTD system is the government's largest collection mechanism in terms of dollar and transaction volumes.

The goal of an electronic FTD system is to use available, commercially-acceptable technology to accelerate the flow of funds to Treasury's account, minimize risk to Treasury, and gather information about the funds faster and more accurately—thereby improving forecasting and investment decisions. It is estimated that Treasury will realize \$220 million annually in interest savings by converting to an electronic system.

A test program for automated deposit of electronic payments for taxes, known as ADEPT, has been conducted in New England. This successful program allowed taxpayers to make their FTD payments via automated clearing house (ACH) credit.

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The FMS and IRS are investigating other options for electronic collection of FTD payments and information. Three electronic FTD test systems will be conducted by the Federal Reserve Bank of Minneapolis, Mercantile Bank of St. Louis, and the First National Bank of Maryland in the states of Georgia, Florida and South Carolina during 1992-1993. The tests will provide TT&L depositaries and taxpayers with a variety of options, including ACH debits and credits, for making FTD payments electronically. The tests will also achieve Treasury's goals for an electronic FTD system and will provide information for the design of a nationwide FTD system. [Anne Nunnally, (202) 874-6878]

### ***CASH-LINK***

In December 1990, the FMS implemented a new banking and cash concentration system named CASH-LINK. It will link seven of the government's major collection systems into a worldwide network. Reporting financial institutions will connect to the CASH-LINK system with the use of personal computers and touch-tone telephones. This capability will be used to enter, verify, and report deposit information. The first systems converted to CASH-LINK were the 450 Treasury General Accounts and the Fedwire Deposit System. These two collection systems account for more than \$250 billion annually. The Federal Reserve System will begin conversion to CASH-LINK in December 1991. An agency access program will help agencies reconcile on a daily basis as well as provide pertinent deposit

information needed for government officials to make financial decisions. The remaining cash concentration systems to be converted to CASH-LINK include the Lockbox and Credit Card Collection Networks (both the FMS) and those of the Farmers Home Administration and the Commodity Credit Corporation. When fully implemented, data from all seven systems will be able to be reviewed at the same time. CASH-LINK will streamline deposit processing, reduce the operating costs of cash concentration services by \$5 to \$6 million annually, and eliminate about 720,000 paper transactions. CASH-LINK will ultimately record, move, and manage about \$400 billion in federal agency deposits through 3,500 financial institutions worldwide. [Patricia R. Sharp, (202) 874-6890]

### ***Lockbox Collections***

The Treasury Automated Lockbox Network is managed by the Financial Management Service and is comprised of seven financial institutions which provide lockbox services to federal agencies for collection of public monies. These financial institutions provide both paper based lockboxes and electronic lockboxes which utilize the automated clearing house (ACH) to collect funds. Over \$101 billion dollars were collected in fiscal year 1991, resulting in \$97 million in interest savings to the federal government due to improved availability. Of the total dollars collected, approximately \$6.9 billion were collected using the automated clearing house (ACH), an increase of \$4.9 billion

over fiscal year 1990. [Cathryn Donchatz, (202) 874-6580]

### ***Electronic Certification System (ECS)***

The Financial Management Service is developing an electronic certification system (ECS). Agencies will use automated systems to create payment requests for transmission to the FMS' Regional Financial Centers (RFC). The RFCs in turn certify requests and issue payments bearing electronic signature. This system increases security and integrity of the payment process, reduces the manual workload, and expands flexibility for the FMS' customers.

In 1991 the system was enhanced to include a "summary schedule" feature to provide for certification of large volume payment files submitted via magnetic tape or separate telecommunications (host-to-host). Currently, 45 agencies now use the system through the FMS's Washington Financial Center.

The next phase of the effort includes developing host capabilities for the six other RFC. Also, the system will be enhanced to provide for submission of same day (Fedline) type payments with this capability to be available at all of the FMS' Financial Centers in late fiscal year 1992. [John P. West, (202) 874-7137]

### ***Credit Management***

#### ***Credit Reform***

The Financial Management Service, the Office of Management and Budget, and other Department

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of the Treasury offices, have established interest rate schedules, standardized maturity ranges, frequency of reporting, and an information delivery mechanism via the Department of Commerce's Electronic Bulletin Board (EBS). The EBS assists federal agencies in deriving subsidy calculations for the requirements of the Federal Credit Reform Act of 1990. The Act requires accurate tracking of subsidies associated with credit risk categories for guaranteed and direct loans. All federal credit-granting organizations began using this data on October 1, 1991 for budget, borrowing, and investment purposes.

The FMS has issued *Treasury Financial Manual* Bulletin 91-06, to guide federal departments and agencies in the appropriate accounting and reporting for borrowing and interest on invested funds (A-series) with the Department of the Treasury.

The Credit Reform Act of 1990 requires substantial changes to be made to agency accounting operations and systems. The Office of Management and Budget (OMB) and the Financial Management Service are preparing guidance on Credit Reform requirements.

The FMS developed accounting case studies in 1991 to assist and guide agencies in implementing credit reform. These accounting cases are being updated to reflect the resource-based method of budgetary accounting whereas the 1991 cases used the object-based method. Accounting cases 1A through 3A have been released and cases 4 and 5A are expected out shortly. Case studies on the impact

of credit reform and recently-revised sections of OMB's Circular A-34 and A-11 are nearing completion. Five other case studies were approved by the FMS/OMB Credit Reform Steering Committee and sent out to the agencies for comment. The cases will be finalized in early 1992. These accounting cases will provide accounting guidance and standards for both direct and guaranteed loans.

The Issue Resolution Committee, a subgroup of the Standard General Ledger (SGL) Board, has reviewed all five credit reform accounting cases and developed draft guidance on changes to the SGL budgetary and proprietary accounts due to credit reform. The group is also working with OMB to finalize SF 142 and SF 143 budget reports and crosswalks. The FMS is also developing crosswalks between the federal agencies financial reports and the credit reform accounts developed in the accounting cases.

The SGL budgetary and accounting equations, entries, and reporting changes necessary for agencies to implement "M" account legislation have been developed and approved by the SGL Board. An "M" account workshop was given in 1991 to assist agencies in understanding the impact of the new legislation and the proposed changes and guidelines. [Thurman Cary or Holden Hogue, (202) 208-1852]

### *Guaranteed Loan Management*

In accordance with the findings and recommendations of its "Guaranteed Loan Management Assessment" (published in June

1990) and in cooperation with the federal agencies, the Financial Management Service has initiated several projects to strengthen the management of guaranteed loans. These projects include the development of:

- standard agency/lender agreements, containing key governmentwide requirements for establishing lender eligibility for program participation and conducting reviews of lender performance;
- standards for all phases of lender management; i.e., certification/recertification, financial strength due diligence documentation, credit evaluation, maximum delinquency, default and claims rates, loan account servicing, and debt collection; and
- checklist(s) for assisting agencies in monitoring lender performance. When completed, new tools will be provided to agencies to facilitate lender management and improve guaranteed loan portfolio performance.

The FMS has revised the SF 220-8 to capture new status information on guaranteed loan portfolios. The revised form presents the financial information necessary for effective oversight and control. On a quarterly basis starting with second quarter of fiscal year 1992, agencies will provide information on guaranteed loan balances, delinquencies, claims, and real property acquired as the result of defaults. This information will be used by the FMS and OMB for measuring the potential risks and losses associated with the government's guaranteed loan programs. [Kathleen Downs, (202) 874-6670]



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### *Debt Collection Services*

From 1987 through September 1991, 27 federal agencies have referred approximately 454,000 accounts valued at over \$5.5 billion to six private collection contractors. These actions have taken place through a General Services Administration contract for which the Financial Management Service acts as lead agency and facilitator. More than \$71 million has been collected. Nearly 389,000 accounts valued at \$4.9 billion were returned to the agencies with asset information and recommendations for further action, e.g., write-off or pursuit of litigation. [Marilyn M. Barnes, (202) 874-6574]

### *Litigation*

The FMS and the Department of Justice (DOJ) are working together to streamline the litigation process for delinquent debt. Several initiatives are underway to: (1) have agency cases referred to the DOJ for litigation action in a more timely manner; (2) better track cases once they are referred to the DOJ; and (3) identify all the appropriate resources that might be applied to expediting cases through the litigation process. In 1991, the Claims Collection Litigation Report (the form which must accompany all debts referred to the DOJ) was redesigned to simplify the referral process. A major effort by the FMS and the DOJ has started to disseminate information to field agencies about the Claims Collection Litigation Report, Federal Debt Collection Procedures Act of 1990, implementation of the DOJ's National Central Intake Facility, and increasing the agencies'

settlement authority. These efforts resulted in vastly improved quality and volume of referrals to the DOJ. Also, an effort was initiated to update the Federal Claims Collection Standards in conjunction with the DOJ, the GAO, and federal agencies. [Janet Whipple, (202) 874-7069]

### *Federal Salary Offset Program*

The Financial Management Service oversees agency implementation of the Federal Salary Offset Program. Currently, the Small Business Administration and seven major agencies participate in governmentwide matching under the program to identify federal employees delinquent in repayment of debts to federal agencies: the Departments of Agriculture, Defense, Education, Health and Human Services, Housing and Urban Development, Treasury, and Veterans Affairs. Identified debtors/employees are encouraged to repay their debts. In situations where the debtor/employee refuses to voluntarily repay the money owed, a federal creditor agency may request the employing agency to collect the debt by withholding up to 15 percent of the employee's disposable pay. Through December 1991, \$137 million has been collected since the program's inception in 1987. [Thomas Kobiellus, (202) 874-6867]

### *Tax Refund Offset Program*

The Deficit Reduction Act of 1984 authorized the collection of delinquent debts owed federal agencies by offsetting federal income tax refunds due delinquent debtors. After other agency

collection efforts fail to collect the debt, 60-day notices of intent to offset are sent to delinquent debtors, and debts that are not repaid, renegotiated, or otherwise resolved are sent to the Internal Revenue Service for matching against tax returns and refunds due. The FMS is responsible for policy direction and coordination of all phases of project activities.

For calendar year 1991, 14 federal agencies participated in the program, and collections totaled \$484 million. Of this amount, \$52.2 million was voluntarily repaid by debtors upon receipt of the notices of intent and \$431.6 million was collected through offset.

Since the inception of the program in 1986 through December 1991, over \$2.1 billion has been collected. The program was given permanent authority in November 1991 under P.L. 102-164, the "Emergency Unemployment Compensation Act of 1991." [Thomas Kobiellus, (202) 874-6867]

### *Federal Credit Management Training Institute*

The Financial Management Service serves as the executive directorate of the recently established Federal Credit Management Training Institute. The Credit Institute resulted from recommendations made to and by the Federal Credit Policy Working Group chaired by Office of Management and Budget (OMB). An advisory board of senior policy representatives of the federal credit agencies, the General Accounting Office (GAO), OMB, and the FMS provides overall guidance to the Credit Institute. The Credit

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Institute offers basic credit management training that will satisfy the training needs common among the federal credit agencies; it will establish a certification program for federal loan officers. Two contracts have been negotiated and are being implemented by the FMS to support the Credit Institute. The first is a training delivery contract with the American Institute of Banking, American Banking Association. This contract provides for 16 courses in Accounting I and 21 courses in Financial Statements Analysis to be offered in early fiscal year 1992. Loan officers from the federal credit agencies are course trainees. The second contract is for a needs assessment among the federal credit agencies to determine the core curriculum and standard of proficiency that federal loan officers will be required to meet for certification. This core curriculum will be in place by late fiscal year 1992.

The Credit Institute anticipates its operations will establish cost-effective, qualitative, and consistent training for federal loan officers and improved delivery of loan making, loan servicing, debt collection, and property management services. [Pamela M. Dillon, (202) 874-6577 or Janet R. Whipple, (202) 874-7069]

### ***Guaranteed Loan Account Servicing Modernization***

The Financial Management Service is evaluating advanced loan management systems technology used in private industry and government for general applicability to federal programs. This study is intended to produce specifications for a model automated

management information system incorporating state-of-the-art risk management and information handling technologies. The model will be tested at a minimum of two federal credit granting agencies.

The FMS is developing a "lender review guide" to be used as guidance by federal agencies for conducting on-site reviews of lenders participating in guaranteed loan programs. The FMS will also evaluate current agency standards for measuring lender performance by comparing them with private mortgage insurance industry standards. These projects are to be completed by May 1992. [Frank Kesterman, (202) 874-6847]

### ***GENERAL ACCOUNTING OFFICE***

**D**uring fiscal year 1991, the General Accounting Office (GAO) issued 880 reports to the Congress, congressional committees, and individual members; 70 reports to agency officials; and over 3,900 legal opinions. GAO officials testified 277 times before congressional committees. Legislative and executive actions to which the GAO's work contributed significantly improved government operations with measurable financial benefits of over \$33 billion.

GAO expanded its support for agencies' implementation of the Chief Financial Officers (CFO) Act of 1990 and audited agency financial statements and "high risk" programs. GAO's reports and testimonies have continued to advocate elimination of the deficit and advise that additional billions of

dollars in funding will likely be required to resolve problems with federally insured savings and loan institutions and to protect federally insured bank deposits.

### ***Reorganization Focuses on CFO Implementation***

In December 1990, the GAO bolstered and restructured its Accounting and Financial Management Division (AFMD) to increase its capability to help the executive branch successfully implement the CFO Act. The restructuring will increase efficiency and effectiveness of GAO's audits; enhance GAO's ability to assist and oversee the progress of chief financial officers, inspectors general (IGs), and independent public accountants as they begin preparing financial statements; and better integrate AFMD's systems and financial audit work.

AFMD also established a focal point for maintaining effective working relationships on evolving CFO implementation issues with key congressional committees, the Office of Management and Budget (OMB), the Department of the Treasury, and executive councils composed of IGs and CFOs. AFMD's audit methodology and training assistance groups were expanded to enhance their ability to provide guidance, training, and to improve the quality, efficiency, and timeliness of financial audits and reports. [Jeffrey C. Steinhoff, (202) 275-9454]

The Audit Support and Analysis Group, established as a major part of the reorganization, promotes and monitors progress in implementing the CFO Act. Under its broadly defined mission, the group provides

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technical assistance to the federal auditor, public accountant, and CFO communities involved in implementing the CFO Act. Specifically, the group provides advice and technical assistance on preparing financial statements, performing financial statement audits, procuring audit services from independent public accountants, developing useful financial statement and reporting entity overview formats, developing guidance for implementing the CFO Act, and interpreting the results of financial statement audits. [John W. Hill, or Eugene L. Parker, (202) 275-8549]

### The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform

As part of its focus on CFO Act implementation, the GAO issued *The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform* (GAO/AFMD-12.19.4). This booklet discusses the CFO Act's requirements, underlying financial management problems that led to its passage, and results that can be achieved through its effective implementation.

Federal financial managers, auditors, and program managers at all levels of government will be affected as agencies take actions

required by the CFO Act to improve financial management systems and information. The publication helps agency managers and other interested parties become familiar with the CFO Act's principal features and better understand the actions needed for successful implementation. [Jeffrey C. Steinhoff, (202) 275-9454]

### GAO Guide for Procuring Audit Services from Independent Public Accountants

GAO issued a publication to guide federal agencies in complying with the provisions of the CFO Act requiring financial audits. The CFO Act provides that such audits be conducted by agency inspectors general (IGs), independent external auditors, or, at the discretion of the Comptroller General, by GAO.

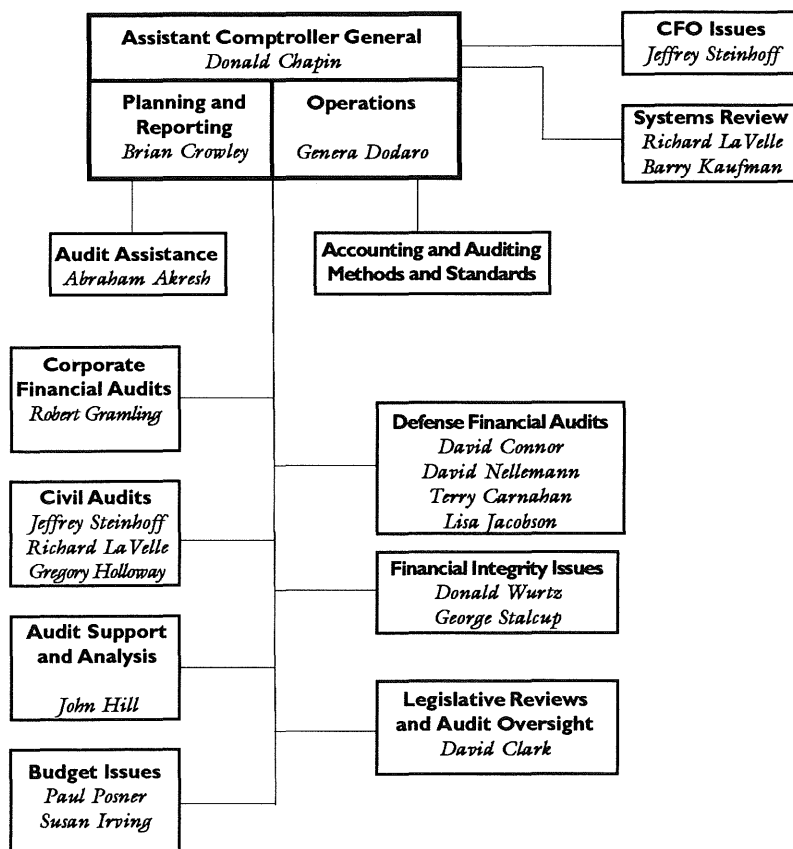
The new document, *Guide to Federal Agencies' Procurement of Audit Services from Independent Public Accountants*, (GAO/AFMD-12.19.3), advises IGs and other federal officials in contracting with independent public accountants for audit services. Intended for officials who are unfamiliar with federal procurement regulations, the guide offers a basic understanding of the process for awarding auditing contracts to independent public accountants. [Jeffrey Steinhoff (202) 275-9454]

### Financial Institution and Pension Audits

#### *Accounting and Auditing Reforms for Insured Depository Institutions*

As GAO recommended, the Federal Deposit Insurance Corporation Improvement Act of

GAO AFMD Reorganization Chart



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1991 provides major accounting and auditing reforms for federally insured financial institutions. For several years, the GAO's reviews of failed banks and thrifts have shown that internal control weaknesses, including noncompliance with safety and soundness laws, have contributed significantly to their failure. (*Failed Banks: Accounting and Auditing Reforms Urgently Needed*, GAO/AFMD-91-43; *Thrift Failures: Costly Failures Resulted From Regulatory Violations and Unsafe Practices*, GAO/AFMD-89-62; *Bank Failures: Independent Audits Needed to Strengthen Internal Control and Bank Management*, GAO/AFMD-89-25).

Bank management will now be required to annually report on the condition of its internal controls and its compliance with designated safety and soundness laws and regulations. As part of the annual financial statement audit, the independent public accountant will be required to review and report separately on management's assertions.

The act also includes new requirements for independent audit committees, qualifications of independent public accountants, direct notice by the independent public accountant of termination of services, removal of the independent public accountant by the regulators upon a showing of good cause, and exchange of reports and information by external auditors and examiners. Finally, for large institutions that represent a major exposure to the insurance fund, the act sets forth additional requirements concerning audit committee membership and reviews

of quarterly financial reports by independent public accountants.

The requirements are effective for fiscal years beginning after December 31, 1992, and are generally applicable to all institutions with assets greater than \$150 million. [Robert W. Gramling, (202) 275-9406]

### ***Bank Insurance Fund Audit***

GAO's report, *Financial Audit: Bank Insurance Fund's 1990 and 1989 Financial Statements* (GAO/AFMD-92-24), disclosed that the fund, which insures approximately 12,500 commercial and savings banks, ended calendar year 1990 with a balance of \$4 billion. The report cautioned that, if problems were not rectified or funding was not increased, losses from expected bank failures in all likelihood would result in the fund becoming insolvent. The report identified those institutions likely to fail in the next year and those with the potential to fail over the next 1 to 3 years. GAO reported that the fund faced minimum identifiable costs from predicted bank failures of approximately \$31 billion. GAO also noted that the fund's estimates of bank failures and associated costs were subject to significant uncertainties as a result of current and future economic conditions and the oversupply in the commercial real estate market. These factors could significantly affect recoveries on sales of failed bank assets and, ultimately, the cost of future bank failures. [Robert W. Gramling, (202) 275-9406]

### ***Pension Benefit Guaranty Fund Audit***

GAO's report, *System and Control Problems Further Weaken the Pension Benefit Guaranty Fund* (GAO/AFMD-92-1), disclosed that financial system deficiencies and internal control weaknesses prevented the Pension Benefit Guaranty Corporation from preparing reliable financial statements and, thus, limit the ability of the Congress to assess the adequacy of the Corporation's insurance premium levels.

GAO was unable to assess the reliability of the Corporation's principal liability for future benefits because of a lack of documentation and support for the estimating techniques and assumptions used to develop the estimates. [Robert W. Gramling, (202) 275-9406]

### ***Civil Agency Audits***

GAO's 1991 work to improve civil agencies' financial management involved financial audits at several agencies. Audit reports provided recommendations covering a wide range of financial systems and related development problems. GAO also addressed governmentwide financial management issues, such as the credit management practices of major lending agencies.

### ***Department of Agriculture***

GAO reported on the results of its audit of the Department of Agriculture's (USDA) consolidated financial statements for the fiscal year ended September 30, 1988 (GAO/AFMD-91-65). These statements are the first set of consolidated financial statements

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prepared for USDA and are among the most complex and comprehensive ever assembled for a federal agency. GAO reported that, with certain exceptions, USDA's consolidated financial statements fairly present the results of the USDA's 1988 operations, its cash flows, use of budgetary resources, and financial position as of September 30, 1988, in conformity with generally accepted accounting principles. [Jeffrey C. Steinhoff, (202) 275-9454]

### **Department of Veterans Affairs**

GAO audited the Department of Veterans Affairs (VA) housing assistance program financial statements for the fiscal years ended September 30, 1989 and 1988, and reported that the statements present fairly the program's financial position for those years (GAO/AFMD-92-2). GAO pointed out that refinement of the way VA approximates guaranteed loan losses would ensure that estimates continue to reasonably reflect actual losses and requirements of the Federal Credit Reform Act are met.

In another report, GAO analyzed VA housing assistance program and Federal Housing Administration Mutual Mortgage Insurance Fund accounting treatments of losses from guaranteed or insured loans, revenue from loan guarantee fees and insurance premiums, value of outstanding direct mortgage loans and property acquired through settlement of mortgage insurance or guarantor claims, and administrative costs (GAO/AFMD-92-8).

GAO reported (GAO/AFMD-91-37), on factors VA needs to consider in implementing

the CFO Act. For example, GAO reported that VA must consolidate responsibility for all financial management functions under the CFO to help eliminate problems arising from its various components autonomously developing and operating financial management systems. Other factors to be considered include the need to improve asset management systems, integrate accounting and budget information, and attract and retain high quality financial staff. [Jeffrey C. Steinhoff, (202) 275-9454]

### **Internal Revenue and Customs Services**

GAO began financial audits at the Internal Revenue Service (IRS) and the U.S. Customs Service as part of the financial statement pilot project established by the CFO Act. GAO's work at these agencies will help demonstrate the benefits of relevant and useful financial statements.

In addition to determining whether the IRS and Customs financial statements are fairly presented, the scope of the audits will examine whether internal control structures provide reasonable assurance that internal control objectives are achieved and the agencies have complied with applicable laws and regulations that could materially affect their financial statements. The audits will review the process by which the IRS and Customs (1) identify and evaluate weaknesses required to be reported under FMFIA and (2) determine whether financial, statistical, and other information presented in the agencies' financial statement overview is adequately documented and supported. GAO will

emphasize developing and reporting meaningful performance measurement data with which the operation of these agencies can be managed. [Jeffrey C. Steinhoff, (202) 275-9454]

### **Credit and Insurance Programs**

GAO reported and testified on the government's growing exposure from its credit and insurance programs (GAO/AFMD-91-81FS and GAO/T-AFMD-92-1). The total government exposure has almost doubled in the last 5 years, totaling over \$6.2 trillion today, and, while the amount of the exposure that the taxpayer will ultimately be required to pay is still unknown, the potential for significant losses is large. For example, GAO reported that in fiscal year 1990, agencies wrote off \$3.4 billion in loans, and

\$11.9 billion in guaranteed loans were terminated for default—doubling the 1985 default terminations of \$6 billion.

A number of actions have already been taken to minimize losses from the government's credit and insurance program exposure, but it will take time for them to be fully effective. In addition, financial management weaknesses and unreliable financial information continue to persist. GAO cited specific recommendations aimed at the root causes of these weaknesses in other ongoing efforts. Additional legislation could also help control and minimize losses to the government from its credit and insurance programs. [Jeffrey C. Steinhoff, (202) 275-9454]

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### *Defense Agency Audits*

In 1991, GAO issued 13 reports on financial management in DOD organizations, including the Air Force, Army, and Navy. These reports detailed numerous deficiencies in internal controls and financial management systems within DOD and made a number of recommendations addressing needed improvements. Among these were a series of reports on the Air Force, which specifically addressed (1) Air Force's inventory control and financial management systems at the Air Logistics Centers, (2) Air Force Systems Command's financial management operations, and (3) Air Force's base-level financial systems. As part of the pilot project established by the CFO Act, GAO began the first comprehensive financial audit of the Army—the second military department to undergo such an audit. Though ongoing, this work has already resulted in several reports to Army commanders. In addition, GAO reported in July 1991 on Navy controls to ensure that accurate and reliable data were recorded in systems that account for, control, and report on ship fuel purchases.

GAO has issued a number of reports and testified before Congress on DOD-wide financial management improvement initiatives. In addition, GAO reported on DOD's initiative to improve management of its repairable inventory and on DOD's need to develop a uniform policy for valuing repairable items in financial reports. GAO also testified before the Congress on DOD's proposed Defense Business Operations Fund, a revolving fund

which will eventually include virtually all support activities in the department. While GAO cited advantages of the Fund's operating arrangement, it also cited concerns over the effectiveness of the financial management systems used to operate the Fund. These concerns aided the Congress's decision to authorize establishment of the Fund for a limited period, incorporate a test and evaluation, and have DOD work with GAO to resolve various accounting issues. [David M. Connor, (202) 275-7095]

### *High-risk Programs*

GAO implemented a special audit program in 1990 to respond to widespread congressional concerns about inefficient and ineffective federal programs and the poor condition of internal controls and financial management systems within those programs. Since then, GAO has targeted 16 areas for audit emphasis because experience has shown them to be at high risk to fraud, waste, abuse, and mismanagement. These areas include the management of seized and forfeited assets; guaranteed student loans; DOD major systems acquisitions; contractor oversight and related practices at the Department of Energy, the Environmental Protection Agency, and the National Aeronautics and Space Administration; financial management systems at the U.S. Customs Service; and the resources of the Bank Insurance Fund.

GAO has initiated about 200 audits in these 16 areas. While many of these assignments are still in progress, GAO's efforts have already resulted in significant

findings and recommendations. For example, work within DOD has identified ways to reduce excess inventory. Due in part to these efforts, DOD reduced its fiscal year 1991 material acquisition requirements by \$1.3 billion. In addition, audits of Medicare have resulted in numerous suggestions for changes in payments to providers for laboratory services, emerging technology, indirect medical education, and physician payments. If the Congress acts on these and other GAO recommendations, over \$1 billion in outlays could be saved. [Donald R. Wurtz, (202) 275-0850]

### *Audit Oversight*

GAO continued its oversight of the inspectors general and other audit organizations with reports on the Department of Labor (GAO/AFMD-91-24) and the Defense Contract Audit Agency (GAO/AFMD-91-14 and GAO/AFMD-91-72). These reviews focused on organizational relationships; audit coverage; and staff resources, qualifications, experience, turnover, and training. In addition, GAO reported on the feasibility of a centralized federal fraud hotline (B-237226, December 4, 1990) and the Defense Contract Audit Agency's ability to provide independent contract audits and follow present contract audit policies if the agency were funded via the Department of Defense's proposed Defense Business Operations Fund (B-243768, April 29, 1991). Also, GAO reported on federal agencies' implementation of the Program Fraud Civil Remedies Act of 1986 (GAO/AFMD-91-73). [David L. Clark, (202) 275-9489]

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### **Budget Issues**

GAO issued a series of reports and testimonies drawing attention to the need for more effective ways of dealing with our deficit problems than has been the case to date. For example, GAO issued reports on compliance with the Gramm-Rudman-Hollings legislation and its effects (GAO/AFMD-91-35 and GAO/AFMD-91-21, respectively.) GAO concluded that the Congressional Budget Office and Office of Management and Budget reports and the President's order substantially complied with the act's requirements, and that the legislation's sequester requirements had minimal negative impact. However, GAO also expressed the belief that the deficit cannot be eliminated by exclusive reliance on sequestration and must instead employ good faith negotiations, political leadership, and compromise on difficult policy matters.

### ***Budgeting for the Future***

In testimony, "Budgeting for the Future" (GAO/T-AFMD-91-1), GAO highlighted the importance of today's budget policies in determining our nation's standard of living in the future. GAO indicated that budget policies have promoted consumption at the expense of our future economic well-being, and deficits have drained private savings that could have been devoted to new plants, equipment, and other productive private investments. The 1990 budget summit agreement and the legislation implementing this agreement made a start toward

eliminating the deficit, but GAO cautioned that much remains to be done, both in dealing with the deficit itself and in integrating the consideration of long-term economic effects into the budget process. [Paul L. Posner, (202) 275-9573]

### ***Effects of the Budget Enforcement Act***

In testimony, GAO discussed the "Effects of the Budget Enforcement Act (BEA) Discretionary Spending Limits in Fiscal Years 1994 and 1995" (GAO/T-AFMD-91-8). GAO noted that as a result of increases in programs such as Medicare, the huge costs of deposit insurance, and the effects of the recession, we are facing record high deficits, despite the controls imposed by the Budget Enforcement Act. GAO also noted that it is clear that the Budget Enforcement Act's discretionary spending limits in fiscal years 1994 and 1995 will not allow funding for all of the programs that will be considered by some to be high priority. [Paul L. Posner, (202) 275-9573]

### ***Alternative Budget Presentations***

In testimony, "Budget Reforms Embodied in S. 101, the Honest Budget/Balanced Budget Act" (GAO/T-AFMD-91-10), GAO pointed out that information on the true state of the government's finances is now lacking or is difficult to ascertain under the current budget presentation. In the past, GAO has proposed retaining the unified budget but supplementing its single "bottom line" focus by prominently displaying information

that clearly differentiates financing for general government, trust fund, and enterprise-type activities. GAO proposes that each of those three components would be further broken down to show funds needed to finance capital investments separately from operating costs. [Paul L. Posner, (202) 275-9573]

### **Auditing Standards and Guidance**

#### ***Government Auditing Standards Advisory Council***

In February 1991, the Comptroller General announced the selection of individuals to serve on the Government Auditing Standards Advisory Council. The Council advises the Comptroller General on the promulgation of auditing standards, interpretations, and guidance to be observed by auditors who are required to comply with auditing standards established by the Comptroller General. Individuals selected for the Council provide a strong collective knowledge of financial and performance auditing and program evaluation. The Council met in April, July, and November of 1991 and discussed potential revision issues. [Patrick McNamee, (202) 275-9525]

#### ***CPE Interpretation***

GAO's *Interpretation of Continuing Education and Training Requirements* provides new guidance on continuing professional education training (CPE) requirements for those working on audits to be carried out in accordance with the 1988 revision of *Government Auditing Standards*.

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The interpretation answers the most frequently asked questions on CPE requirements from the audit community. It explains who is subject to the CPE requirements, when compliance with the CPE requirements should be determined, what qualifies as acceptable CPE, how the requirements are to be administered, and other issues.

The interpretation is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20401, or by calling (202) 225-3456. The stock number is O2O-000-00250-6. [Patrick McNamee, (202) 275-9525]

### ***Financial Auditing***

#### **Financial Audit Manual**

GAO is updating its 1985 manual describing its financial audit methodology. This document will provide detailed guidance on issues relevant to federal agency financial audits, including:

- determining materiality,
- addressing audit risk,
- determining specific provisions of laws and regulations to be tested,
- incorporating the Federal Managers' Financial Integrity Act (FMFIA) into the financial audit,
- addressing budget, operating, and EDP controls, and
- reporting on financial statements of federal entities.

Scheduled to be released in early 1992, the financial audit manual incorporates the requirements of

the Comptroller General's *Government Auditing Standards* and OMB's Bulletin 91-14, "Audit Requirements for Federal Financial Statements." In addition, it recommends audit procedures to meet the objectives of the CFO Act. [Robert F. Dacey, (202) 275-1317]

#### **Financial Statement Analysis Framework**

GAO developed a framework to assist agencies in analyzing financial statements, which is an essential step toward preparing the description and analysis of an agency's financial status, as required by the CFO Act (*Financial Reporting: Framework for Analyzing Federal Agency Financial Statements*, GAO/AFMD-91-19, March 1991). The framework defines the financial attributes on which to focus the analysis, identifies measures and indicators for each of the attributes, and introduces techniques that can be applied in analyzing financial statements.

GAO also developed an example of a description and analysis narrative that could be prepared following the application of GAO's analytic framework. Specifically, the description and analysis illustrates the results of what a CFO might determine to be the most important aspects of an agency's financial operations, focuses on future funding needs, and can provide an early warning of other potential financial management problems. [John W. Hill, (202) 275-8549]

#### **Computer Audit Assistance Project**

GAO initiated a project to improve the consistency of financial

audit methodology through the use of microcomputer techniques contained in standardized software packages. The project is intended to develop a standardized core software package that will be available to serve the needs of both GAO and the inspector general community. The Department of Health and Human Services Inspector General is participating in the project.

GAO is looking at available off-the-shelf software as well as the "electronic briefcase" package used by Canada's Office of the Auditor General. The Canadian approach adapts readily available commercial packages to meet financial audit needs. GAO is currently testing several of the systems included in the electronic briefcase. [Abraham D. Akresh, (202) 275-7097]

#### **Computer-Assisted Statistical Sampling Plan for Inventories**

As part of its financial statement audit work at the Army, GAO developed a computer-assisted statistical sampling plan for depot inventories. GAO believes the techniques employed in developing this plan may be useful for other entities responsible for counting large quantities of inventory. By using statistical sampling techniques, GAO was able to avoid the requirement for a complete count of all of the inventory. Computer-assisted audit techniques were particularly helpful in analyzing the population, identifying large dollar items, and developing an efficient sampling plan. [Abraham D. Akresh, (202) 275-7097]



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### ***Financial Management Training Courses***

During the past year, GAO has developed several financial management courses which have been offered both within GAO and to the IG and CFO communities. Courses offered during 1991 included: "Introduction to Financial Auditing," "Introduction to Financial Auditing: An Executive Overview," and "Federal Accounting Principles and Standards."

Starting immediately after the passage of the CFO Act, GAO began offering the introduction to financial auditing course to the federal audit community. By the end of 1991, over 600 IG auditors had participated in this course. The executive overview seminar was presented to approximately 70 IGs and their senior executives in May 1991 to update them on financial auditing literature and approaches. Both the CFO and IG communities have participated in the eight presentations of the Federal Accounting Principles and Standards course offered during 1991.

GAO will expand its financial management curriculum during 1992 by providing additional opportunities for those interested in attending its courses as well as by developing new courses that are relevant to its auditors and others responsible for implementing improved financial management. GAO will participate with others, such as the Inspectors General Auditor Training Institute, in developing supervisory level financial auditing and other financial management courses. [Robert F. Dacey, (202) 275-1317]

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### ***OFFICE OF PERSONNEL MANAGEMENT***

#### **Human Resources Development**

##### ***Financial Management Training***

**I**n 1991, the Office of Personnel Management (OPM) provided 659 financial management classroom training sessions for 12,935 employees in Washington, DC, and at field locations throughout the United States and the world. This training included a full range of courses for federal employees with financial management responsibilities. OPM also conducted a full range of courses in budgeting, total quality management, work measurement, management control, and cash and debt management. Further, OPM continued to provide computer security training assistance and offered a wide range of information resources management training courses for more than 17,000 employees through its interagency training system. Management and executive training continued to receive high priority; OPM provided residential and classroom training for more than 23,000 federal supervisors, managers, and members of the Senior Executive Service in 1991. [Margaret S. Murtagh, (202) 606-1879]

##### ***Building Financial Management Capability in the Federal Workforce***

OPM analyzed the training authorities within the Chief Financial Officers (CFO) Act of 1990 and provided this information to the Office of Management and Budget and to individual agencies.

The authorities can be used to support continuing education for federal financial management staffs. OPM commended the JFMIP publication, *Continuing Professional Education: Federal GS-510 Accountant's Report*, and proposed that a similar governmentwide study be made to assess the continuing education needs of other financial management career fields. Such studies would provide benchmark data on training and education needs and delineate required actions in these critical areas. [Robert J. Agresta, (202) 632-6803]

##### ***Return on Investment for Training and Development***

OPM's Human Resources Development Group (HRDG) is undertaking a return on investment pilot project to measure the impact and cost of training. The project will also develop techniques and materials that agencies can employ to evaluate their training programs. Several simultaneous demonstration projects will be undertaken in partnership with federal agencies in areas such as technical, production, service, social, and supervisory skills.

The costs of training, including the participants' time away from work, program development, and program delivery, will be reconciled with benefits to the organization such as cost savings and improvements in job and organizational performance. If measured benefits exceed invested costs, there is a positive return on investment. [Sarah Adams, (202) 632-0532]

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### **Career Entry**

#### ***Automated Enhancements***

OPM uses a number of automated systems in support of federal recruiting programs to increase agencies' abilities to attract qualified candidates, to provide job information to the general public, and to improve the timeliness of the applications process.

#### **Improvements in Providing Job Information**

OPM has a multimedia federal job information system that includes the Federal Job Opportunities List (FJOL) and various delivery systems that link the job-seeking public to the FJOL. The FJOL is an automated database of open federal job announcements, i.e., announcements for which OPM and agencies are accepting applications. Information about these open announcements is entered into the database which the public can access through various delivery systems, which include the Federal Job Information Touchscreen Computer System, Job Information 2000, the Federal Job Opportunities Board, and the Federal Employment Data Services System.

OPM also electronically transmits the FJOL to the Interstate Job Bank, an organization funded by the Department of Labor that transmits job information to states. The Interstate Job Bank electronically transmits the FJOL to state employment service offices as part of the Automated Labor Exchange (ALEX), a computerized job-search system, so that information about federal job opportunities will be available for

job seekers at the state level. The Interstate Job Bank also sends microfiche copies of the FJOL to state job service offices that are not equipped to use ALEX. These transmissions reduce printing and mailing costs. [Sherry Turpenoff, (202) 606-0950]

#### **Federal Job Information Touchscreen Computer Systems**

OPM's Federal Job Information Touchscreen Computer Systems provide nationwide federal job information to prospects, at the touch of a finger, in federal agency lobbies, college placement offices, state employment service offices, and Federal Job Information Centers. These interactive systems are adaptable for use in virtually any setting. This delivery system combines personal computer, synthetic voice, and touchscreen technologies to provide current federal job information in seconds. Prospects simply touch color blocks on the computer screen to select the information desired. In response, the system provides the information requested and highlights key points with the system's voice synthesizer. The touchscreen includes an option to print out requested information.

The touchscreen systems offer an array of information on federal employment including announcements about current career opportunities, how the hiring process works, and job qualifications. The systems can also easily be adapted to accommodate agency merit promotion announcements. The several dozen systems now in place have been used by prospects, recruiters, and agency officials. High customer

satisfaction has been expressed, centered around the user-friendliness, responsiveness, and the currency of the information provided.

Touchscreen enhancements underway will allow job listing searches by location and job category searches by education and/or experience level. Requests for application packages can be made by entering the applicant's name and address on the screen. [Rhonda Wood, (912) 744-2057]

#### **Job Information 2000**

In response to a growing need to provide rapid, economical, easily accessible, nationwide federal job information, OPM developed Job Information 2000. This system allows both rotary and touchtone callers interested in federal career opportunities to call a single number to receive information about current vacancies and nationwide hiring procedures, or to request application materials 24 hours a day, 7 days a week. The average call is about 5 minutes long.

Job Information 2000 features an easy-to-use menu with on-line voice prompts to direct touchtone callers to select topics using their touchtone telephone keypad. Rotary callers are directed to use voice commands the system recognizes. Callers merely touch or speak their way to choose messages about salaries and benefits, how jobs are filled, special employment programs for veterans and people with disabilities, and student and intern programs. Callers are also invited to leave, by voice-mail, their name, address, and telephone number to request application materials.

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Job Information 2000 currently offers two job information services. The College Hotline component provides information on entry level jobs for college graduates nationwide. The General Jobline provides information on federal job opportunities at all levels. In 1992, Job Information 2000 caller options will include an option to speak directly with a recruiting information specialist and service for hearing impaired callers using the Telecommunications Device for the Deaf (TDD).

In customer follow-up surveys, Job Information 2000 has consistently drawn approval ratings of 95 percent and greater regarding its convenience, usefulness, and quality. In only 2 years of operation, Job Information 2000 has received an average of 2500 calls per week and sent more than 75,000 requested information packets to callers. [Jeff Adair, (912) 744-2092]

### **Federal Job Opportunities Board**

The Federal Job Opportunities Board (FJOB) is an electronic bulletin board that offers online information on federal job opportunities nationwide. To access the FJOB, users simply dial 912-471-3771 from a personal computer via modem. Among the services offered FJOB users are:

- Up-to-date Federal Job Opportunities Listing (FJOL) in a variety of available formats including Regional and Service Center Files of all unique jobs publicized in each OPM region or service center jurisdiction and the OPM Washington Area Service Center, as well as federal job opportunities listed by the state in which the job exists, or the entire FJOL

file which includes every job in the database nationwide.

- Bulletins providing information about OPM's role, Federal Job Information Offices, lists of federal agencies, and job fair and career days data as well as addresses where application materials may be obtained.
- User aid files which include a variety of system information.
- Electronic mail that allows sending and receiving messages between registered users.

Plans underway include greatly enhanced search capabilities, upgrading to enable the system to serve 64 lines simultaneously, accepting online application materials requests, and improved system networking capacity. [Norma Jean Lancaster, (912) 744-2029; or Suzi Hamilton, (912) 744-2139]

### **Federal Employment Data Services System**

The Federal Employment Data Services System (FEDS) is a computer-based system designed to help recruiters respond to employment inquiries by quickly accessing job information nationwide. FEDS uses personal computers as its delivery units. The system is accessed and used through a series of easily followed menus and instructions. The user merely completes a few keystrokes to receive information that would previously have been both difficult and time consuming to compile. Using FEDS, recruiters can, in a matter of seconds, search job listings by job series or title, identify the applicable examination and office responsible for examining for a particular position, list job

qualifications, or produce listings of current federal pay scales for jobs nationwide or in a particular locality.

In its first year of test operation, FEDS was well received. Users have been highly impressed with FEDS' responsiveness, simplicity of using Federal Job Opportunity Listing information, and the ease and usefulness of its format. Within the next 2 years, FEDS will serve all OPM offices as well as a number of agency recruiting offices. Enhancements in 1992 will allow online entry of requests for application materials, enhance FJOL reporting capability, allow job searches by state rather than by OPM Service Center jurisdiction, and enable OPM staff to provide direct technical assistance to remote FEDS unit locations. [Don Peterson, (912) 744-2078]

### **Simplified Examining and Hiring**

#### *Clerical Applicant Processing*

OPM has initiated a new clerical application process that will allow OPM and agency delegated examining offices to use local table top document scanners and PCs to process job applications locally.

In the first quarter of fiscal year 1992, OPM's Albuquerque, Boston, Dayton, and Los Angeles Service Centers will test the process as an alternative to key entry or mailing documents to OPM's central processing center in Macon, GA. [Alan L. West, (202) 606-0980]

#### *Microcomputer Assisted Rating System*

The Microcomputer Assisted Rating System (MARS) is a

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software package for use by personnel staffing specialists to create rating schedules for unassembled examinations. MARS walks a staffing specialist through developing a rating schedule. It will support several types of rating procedures and permit the staffing specialist to create a supplemental questionnaire at the same time the rating schedule is being written.

MARS will print out the rating schedule, the supplemental questionnaire, the transmutation table, and an applicant response form. The rating schedule is moved to a personal computer with a table-top scanner. The applicants complete a scan form and the computer rates the application as it is scanned. Pilot testing for MARS is expected in six OPM Service Centers in the second quarter of fiscal year 1992. [Alan L. West, (202) 606-0980]

### *Electronic Certification Operations Network*

The Electronic Certification Operations Network (ECONet) is a program that allows agency personnel offices to electronically submit requests for certification to OPM examining offices for overnight processing and to check for any participants in OPM's Displaced Employee Program. Agencies can retrieve these certificates with their personal computers the following day. Thirty agency personnel offices have been trained to use ECONet. Following successful completion of pilot testing in Philadelphia, Chicago, and Seattle, OPM plans to expand its availability to agencies nationwide. [Alan L. West, (202) 606-0980]

### *Automated Applicant Referral System*

OPM developed the Automated Applicant Referral System (AARS) to more quickly respond to agency requests for employable candidates for federal jobs. The AARS provides agency hiring officials with referral lists of employable candidates usually within 30 minutes, and requires only common, nontechnical office equipment for request and delivery. A rapid, user-friendly system, AARS slashes the entire candidate referral process to a matter of minutes rather than days.

Agency hiring officials access the system and make requests by touchtone telephone. Using a touchtone telephone keypad, requesters touch in the criteria for the referral list desired. In response, OPM computers apply the specified criteria, compile the list, and transmit the list via the requester's office facsimile machine. Speed in locating candidates is especially crucial when recruiting for occupations where there are shortages in human resources and intense competition exists among employers.

The AARS is fully operational nationwide for Engineers, Physical Scientists, Mathematicians, and the OPM Connection job sharing program. Accountants/Auditors, Computer Specialists, Clerical occupations, and Job Ready Disabled Veterans will be online in early 1992. Expansions in 3 to 5 years will cover 85 percent of all the automated examinations for which OPM is responsible. The AARS now serves more than 1500 agency subscribers who continually praise its speed and ease of use. [Kate Williams, (912) 744-2153]

### *Automated Applicant Certification System*

The certification of eligible candidates to agencies is a vital link in the federal hiring process. OPM designed the Automated Applicant Certification System (AACS) to provide agencies with certificates (i.e., lists of eligibles) in minutes. Through the AACS, agencies gain access to OPM's inventories of candidates and have certificates meeting their criteria delivered rapidly via facsimile machine.

The AACS is much like the Automated Applicant Referral System, but primarily different in that the AACS issues formal certificates of eligibles which must be treated like any other OPM certificate. All selection requirements such as clearing agency reemployment priority lists, documenting declinations, making selections using the rule-of-three, observing veteran preference, and others, must be followed.

The only equipment needed for using the AACS is a touchtone telephone and a Group 3 facsimile machine. Using the touchtone telephone keypad and following recorded voice prompts, an agency hiring official requests a certificate of eligibles. Then, in an average of 30 minutes, the requested certificate is delivered via facsimile machine.

The Automated Applicant Certification System is operational for certification activity for the Administrative Careers With America (ACWA) examining system and will be fully operational for all ACWA certification in the next few months. Over the next 3 to 5 years, the system will be expanded to provide service for competitor

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inventories for virtually all examinations for which OPM issues certificates. The AACCS significantly enhances the federal hiring process. Rapidly issuing certificates, the system links agencies and candidates sooner, enabling agencies to hire quality candidates quickly. [Kate Williams, (912) 744-2153]

### **Recruitment And Employment Initiatives**

#### *Administrative Careers With America*

Administrative Careers With America (ACWA), the federal government's new nationwide examining system for entry level professional jobs, covers nearly a hundred occupations in six job groups with separate examinations for each job group. The significance of this examining system is that an applicant can file a single application and receive consideration for many job opportunities across the Nation.

OPM's provides a certificate of eligibles from which to fill a position by mail to the requesting agency within 24 hours of its receipt by OPM. Since the Administrative Careers with America (ACWA) examining system became effective May 1, 1990:

- More than 150,000 applications have been processed resulting in nearly 75,000 competitors added to inventories;
- Some 6000 ACWA certificates involving the referral of nearly 75,000 names to agencies for approximately 25,000 vacancies have been issued; and
- Nearly 3000 candidates have been selected from ACWA certifi-

cates. [Elaine Gill, OPM, (912) 744-2242]

The first formal study of ACWA reveals a very high index of predictive power relative to job performance. New test development technologies, such as Logic-Based Measurement, used in the design and construction of ACWA have demonstrated effectiveness in improving the quality of hires while enhancing the potential for achieving the goals of a representative workforce.

In the fall of 1991, OPM introduced a streamlined version of the six ACWA examinations. Thanks to improvements in OPM's testing technologies, the examinations have been shortened by about 50 percent to a 75-minute examination. The streamlining of the ACWA examinations will greatly enhance the effectiveness of recruitment and selection for the occupations covered under the ACWA program. [Magda Colberg, (202) 606-0880]

#### *Defense Outplacement Referral System*

The Defense Outplacement Referral System (DORS) is the result of a coordinated effort between OPM and the Department of Defense (DOD). Facing the prospect of significant staff reductions over the next several years, DOD sought a method to facilitate placement of affected employees. DOD's analysis led it to emulate OPM's Automated Applicant Referral System (AARS) which uses touchtone telephone and facsimile technologies to rapidly identify and refer candidates.

Employers, including federal agencies, state and local

governments, and the private sector, can access the DORS by telephone. Requests for referral are made by keying-in search criteria via touchtone telephone keypad. In response, a search of the DORS automated candidate inventory is conducted and the requested list compiled and transmitted by computers for delivery via the requesting employer's facsimile machine in 45 minutes or less. Employers may specify a referral list of current civilian DOD employees and spouses or military departees and spouses.

DORS registrants are entered into its automated inventory on a daily basis by electronic transmission from the Defense Data Support Center (DDSC) (Dayton, OH) and the OPM Staffing Service Center (Macon, GA) for referral to federal agencies and from the Defense Manpower Data Center (DMDC) (Monterey, CA) for referral to private sector employers and state and local governments.

Referral requests from federal agencies for current civilian DOD employees are filled by the OPM Staffing Service Center (Macon, GA). Federal agency requests for military departees and all state and local governmental and private employer requests are handled by the DMDC (Monterey, CA).

The Defense Outplacement Referral System, operational since October 1991, has been used extensively for referral of DOD civilian and military employees. [Marvin Martin, (912) 744-2138]

#### *OPM Workplace Basic Skills Test*

OPM has constructed the Workplace Basic Skills Test which is a literacy assessment instrument

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comparable to the literacy test developed for the Department of Education's 1992 Nationwide Adult Literacy Survey (NALS). The OPM test measures basic reading, document use, and quantitative skills, and it makes use of work-related materials. Test takers are presented with government documents that are commonly encountered on the job and are asked to answer questions related to the documents. For example, test takers might be presented with a pay slip, and then asked to find or calculate certain items of information relating to it. All questions measure reasoning skills which have been tied explicitly to the principles of Logic-Based Measurement. Because the questions follow a multiple-choice format, the test answers may be scored by machine, and the test will be relatively inexpensive to administer and score.

OPM plans a field test in fiscal year 1992, using large samples of employees at the General Services Administration and the Department of Health and Human Services. An equating study, linking the OPM test with the NALS, is planned for fiscal years 1992 and 1993.

OPM is undertaking other initiatives for AMERICA 2000, the President's education program, which include a basic skills diagnostic testing battery to be coordinated with federal skills clinics and diagnostic testing for the assessment of higher-level workplace skills. Data will be collected from a sample of federal employees to obtain a yardstick for assessing their changes in skill levels over time. [Magda Colberg, (202) 606-0880]

### *Quality Assessment Program*

A competent workforce is essential to cost-effective operations. To monitor how well the federal government attracts and retains a quality workforce, OPM has underway a broad-based program of data collection and special occupational studies. This Quality Assessment Program is one of OPM's milestones in the President's Management by Objectives (MBO) program. Using automated procedures and existing systems of information wherever possible, data are collected from multiple sources on the quality of applicants, new hires, and retained employees.

The applicant data base grew in 1991 to include data on 180,000 applicants in over 160 occupations. Special occupational studies are continuing which focus on the quality of the skills brought to the job by employees, their job performance, and the match between their skills and the needs of the jobs. Reports from completed studies on scientists, engineers and computer specialists have been issued; reports on accountants, auditors, economists and statisticians will be issued in 1992.

The Quality Assessment Program was expanded to include measurement of organizational effectiveness, and a pilot questionnaire based on the criteria used to evaluate organizations for the President's Award for Quality has been prepared for agency use. Agencies can use the questionnaire to assess how their agency compares against the award criteria. The President's Award for Quality and Quality Improvement Prototype Awards are administered through

the Federal Quality Institute, (202) 376-3747. [Sandra Payne, (202) 606-1366]

### *Flexiplace*

Flexiplace (also called Flexible Workplace Arrangements and Telecommuting) is an arrangement whereby employees perform some or all of their officially-assigned duties at home or other locations away from their office. OPM and GSA are conducting a governmentwide pilot study under the sponsorship of the President's Council on Management Improvement (PCMI). Currently more than 500 federal employees from 12 agencies are participating. In implementing this project, OPM helped establish an interagency task force, developed operating guidelines and materials, developed a training package for participating employees and supervisors including a "train the trainers" videotape and produced and distributed a project newsletter. The program evaluation is ongoing.

The projected benefits of Flexiplace include increased recruiting potential due to enhanced employee morale, reduced commuting costs, reduced operating costs, improved management techniques, and increased flexibility for management of family and personal matters. [John Kraft, (202) 606-1681]

### *Job Sharing*

OPM is promoting the concept of job sharing throughout the federal government. OPM issued guidance to agencies in Federal Personnel Manual Letter 340-3 in September 1990 and an

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information booklet. Pilot projects were begun in Boston, Chicago, and Los Angeles to simplify the process for agencies and reduce implementation cost. A computerized system called "The OPM Connection" matches federal employees looking for part-time or job sharing positions with federal agencies wishing to participate. Agencies can access the data bank by telephone, and OPM will send the names of registrants to agencies by facsimile machine within minutes of a request. A list of potential job-sharing partners will be sent to each registrant who requests this service. [Edward McHugh, (202) 606-0960]

### *Workforce Planning Assistance*

The *Federal Staffing Digest* is an award-winning quarterly newsletter used to communicate guidance and information on workforce planning, workforce quality, recruiting, and staffing. The *Digest* is targeted to federal staffing dynamics in specific career fields, "how to" information for recruiting and workforce planning, and the successful efforts of others. The goal is to develop and bring together, in one inexpensive source, information that will help personnel offices make better staffing plans and carry them out more successfully. This should promote significant savings in personnel costs. [Edward McHugh, (202) 606-0960]

### *Personnel Systems And Oversight*

#### *Report on Federal Workforce Productivity*

The Congress, in P.L. 101-509, charged OPM to "review and

report on the productivity of the Federal workforce." The report, which is due on November 5, 1992, will include recommendations of

- means for improving federal productivity and service delivery while controlling payroll costs;
- size, structure, and composition of the federal workforce;
- criteria for determining personnel staffing needs; and
- changes in law, regulations, or guidance that will enhance federal productivity. [Debra Tomchek, (202) 606-2511]

### *FEPCA Evaluation*

The Federal Employees Pay Comparability Act of 1990 (FEPCA) provides for a major overhaul of the federal white-collar pay system. The objectives are to achieve comparability between federal and non-federal pay and to improve the competitiveness of the federal government as an employer.

FEPCA phases in locality pay over a 9-year period starting in 1994 and authorizes the use of a number of special authorities, such as recruitment and relocation bonuses. OPM has developed a long-term evaluation plan to monitor the implementation of FEPCA and assess its effectiveness. The evaluation will draw on a number of information sources including federal employment data, employee attitude surveys, on-site visits of agency operations, case studies, and structured interviews and focus groups. [Brigitte Shay, (202) 606-2810]

### *Updated Classification Standards*

OPM began two studies to update the position classification standards for financial management in the federal government. The studies cover the GS-1160, Financial Analysis Series, and the GS-1165, Loan Specialist Series. OPM will issue the draft standards for comment in early 1992. [George Steinhauer, (202) 606-2950]

### *Automated Classification Systems*

The leading automated classification systems used today in the federal government are Pdwriter, developed by the Navy, and ProClass Plus, developed by a contractor and used predominantly by the Air Force. This year OPM reached agreement with the Interagency Advisory Group (IAG) Subcommittee on Classification Automation that OPM should work toward a common ADP standard, issue classification standards in a form that can be used by these systems, and plan for a more comprehensive automated classification system. OPM is studying the reliability of automated classification systems with the goal of producing automated classification modules as soon as possible. Automation of the position classification process, to the extent feasible, will streamline a very paper-intensive process allowing time for more proactive organizational analysis and design work by classifiers. [George Steinhauer, (202) 606-2950]

### *Digest of Exemplary Practices*

OPM publishes the *Digest of Exemplary Personnel Practices* to

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communicate developments in personnel administration and management. The *Digest* describes innovative practices developed by various federal installations nationwide identified by OPM during its personnel management evaluations. Many of the practices deal with process automation and productivity enhancements. The *Digest* was issued in January 1989 and revised in July 1991. [John Rathbone, (202) 606-1969]

### *PME Clearinghouse*

OPM maintains a personnel management evaluation (PME) clearinghouse to provide up-to-date information on policies, procedures, and methodologies pertaining to agency PME activities. A catalog published in 1990 describes the content and identifies the source of the evaluation products maintained in the clearinghouse. A second edition to be issued in 1992 will describe evaluation methods, techniques, and actions taken by organizations in response to issues or concerns identified during their own PME reviews. [James Bacigalupi, (202) 606-2108]

### *Strategic Plan for Personnel Automation*

The Director of OPM has asked agency Directors of Personnel who are members of the Interagency Advisory Group (IAG) for comments on a draft Agency/OPM Strategic Plan for Personnel Automation. The plan emphasizes joint planning, priority setting, and action by agencies and OPM. It is intended to be a plan of action for the federal personnel community to effectively apply automation

across-the-board in personnel functions. The plan presents vision statements, expected results, proposed actions, and current status of agency and OPM automation initiatives. After comment by agencies, the plan will be adjusted and published for OPM and agency use. A Personnel Automation Advisory Council, composed of representative agency Directors of Personnel and agency/OPM Program Managers, will be named to provide guidance on automation priorities and to commit expert agency personnel for short-term interagency work groups. [Dr. Philip Schneider, (202) 606-1977]

### **Retirement and Insurance**

#### *Retirement and Insurance Transfer System*

OPM implemented the Retirement and Insurance Transfer System (RITS) in January 1991. Developed as a Government On-Line Agency Link System (GOALS) application, RITS is an automated mechanism to capture federal employee benefit program monies and supporting financial information from employing agencies. RITS enables agency payroll offices to submit data to OPM by means of on-line or batch mechanisms and incorporates acceptance edits to ensure that only valid data reach OPM. RITS supersedes the paper SF 2812 as the authorized mechanism to report federal employee benefit program information to OPM for those agencies capable of using OPAC to transfer funds. OPM is working with the Treasury to devise a way to capture federal employee benefit

monies from those agencies that accomplish their own disbursements. [Bob Yuran, (202) 606-0660]

#### *FERS Automated Processing System*

OPM's Retirement and Insurance Group is developing a state-of-the-art recordkeeping system to support the defined-benefit portion of the Federal Employees Retirement System (FERS). The FERS Automated Processing System (FAPS) initiative includes installation of hardware and the design, development, and implementation of an integrated system of technical/application architectures to support FAPS subsystems. In addition, FAPS involves a large-scale conversion of manual and automated retirement records residing with employing agencies and at OPM. The conceptual design envisions providing automated recordkeeping by means of a centralized database of FERS retirees and covered employees, a sound financial management infrastructure, timely and accurate claims adjudication and payment, and effective communication with retirees and active employees regarding benefit matters. OPM issued a request-for-proposal in 1991 for private sector assistance and plans to award a contract by the end of fiscal year 1992. [George Hyder, (202) 606-0606]

#### *Letter of Credit*

For the past few years, the largest insurance carriers participating in the Federal Employees Health Benefits Program (FEHBP) have



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been receiving funding via letter-of-credit (LOC). When the Department of the Treasury ceased supporting this funding system, OPM developed an in-house system that features on-line requests for funds by FEHBP carriers, automated accounting entries, and a direct interface with Treasury's electronic certification process. The new system was implemented in May 1991. [Maurice Duckett, (202) 606-0666]

### ***Retirement Accountability and Control System***

A Retirement Accountability and Control System (RACS) is being developed to reconcile individual retirement records maintained by employing agencies with OPM control accounts. The anticipated benefits of RACS include an automated error tracking process, timely and accurate reconciliations, and enhanced control to detect fraud, waste, and abuse of Civil Service Retirement and Disability Fund monies. [Maurice Duckett, (202) 606-0666]

### ***Payroll Office Audit Guide***

OPM's Retirement and Insurance Group completed a comprehensive revision of the *Payroll Office Audit Guide* in August 1991. This document assists Inspector General Offices with audits of employing agencies' administration of federal retirement, health and life insurance programs. The guide helps ensure the financial integrity of the federal employee benefits programs.

The President's Council on Integrity and Efficiency (PCIE) recently endorsed a fiscal year 1992

project to audit agency payroll functions, employing OPM's revised *Payroll Office Audit Guide*. The audit will involve 13 Inspectors General. [Dan Green, (202) 606-0640]

### **Federal Quality Institute**

The Federal Quality Institute (FQI) was established in 1988 to serve as a focal point for promoting the principles of quality management in the federal government and improving the quality, timeliness and efficiency of Federal services. FQI services include leadership and coordination, technical assistance to agencies, TQM research and publications, training coordination, and information and referral.

During FY 91, FQI continued to make gains in Governmentwide implementation of TQM and to improve TQM products and services developed for Federal agencies. For example:

- **Technical Assistance.** FQI provided technical assistance and guidance to agencies, especially in the initial phases of TQM implementation. FQI conducted 90 major briefings and TQM awareness seminars for more than 2,500 Federal officials and initiated "start-up services" in 27 Federal agencies, which involve helping agency management teams prepare for TQM and facilitating the initial stages of implementation. FQI worked with six agencies in "model partnership projects," in which FQI helps create a TQM model that is tailored to the needs and circumstances of the agency.
- **National Quality Conference.** In conjunction with the President's Council on Management

Improvement (PCMI), FQI coordinated the fourth annual nationwide conference on Federal quality improvement held in Washington, DC, in May 1991. FQI also managed the process for granting the President's Award for Quality and the Quality Improvement Prototype (QIP) Awards that are presented at the conference, including evaluating applications, overseeing selection of finalists, and working with winners to develop case studies and videotapes that describe their TQM experiences.

- **Regional Quality Conferences.** In 1991, the first regional quality conferences were held at six locations around the country (Dallas, Denver, Kansas City, New Orleans, Philadelphia, and Seattle), sponsored by the PCMI and Federal Executive Boards (FEBs), with FQI assistance.
- **Training.** FQI continued to collaborate with the OPM training centers and other agency training offices to incorporate TQM principles into existing training programs, develop TQM-specific courses, and link comprehensive agency training plans to TQM implementation efforts.
- **Contractor Services.** FQI issued a request for proposal to extend the Federal Supply Schedule (FSS) for TQM implementation services for another four years. This should increase the number of contractors available to help Federal agencies implement TQM. FQI will give agencies more guidance on how to use the new FSS. FQI is also developing a process to obtain agency feedback on their experiences with the FSS contractors.
- **Publications.** FQI developed, published, and distributed 2,500 copies of the fourth volume in

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the Federal TQM Handbook Series, and reprinted and distributed 7,500 copies of the original 3-volume set.

- **Information.** The TQM Information Center, which is a clearinghouse on all aspects of TQM, responded to over 3,200 requests for information, the largest number of requests since the center was established in 1988.

### **INTERAGENCY BOARDS AND COUNCILS**

#### **Federal Accounting Standards Advisory Board**

**T**he Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 by a Memorandum of Understanding signed by three principals of the Joint Financial Improvement Program; Secretary of the Treasury, Director of the Office of Management and Budget, and the Comptroller General of the United States. The Board's mission is to recommend accounting standards and principles for the federal government after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and other users of federal financial information. To assist in carrying out its mission, FASAB's rules of procedures provide for full and open public participation in developing recommendations for accounting standards.

The Board is comprised of nine members, who are selected to represent a broad range of knowledge and experience in federal government accounting and

financial management. The membership includes one representative each from the Department of the Treasury, Office of Management and Budget, General Accounting Office, and Congressional Budget Office; from the Department of Defense and international agencies of the federal government; from the federal civilian agencies; and three non-federal members selected from the general financial community, the accounting and auditing community, and academia.

The Board meets monthly and it held eleven meetings during 1991. During this period of time, in addition to issuing a mission statement and rules of procedure, it has issued interim guidance on accounting standards and an exposure draft on a proposed statement of recommended standards for federal accounting and reporting.

The interim guidance on accounting standards agreed to by the three principals has been included in OMB Bulletin 91-15 entitled "Guidance on Form and Content of Financial Statements on FY 1991 Financial Activity." The Bulletin directs executive agencies to continue using those standards now contained in guidance of individual agencies. In those cases in which agency standards differ from those of GAO's *Title 2, Accounting Principles and Standards*, agencies should make full disclosure in the "notes to the principal statements" of the differences between the accounting standards used in preparing the financial statements and the principles and standards in Title 2.

A proposed statement of recommended standards for *Financial Resources, Funded Liabilities, and Net Financial Resources for Federal Entities* is the first document issued by FASAB for public comment. The document discusses the Board's preliminary views concerning federal accounting and reporting, with an emphasis on integrating federal accounting and budgeting. The exposure draft also presents for public comment a concept of net financial resources, including accounting standards that relate to certain financial resources and funded liabilities of federal entities. A discussion section is included which addresses issues related to each of the proposed standards.

The Board is also undertaking initiatives in the following areas:

#### ***Accounting for Direct Loans and Loan Guarantees***

The Board has on its agenda a project to develop accounting standards for federal loans and loan guarantees, reflecting the intent of the Credit Reform Act of 1990. These standards would use the present value method for measuring and recognizing the subsidy cost of direct loan obligations or loan guarantee commitments made after October 1, 1991. The Board has recommended that federal direct loans and loan guarantees obligated or committed prior to October 1, 1991, be restated on a present value basis. FASAB's staff is developing an issue paper on the subject to facilitate discussion among the board members. The Board plans to issue an exposure draft for public comment in the spring of 1992.

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### *Accounting for Tangible Property Other Than Long-Term Fixed Assets Held by Federal agencies*

The Board has held discussions on various issues related to accounting for inventories held by the federal government. Initial discussion on this matter has centered on the wide variety of inventory items reported by agencies and the use of inventory for diverse missions.

A task force, composed of representatives from federal agencies, identified the types of items reported as inventory and information to assist the staff in considering the many unique aspects of accounting for inventories. The staff reviewed inventory accounting principles for commercial entities as well as current federal agencies' practices which are based on GAO's *Title 2* and the *Treasury Financial Manual*. The study covered current practices in accounting for inventories in the federal government, perceived problems, possible alternatives available, and other major issues. This information helped the Board gain a better understanding of inventory accounting in the federal government. Based on the discussions held by the Board, a preliminary exposure draft is now being developed for inventory and other tangible property held by federal agencies.

### *User Needs*

As part of the process for recommending accounting standards, the Board plans to identify users' information needs, articulate objectives of federal

accounting and reporting, and determine the accounting principles needed to satisfy various information needs. Results of these efforts, to be presented at a future meeting, will enable FASAB to develop a conceptual framework for federal accounting and reporting. This will assist the development of specific accounting standards, which will facilitate efforts of the federal government in properly accounting for and reporting on its assets, liabilities, and operations.

### *Long-Term Obligations, Underwriting Risks, and Other Liabilities*

The Board's first exposure draft recognized the need to study unfunded liabilities. To help address concerns in this area, the FASAB's staff developed a draft issue paper. The paper discusses the definition of unfunded liabilities and their recognition, measurement, and appropriate reporting entities. It will be the basis for discussion at the April 1992 Board meeting of the major and alternative issues. A task force composed of senior agency financial planners and academicians has been formed to advise the staff.

### *Physical Assets Accounting*

A task force has been organized which is primarily composed of representatives from federal agencies holding the greatest amounts of reported federal physical assets. The task force will assist the staff in gathering information. An issues paper covering physical assets of the federal government is under development. These include land;

buildings, structures, facilities; furniture, equipment, and leasehold improvements; space and military equipment; construction in process; and heritage assets.

Areas proposed for discussion include depreciation methods and capitalization policies. The paper will also discuss the accounting and reporting of the federal government's natural resources and infrastructure. The FASAB's staff has reviewed current physical asset accounting and reporting practices of commercial and state and local government entities. [Ronald Young, FASAB, (202) 275-9578]

### **Chief Financial Officers Council**

The Chief Financial Officers Council (CFO Council) was administratively established in 1987 and placed organizationally within the Office of Management and Budget (OMB). With the passage of the Chief Financial Officers Act of 1990 (P.L. 101-576) in November 1990, the CFO Council became a statutory entity. The law identifies as members of the Council: the Deputy Director for Management of OMB, who will act as Chairperson; the Controller of OMB's Office of Federal Financial Management; the Fiscal Assistant Secretary of the Treasury; and each of the statutory CFOs in the cabinet departments, the Environmental Protection Agency, the National Aeronautics and Space Administration, the Agency for International Development, the Federal Emergency Management Agency, the General Services Administration, the National Science Foundation, the Nuclear Regulatory Commission, the Office

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of Personnel Management, and the Small Business Administration.

Because of the statutory base for the CFO Council, it was completely restructured at the end of 1991. The CFO Council in its original form, held its last meeting in December 1991.

During the year, the CFO Council met monthly to discuss key financial management issues, and hear from individuals who led major government financial management projects or policy development activities. Topics included actions underway to implement provisions of the CFO Act in areas such as establishing the agency CFO organization structure and audited financial statements, implementation of credit reform legislation, strengthening the financial management workforce, and updates on FASAB activities. Many activities were carried out by the CFO Council's committees, under the general guidance of the CFO Councils Executive Committee.

In 1991, the CFO Council was heavily involved in implementing provisions of the CFO Act, assisting OMB in developing guidance for form and content of financial statements, and helping determine the scope of audit for financial statements. The latter effort was completed in concert with the President's Council on Integrity and Efficiency (PCIE). The CFO Council published reports on reporting formats for financial statements, federal disbursement mechanisms, and actions to meet new Internal Revenue Service requirements for reporting on excessive employee travel advances. The CFO Council started an effort

with the Department of the Treasury and the General Services Administration for benchmarking of off-the-shelf accounting systems before such systems are added to GSA's Financial Management Software Schedule.

In 1992, the CFO Council was restructured to comprise only Chief Financial Officers and a Council Operations Group formed of Deputy CFOs and certain other representatives. Four committees were organized under the COG: Human Resources Committee, Financial Systems Committee, Financial Standards and Reporting Committee, and Financial Statement Preparation and Audit Committee. A CFO Community Conference is expected to be held annually for members of the CFO Council and COG. [Albert Sefarian, (202) 395-3993]

### **Federal Financial Managers Council**

The Federal Financial Managers Council (FFMC) is a voluntary body formed to foster improved financial management. It provides a forum for financial managers to exchange information, discuss ideas for change, present issues for discussion, and seek central agency action. The FFMC initiates cooperative actions directed towards improvements in policies, systems and operations and has contributed to formulating governmentwide financial policy and implementation of legislation for financial management initiatives and programs. The Council is led by a Chairperson, appointed by the Council, who serves for a 2-year term. Meetings are usually held on a bi-monthly basis; meetings feature

member presentations and guest speakers from the central agencies.

FFMC membership includes representation from each cabinet Department, major independent agencies, JFMIP, and the Comptrollers Roundtable. The agency representative is normally the Deputy Chief Financial Officer or the person most fully responsible for the agency's financial management functions. Each agency has a principal member and an alternate member.

The FFMC established a Financial Policies Committee and a Financial Systems Committee. The committees periodically report on their activities or progress on specific initiatives and provide information exchange opportunities for functional area personnel from agencies.

The Council supports 14 Regional Federal Financial Management Councils (RFFMCs) throughout the United States. These RFFMCs are established in the ten standard federal regional cities and in other locations with concentrations of federal financial management personnel. RFFMCs function independently from the Council but relate closely to the Council for nationwide activities. [Frank Derville, (202) 233-3008]

### **Comptrollers' Roundtable**

The Comptrollers' Roundtable meets monthly to provide a forum for discussing financial management issues. Its goals are to influence governmentwide financial management policies that affect independent agencies; to form alliances with other financial managers' groups with common goals; to educate members through

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speakers presenting new policies, technologies and innovations; and to provide opportunities for professional growth through networking, job opportunities and training.

During 1991 the following topics were presented at the monthly meetings:

- Closing merged ("M") accounts,
- Automated travel systems demonstrations and JFMIP core requirements,
- User fees from various perspectives,
- FASAB update,
- Treasury's monitoring and reporting on cash needs of the federal government,
- OMB Circular A-11 changes for the 1993 budget process,
- Governmentwide ethics changes and accepting reimbursement from non-federal sources,
- Coordinating FMFIA, CFO legislation, IG/PCIE requirements,
- Standard General Ledger updates and changes required by prior year "M" accounts changes,
- An update on GSA Travel regulations,
- An update on JFMIP projects.
- Standardization of financial data project (OMB and Treasury reporting).
- Reporting and withholding excessive travel advances.

In December, a tour was taken of the Treasury Department's Washington Finance Center to

observe how government checks are processed.

The training committee sponsored courses in appropriation law and introduction to voucher examination. [Madge Bolinger, (202) 501-6060]

### **President's Council on Integrity and Efficiency**

The President's Council on Integrity and Efficiency (PCIE), established by Executive Order in 1981, coordinates and implements governmentwide activities to combat fraud and waste in federal programs and operations. The PCIE is chaired by the OMB's Deputy Director for Management. PCIE's membership includes the 26 Presidentially-appointed Inspectors General, the Deputy Director for Investigations of the Federal Bureau of Investigation, the Director of the Office of Government Ethics, the Associate Deputy Attorney General of the Department of Justice, the Deputy Director of the Office of Personnel Management, and the Special Counsel of the Office of Special Counsel.

Inspectors General have coordinated their efforts through PCIE to accomplish more together than they could otherwise accomplish individually. PCIE's standing committees in 1991 included Audit, Executive Development, Inspections and Special Reviews, Integrity and Law Enforcement, Internal Operations, Legislation, and Information Technology. The Council coordinated interagency efforts through these standing committees and projects chaired by its members. By sharing past experiences and applying new ideas,

PCIE committees have developed useful guidance for application throughout the government.

The fiscal year 1991 report, *President's Council on Integrity and Efficiency: A Progress Report to the President*, notes that the Inspectors General reported 6,177 successful prosecutions, \$750 million in investigative recoveries, and 3,441 debarments and suspensions of persons or firms doing business with the government.

The report highlights the savings or recovery of funds made by Inspectors General as a result of audit and inspection activities. During 1991, Inspectors General recommended recovery or restitution of \$6.2 billion in federal funds and better or more efficient use of \$41.7 billion. In response to recommendations made in this or prior periods, federal managers issued final decisions to disallow costs of \$2.7 billion and put \$17.7 billion to better or more efficient use.

Members of the PCIE and their respective agencies have initiated a number of ethics and preventative initiatives. These efforts are designed to educate federal employees and the public on how to detect fraud. PCIE has developed an early-warning system which will enable program managers and federal officials to act prudently to eliminate the opportunities for fraud and abuse. [Suzanne Murrin, (202) 395-6911]

### ***Inspectors General Auditor Training Institute***

In July 1991, the Inspectors General Auditor Training Institute (IG/ATI) presented its inaugural Introductory Auditor Training

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## *Initiatives to Improve Financial Management Governmentwide*

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course. The Institute is conducted under oversight of the Audit Committee of the President's Council on Integrity and Efficiency (PCIE) and is staffed by full- and part-time senior auditors and support personnel detailed from several OIGs.

The Introductory Auditor Training course for new entry-level auditors provides an overview of the audit community and covers topics such as ethics and professional conduct, types of government audits, and federal audit standards. Students are taught basic auditing tools and skills used to develop and report audit findings.

*The Budget for Fiscal Year 1993* has announced that IG/ATI will provide the IG community with training on conducting financial audits. The Financial Statements Auditing course now being designed will be taught first in a pilot course. Under the requirements of the CFO Act, OIGs must ensure auditing of agency financial statements by OIG auditors or by an independent external auditor under contract to the OIG. [Andrew J. Pasden, Jr., (703) 664-1354]

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### **President's Council on Management Improvement**

The President's Council on Management Improvement (PCMI), established in 1984, assists in making the federal government more efficient and responsive to the public. OMB's Deputy Director for Management chairs the PCMI. Its membership includes the Assistant Secretaries for Management, or equivalent, of 20 departments and agencies, the Chair of the Small Agency Council, and the Assistants to the President for Policy Development and Presidential Personnel.

PCMI meets regularly to address the status of projects, identify new opportunities for management improvement, and develop strategies to implement its initiatives governmentwide. PCMI has initiated over 100 projects. Management improvement priorities have encompassed broad governmentwide themes: credit management, financial management, quality and productivity improvement, improved services through technology, procurement

management, and management of government operations.

PCMI has been active in government efforts to recognize the contributions of federal employees through events like Public Service Recognition Week. PCMI annually cosponsors (with the Federal Quality Institute) the Annual Federal Conference on Quality Improvements. Through PCMI involvement and activities, federal agencies have established a strong partnership directed at mutual assistance and support in bringing about comprehensive management reform in the federal government. [Ellen Wagner, (202) 245-0488]

## Chapter 3

### *Initiatives by Agencies to Improve Financial Management*

#### INTRODUCTION

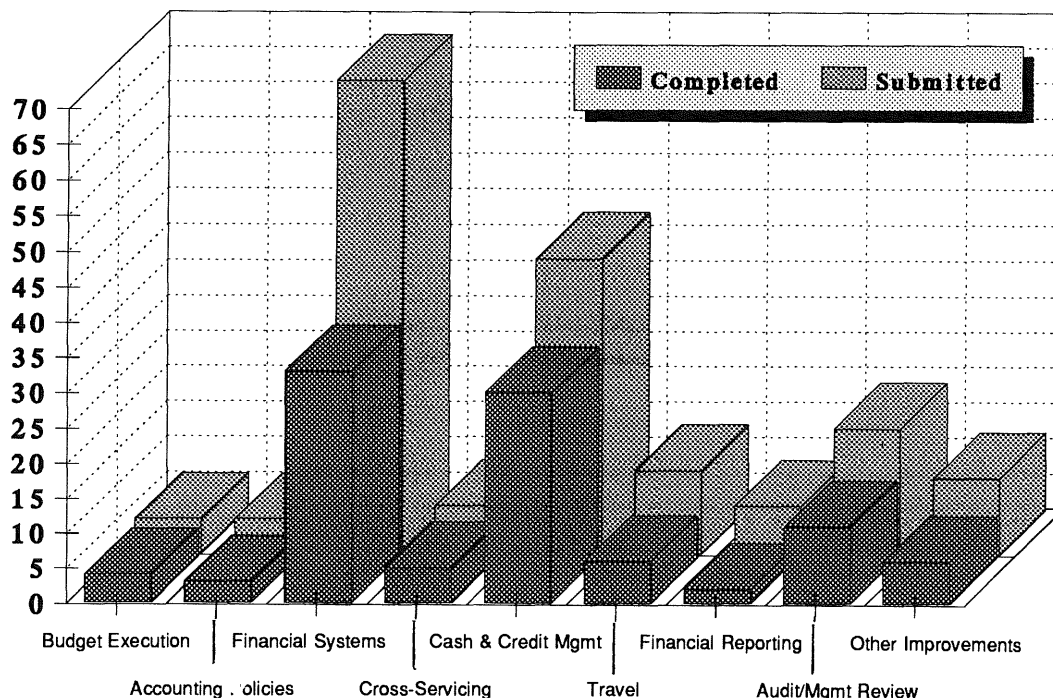
Initiatives to improve financial management operations in 1991 were reported by 29 departments and agencies. The initiatives reflect a diversity of improvements that include modernizing and consolidating systems, providing or using cross-servicing, strengthening management controls, and implementing total quality management. The improvements are described in the following sections of this chapter:

- Budget Formulation and Execution
- Accounting Policies and Procedures
- Financial Management Systems

- Financial Management and Accounting Systems
- Debt Management Systems
- Procurement and Property Systems
- Personnel and Payroll Systems
- Cross-Servicing
- Credit Management
- Cash Management
  - Credit Cards for Small Purchases
  - Other Cash Management Efforts
  - Electronic Payments
    - Electronic Funds Transfer
    - Automated Clearing House
    - Lockbox
    - Third Party Drafts
- Travel
- Financial Reporting
- Auditing and Management Review
- Other Improvements
  - Total Quality Management

Chapter 3 describes 172 initiatives, of which 99 were completed during 1991. The following chart shows total and completed initiatives, by the major types of initiatives, as reported by departments and agencies. The financial management improvements described in this chapter each include an agency contact point with telephone number to enable readers to obtain additional information.

**Annual Report Initiatives 1991**



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## *Initiatives by Agencies to Improve Financial Management*

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### **BUDGET FORMULATION AND EXECUTION**

**D**uring 1991, the **Department of Justice** (DOJ) developed an Operating Plan Generator to be used by the Budget Staff, Office of Justice Programs (OJP), to prepare and print operating plans for each DOJ office. The software transfers previous plan data by quarter and updates identification, budget activity codes, prior amounts, present amounts, and cumulative limitations based on stored information and additional data entered by the user.

Another automated budget system was developed for the Office of Juvenile Justice and Delinquency Prevention to prohibit users from authorizing or creating obligations or making expenditures under any object class in excess of the amount available. This system tracks and reports on funds by division, by quarter, and by object class while maintaining a constant balance between funds appropriated and obligated for each object class during each quarter. [Sunil J. Porter, (202) 307-5829]

The **Small Business Administration** (SBA) has completed field testing and will implement the Agency Resource Model for Enhanced Decision-Making (ARMED) management software. The ARMED program enables managers to monitor and compare personnel distribution, workloads, and productivity in over 100 SBA field offices. [Lawrence Rosenbaum, (202) 205-6449]

The United States Coast Guard, **Department of Transportation** (DOT), has implemented an Integrated Budget System (IBUDS). It ties the Coast Guard's programming and budgeting systems together into a unified automated system. IBUDS is used by the Coast Guard's major field units and Headquarters program managers who budget within the \$2.5 billion operating expense (OE) Appropriation. Current year budget execution throughout the organization has been simplified and standardized. Future IBUDS expansion plans include incorporating a spending plan module and interfacing with the Coast Guard's accounting system. [Lee Jacobs, (202) 267-0744]

In fiscal year 1992, the United States Coast Guard (USCG), **Department of Transportation** (DOT), initiated a formal process to analyze spending plans of Coast Guard program managers for headquarters retained funds. Analysis of the funds bases, completed from September to December 1991, divided each program's budget into individual line items. These items were categorized and sorted into major functional groups. Both individual items and the functional groups were analyzed, and program justifications for the line items were provided.

Benefits of the analysis included thorough understanding of what makes up the base of each of the programs within the Coast Guard. From this, upper management was able to identify individual items within spending plans for which funding was either inappropriate or duplicated by other accounts or

appropriations. Reprogrammings of \$14 million achieved better balance of the mandated initiatives within the agency.

The review of spending plans will now be done on an annual basis. The plan review will be expanded to include major field organizations; future plans will also extend to include base analysis of other appropriations. [Tim Eastman, (202) 267-2423]

The **Department of the Treasury** is reissuing its departmentwide *Budget Manual* which was last issued in 1980. The revised manual will include developments in the federal budget process, including the Budget Enforcement Act of 1990 and the Chief Financial Officers Act of 1990, as they relate to Treasury's internal budget formulation, justification, execution guidance, and procedures. The manual, expected to be published by June 1992, will provide a reference source for each bureau's budget offices and others. [John Murphy, (202) 566-2006]

### **ACCOUNTING POLICIES AND PROCEDURES**

**T**he **Department of Education** implemented a process which reviews its Payment Management System (EDPMS), identifies unexpended funds on expired grants, and generates expired grant reports to program offices. Program offices review the reports, annotate grants from which funds should not be deobligated, and return the reports



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to the Department's FMS. Grant recipients meeting the suspension criteria are notified by expenditure reports (EDPMS 272). This review allows recipients opportunity to make necessary adjustments prior to the actual suspension of funds. Downward adjustments are automatically generated by the EDPMS and the grants are financially closed. The deobligation of funds is also communicated to recipients by expenditure reports.

The automated suspension process, initiated in December 1990, identified over \$200 million in unexpended balances on 25,000 expired grants. Quarterly reports issued in March, June and September 1991 deobligated a total of \$195 million. A departmental policy related to the automated suspension process was developed and issued to program offices within the Department in February 1991. [Betty Hepak, (202) 401-0103]

The **Environmental Protection Agency (EPA)** had previously limited Superfund response-action contractors to site-specific payments. A new annual allocation process involves reassigning the allocable portion of a contractor's general and management support costs to sites. With agency review and guidance, contractors report the costs that support site clean-up efforts and allocate these costs to the sites worked on during the period. [William Cooke, (202) 260-9268]

The Food and Drug Administration (FDA), **Department of Health and Human Services**, has been paying most invoices after matching the invoice with an

obligating document, but without verifying the receipt of goods or services. Receiving reports are maintained in the ordering office; quarterly random sampling has been conducted of selected samples of payments. FDA began this practice in June of 1988, after risks and benefits assessment indicated cost effectiveness.

Since 1990, a threshold for payments of \$1000 or less without receiving reports has been used. This limits receiving report matching to the 15 percent of invoices having payments over \$1000, which constitute 75 percent of dollar value of all purchases. Savings have resulted from the procedure and increased annually; FDA's compliance with the Prompt Pay Act has significantly improved. [Frank Claunts, (301) 443-3260]

The Social Security Administration (SSA), **Department of Health and Human Services**, initiated an Earnings Modernization Project (EMP) of processes to record earnings amounts on SSA records, correct processed employer reports, correct individual employee wage amounts, and use earnings data internally and by data exchange with other authorized entities. The project's results will improve the accuracy of earnings records used by SSA to determine a client's eligibility for and the amount of Social Security benefits. The system will allow SSA to make on-line corrections to a client's earnings record, facilitating service at the client's point of contact with SSA.

Beyond the client services level, the EMP accomplishes trust fund accounting, wage certification, and actuarial computations in compliance with statutory

deadlines. Further, the EMP project advances SSA's and Internal Revenue Service's efforts in performing wage reconciliation.

SSA has identified 23 software releases with implementation dates ranging from July 1991 through October 1994. To date, SSA has implemented six new software releases which have upgraded processes in the earnings establishment and employee wage correction functions. [William Eichelman, (410) 965-0072]

The **Pension Benefit Guaranty Corporation (PBGC)** initiated a program to strengthen accounting operations and internal controls. The key objectives are to develop an accounting policy manual, improve procedures to prepare corporate financial statements (fiscal year 1992), improve and document the processes of the Controller Division, and provide a better foundation for PBGC's A-123 and A-127 activities. PBGC expects that improved internal controls and stronger financial management will enhance financial reporting. [Martin O. Boehm, (202) 778-8809]

## **FINANCIAL MANAGEMENT SYSTEMS**

### **Financial Management and Accounting Systems**

**T**he Agency for International Development's (AID) Housing Guaranty Portfolio Management System (HGPMS) is a financial management information system designed for AID's international housing program.

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Using a large database, multi-function activities, and mathematical formulas, the ledgers follow the lifecycle of the housing guaranty program. The lifecycle begins with authorization and follows through steps of loan creation, loan repayment, recording claim receipts, and the rescheduling of loans in default. The system generates statistical reports including 30-year projections, amortization tables, and monthly billing reports for borrowers. [R. Don Newman, (202) 663-2020]

The **Agency for International Development (AID)** has employees in the U.S. and at 85 overseas locations. In 1991, AID enhanced its American Electronic Time and Attendance (AETA) system. AETA was installed in 1989 in San Jose, Costa Rica, and Bridgetown, Barbados, and linked to AID's mainframe in Beltsville, Maryland. The enhanced system operates on a local area network at each site and has increased efficiency by electronically receiving and transmitting time and attendance data.

Each installation of AETA is customized to the location where the systems automatically defaults to the location's work week and allowances such as danger pay, Sunday differential, country code for post differential, and other unique features. AID is also considering using AETA to pay foreign service national employees. [Joan D. King, (202) 663-2600]

The **U.S. Department of Agriculture (USDA)** is establishing its Modernization of the Administrative Process Program (MAPP) which is expected to

operate throughout USDA by the end of fiscal year 1996. USDA's Administrative Integrated Management System (AIMS) provides major software components that support MAPP including remote electronic entry of requests for goods or services, routing and approvals, procurement functions, receiving and accepting of goods and services, invoicing, and processing payments.

Three USDA agencies—the Forest Service (FS), Agricultural Research Service (ARS), and Farmers Home Administration (FmHA)—are participating in and supporting the AIMS software development. Initial AIMS prototype tests were successful. Further testing will begin in 1992 and continue for 1 year at FmHA sites in Washington, D.C., Missouri, Ohio, and FS sites in New Mexico, Maryland, Georgia, South Carolina, and Florida.

When completed, MAPP will meet all governmentwide standards and the technology will be available to other government agencies. [Larry Wilson, (202) 720-8345]

The Food and Nutrition Service (FNS), **U.S. Department of Agriculture**, administers food assistance programs known as the Food Stamp, National School Lunch, and School Breakfast Programs, and the Supplemental Food Program for Women, Infants and Children. Annual expenditures for these programs exceed \$30 billion; the programs are administered by 275 grantees under oversight of seven FNS regional offices.

A Regional Financial Management Information System (RFMIS) and local area network

(LAN) automate and standardize grantee cash management and the oversight functions. By facilitating cash reprogrammings, RFMIS is expected to save over \$2 million a year. RFMIS will also deliver quarterly financial profiles and management reports to monitor cash management and detect potential grantee problems. [Stephen R. Balsam, (703) 305-2159]

A governmentwide administrative systems database established by the **Department of Commerce (DOC)** promotes sharing of systems among federal agencies to save costs. The database, also widely known as the Survey of Administrative Systems Reporting System (SASREPS), has been endorsed by the Federal Information Resources Management Policy Council and is an initiative of the President's Council on Management Improvement (PCMI). Many systems in the database are financial systems, accounting systems, or subsidiary financial systems such as property, procurement, budget, and personnel/payroll. DOC recently updated the database to contain 384 systems available to any agency by cross-servicing or adoption. Updated database versions are anticipated quarterly or as warranted.

The database is contained on a single high density IBM compatible diskette and has been widely distributed throughout the Federal IRM community and to members of the PCMI. Agencies are encouraged to consider using the systems reported and to submit systems to the DOC for other agencies to consider. For

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information or to receive a copy of the database, call the DOC.  
[Ronald P. Hack, (202) 377-0120]

**The Department of Commerce's** (DOC) multi-year transformation of its financial systems is known as the Commerce Core Financial System Project. The National Computer Systems Laboratory (NCSL) of the National Institute of Standards and Technology (NIST) is consultant to DOC's CFO for the project. The single system will replace eight stand-alone systems and remedy financial deficiencies. [Gary Maupin, (202) 377-1207]

During fiscal year 1991, the **Department of Energy** (DOE) upgraded its Departmental Integrated Standardized Core Accounting System (DISCAS) by implementing an accounts receivable and reimbursable module. It increases DOE's information and control of receivables, collections, and reimbursable work activity. It automatically accounts for the added factor costs in charging reimbursable work. The DISCAS system complies with the JFMIP Core Financial System Requirements. [Donald L. Griffith or Harriet Lankford (301) 903-2595/5585]

**The Department of Energy** (DOE) is developing a payroll cost distribution system to be integrated with DOE's departmental integrated standardized core accounting system. It will collect obligation and cost data, control funds, distribute timely and accurate payroll costs, and project annual payroll costs. [Harriet Lankford, (301) 903-5858]

**The Department of Energy** (DOE) is replacing its financial information system with a Management Analysis and Reporting System (MARS) which will produce consolidated Departmental financial reports. MARS will improve the accuracy and timeliness of the financial reports and include new information. It will implement the U.S. Standard General Ledger at the transaction level. [Donald L. Griffith, (301) 903-2925]

**The Environmental Protection Agency** (EPA) created the Superfund Cost Organization and Recovery Enhancement System (SCORE\$) to store, track, and quickly access cost accounting data on cleanups of hazardous waste sites. SCORE\$ produces comprehensive cost recovery documentation reports, computes indirect costs, and provides an audit trail of financial transactions. [Kris Skogebo, (202) 260-6338]

**The Environmental Protection Agency** (EPA) has developed a Superfund Cost Recovery Image Processing System to store on optical disk all financial documents related to Superfund hazardous waste site cleanups. These documents are required for Superfund cost recovery cases. The electronic imaging system reduces the requirements for physical storage space and provides an efficient means of records management and information retrieval. [Jim Grunewald, (202) 260-6544]

**The General Services Administration's** (GSA) Federal Supply Service (FSS) and Office of Finance is developing a cost

accounting system to produce financial reports under industrial funding by methods of supply (i.e., stock, direct delivery, special orders) and procurement (i.e., commodity center). The new reports will allocate operating costs to the incurring organizational units for accurate cost analysis and pricing.

The system will link directly to the FSS Method of Supply Decision or the FSS Econometric Models—depending upon the mechanism under which pricing for specific types or classes of commodities is determined under full-cost recovery industrial funding. Monthly income statements will include fully integrated pricing and cost accounting information. Income statements were prepared manually for each quarter during fiscal year 1991 but are to be produced on-line as part of the normal monthly accounting cycle. Completion of this programming is expected in fiscal year 1992.

By providing full cost disclosure to each FSS cost center/field location, the new system will facilitate the determination of pricing strategies and operating results under industrial funding. Presently field locations and cost centers lack financial statements which relate their specific activities to reported nationwide data. [Leonard Yonkler, (703) 305-7644]

**The General Services Administration's** (GSA) Public Buildings Service (PBS), Financial Management Division, and Finance Division in Fort Worth, Texas (Region 7) developed an interactive control data base for customer agency chargebacks for rent. The database was placed on-line during fiscal year 1991 to track

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chargebacks and ensure prompt follow-through of customer requests. The chargeback control system was then implemented by the Division for all PBS regions. Both timeliness and accuracy of chargeback processing have improved. An additional benefit derives from compilation of statistics on chargebacks to enable the Office of the Controller to target specific needs for improvement in lowering the number or type of chargebacks.

Future plans involve expanding the chargeback control system to enable the regions to track all rent credit requests from customer agencies and to allow customer agencies to query the system directly for chargebacks. [Robert D. Tuch, (202) 501-0876]

The **Department of Health and Human Services (HHS)** has developed and implemented in 1991 a new Accounting for Pay and Benefits System (AFPS). The AFPS acts as an interface between HHS's central payroll and the operating components' core accounting systems. The AFPS translates pay and benefits data for individual employees and commissioned officers into a series of accounting transactions which are used by operating components to update their core accounting systems.

The AFPS permits on-line screen data entry to correct prior pay period accounting transactions or an employee's accounting classification code. The AFPS includes a pay and benefits database for employees by pay period. In the future, a labor cost segment may be added to distribute an employee's pay and benefit costs to one or more accounting classification codes

rather than the normal code maintained for the employee in the payroll system. Labor distribution data would be captured by the time and attendance system or entered on-line to a series of labor distribution tables.

The AFPS provides accounting offices with name listings and cost summary reports and permits ad hoc reports. It reports each payroll to the Payroll Accounting Office for consolidation and transmits data to Treasury and the Office of Personnel Management. [Bill Topolewski, (202) 245-6226]

The **Department of Health and Human Services (HHS)** has designated a proprietary financial management software package as its Departmentwide standard. The Office of Financial Systems (OFS) in HHS is responsible for coordinating implementation of the standard. As the proprietary system is on the General Services Administration (GSA) schedule, it has demonstrated it satisfies the *Core Financial System Requirements* developed by the JFMIP. All HHS organizations which replace their core accounting systems with off-the-shelf software must follow the standard. HHS considers this strategy as satisfying OMB Circular A-127 and the Chief Financial Officer (CFO) Act of 1990 requirements that agencies move toward an integrated financial management system, eliminate duplicate and unnecessary systems, and share systems where appropriate.

The standard package is currently in use at the Centers for Disease Control (CDC) and the Health Care Financing Administration

(HCFA). [Bill Topolewski, (202) 245-6226]

The Social Security Administration (SSA), **Department of Health and Human Services (HHS)**, using the HHS Departmentwide standard proprietary system as a base, is developing and will implement in 1992 a system named the Financial Accounting System (FACTS). Currently, HHS is making modifications required by SSA-specific processing; it also is developing a front-end data entry/document processor for FACTS. The project will automate procurement and other financial-related forms prepared locally in the 1,300 field offices around the country as well as at SSA headquarters. It will provide transmission of those forms into SSA's accounting system and greatly speed recording of spending by widely dispersed offices. The first phase of the project, to be implemented in October 1992, will automate up to 10 of the forms which have the most impact on controlling SSA spending. [John Cain, (410) 965-6084]

In May 1991, the Social Security Administration (SSA), **Department of Health and Human Services (HHS)**, implemented software which extracts data from the Department of the Treasury's daily returned check and payment cancellation tape and generates three new program service center (PSC) reports to supplement the daily cancellation credits accounting report (CCAR). The new reports, together with the CCAR and the PSC daily disbursement and collection report, will provide

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complete cancelled payment data and enable SSA to obtain timely and equitable interest credit for cancelled Title II payments. OIG has estimated the system will enable the trust funds to realize annually increased investment income of \$5 million. An agreement between HHS and Treasury permits SSA to obtain credit on cancelled payments beginning with the date of issue for unnegotiated, returned, or stop payment paper checks and beginning with the date of deposit for electronic funds transfer payments. [Ronald Slowik/Joe Maran, (410) 966-9427/8954]

The Centers for Disease Control (CDC), **Department of Health and Human Services (HHS)**, implemented a proprietary system (TOPS). The system fully implements the governmentwide Standard General Ledger and supports CDC's processing requirements for general ledger, funds control, accounts payable, and accounts receivable. It provides data for external regulatory and internal management financial reports.

Enhancements for CDC's applications incorporated within the accounting system are available for use by the Office of the Secretary and other HHS agencies. Evaluations of imaging technology, computer voice response for status of payment inquiries, and budget and improvements to the execution module enhancements may further enhance the system. [Al Barber, (404) 842-6828]

An automated Time and Attendance System (TAS) has been developed by Centers for Disease Control (CDC), **Department of**

**Health and Human Services (HHS)**. This system is part of the CDC Information System (CDC/IS). The system provides an automated procedure for recording employees' work and leave hours, transmitting data to the Central Payroll System, correcting timekeeping errors, and querying employee time and leave information. CDC is the first HHS agency to transmit time records via CDC's mainframe computer. A second version of TAS will produce reports, incorporate full-time equivalent FTE tracking, and interface with the HHS Labor Distribution System. [Carol R. Strain, (404) 639-0473]

The Social Security Administration (SSA), **Department of Health and Human Services (HHS)**, implemented in April 1991 a followup system for outdated checks. Public Law 100-86 limits the payability of government checks to 1 year from date of issue. Uncashed year-old SSA checks are cancelled by the Department of the Treasury with the cancellations reported and proceeds returned to SSA. When cancellation reports show uncashed benefit checks, SSA's system ascertains if the recipients have reported nonreceipt of benefits and whether they remain eligible for the payments. If SSA has not received notice of nonreceipt, it annotates the master record and issues a controlled alert to the servicing field office. The field office is instructed to contact the beneficiary to learn if the check was received. Depending on the result of the inquiry, the processing center instructs the system to replace the check, offset an existing overpayment, or take no action to

disburse the funds. The center's action removes the alert control. [Robin Howell/Tom Bricker, (410) 965-8343/5273]

The Bureau of Reclamation, **Department of the Interior**, is developing a Federal Personnel/Payroll System (FPPS). An automated Standard Form 52, Request for Personnel Action, process will be implemented in mid-1992; the full FPPS implementation is scheduled for 1994. When FPPS is fully implemented, cross-servicing will be available. [Robert Corrado, (303) 969-7700]

The **Department of the Interior** continued implementation of its proprietary accounting system, which features on-line editing and updating, includes the standard general ledger. Seven bureaus of Interior, which use the system, collectively account for 97 percent of the total dollar value of the Department's financial transactions. The bureaus include U.S. Geological Survey, Bureau of Reclamation, Bureau of Mines, Fish and Wildlife Service, National Park Service, Bureau of Land Management, and Bureau of Indian Affairs.

Bureau-specific FFS enhancements initiated or completed during 1991 were:

### ***National Park Service:***

The National Park Service is converting its accounting system to a local area network version called MicroLAN FFS. The installation will be completed during fiscal year 1992.

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The National Park Service is interfacing a billings and payments module with its accounting system. The module reduces cost distributions workload, increases accuracy, and avoids processing delays.

### ***Bureau of Mines:***

The Bureau of Mines On-line Financial Inquiry System (OFIS) is a customized inquiry system implemented in 1991 which the Bureau developed to assist program officials in budget execution. OFIS provides access to summarized budget execution information and supporting payroll costs and transaction detail. Data in OFIS is extracted from accounting transactions recorded in the accounting system.

In another application, the Bureau will remotely record pending allocations, allocation approvals, and budget posting for allocations to its budget subsystem. The initiative eliminates forwarding budgetary source documents from Washington to Denver.

### ***Bureau of Land Management:***

The Bureau of Land Management implemented a program management system which relates the accounting system data to the Bureau's annual work plan process. The resulting financial management information is used to meet statutory and regulatory requirements for funds control and reporting and to ensure management control of cost target allocations, utilization of staff resources within assigned ceilings, and accomplishment of program workload. Measures including

dollars, work-months, and units of accomplishment are used to develop an annual work plan. Enhancements planned or in-process at DOI include custom software development for reports, system interfaces, and on-line financial management inquiries. The reports will meet requirements of bureau program, budget, and finance officials. The inquiry systems also will support bureau-specific financial inquiry requirements. These activities will continue to improve systems of administrative controls and capitalize on software capabilities to meet requirements of the Department's financial management program. [Clarence Smith, (202) 208-3253]

The **Department of Justice** (DOJ), effecting financial systems consolidation required by OMB Circular A-127, has all Department components except the Federal Bureau of Investigation (FBI) committed to using the DOJ Financial Management System (DOJ FMS). The system's Financial Management Information System (FMIS) consists of integrated modules which support budgeting, accounting, and related financial management information needs.

Departmental integration of subsidiary systems is being accomplished through the FMIS. A FMIS distributed budget module (DBM) used throughout the Bureau of Prisons (BOP) is being implemented within the Immigration and Naturalization Service (INS) and the U.S. Marshals Service (USMS). Overall integration of financial systems requires long-term commitment by the Finance Staff, the Justice Management Division, and the

bureaus. The DOJ's strategy for accomplishing the complete DOJ FMS is to integrate commercial software packages within the Department, support phased migration of component systems to the DOJ FMS, and proceed as core modules of the primary system are enhanced to support use by DOJ components. [Edward Dolan, (202) 501-6600]

The **Department of Labor** (DOL) continued implementing its commercially-based family of financial systems—the Department of Labor Accounting and Related Systems (DOLAR\$). Accomplishments in fiscal year 1991 included implementing the accounts payable subsystem, improving reporting capability, and strengthening internal controls. An automated procurement system is being prepared to be fully integrated with the accounts payable subsystem.

DOLAR\$ effort in fiscal year 1992 will install accounts receivable/debt management and travel subsystems to integrate with core accounting. DOL has interfaced grant payment and related financial processing for the Department of Health and Human Services' payment management system with the central accounting operation. These subsystems eliminate duplicate data entries of financial data captured in DOLAR\$ for procurement, travel, grant and collection functions throughout DOL. [William Furman, (202) 523-6891]

The Employment and Training Administration (ETA), **Department of Labor**, is implementing a Grant and Contract

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Management Information System (GCMIS). The system, to be fully integrated with DOL's new central accounting system (DOLAR\$), will make grants and contracts management easier, and more effective by

- incorporating the capability to track financial data and economic events and produce program performance reports and financial statements,
- generating operating documents, such as notices of obligation and requests for payments,
- easing data entry and enabling fast data access,
- allowing users to customize reports easily and to generate ad hoc reports, and
- providing on-line processing.

GCMIS is expected to be implemented nationwide this year. [David Duncan, (202) 535-8760]

**The National Science Foundation** (NSF) mails to its grantees quarterly Federal Cash Transaction Reports (FCTR). This report presents a financial accounting of each existing grant. On receiving the FCTR, the grantee reports the expenditures incurred for each grant in the reported quarter, provides the ending cash balance, and mails the updated FCTR to NSF for input to the accounting system.

In a revised methodology to be implemented for selected grantees in early 1992, the NSF will electronically send grantees a quarterly list of existing FCTR awards. The grantee will update the report with quarterly expenditures and ending cash balance. The report will then be electronically returned to NSF for inclusion in the

accounting system. When implemented, this system will be used by more than 2,000 colleges and universities. It will eliminate manual submission of expenditure information by grantees and the manual entry of approximately 110,000 transactions into the NSF accounting system. The accounting system will monitor receipt of quarterly FCTR electronic files and will reconcile reported grantee cash on hand balance with the accounting system's grantee outstanding cash balances and report differences to NSF grantee accountants for analysis and resolution. [Leo E. Bowman, (202) 357-7753]

**The Nuclear Regulatory Commission** (NRC), assisted by the FMS, Department of Treasury, will implement a proprietary financial system in 1992. The on-line budget and accounting system will provide full budgetary controls, automate use of commitment accounting, permit queries about payments and accounting transactions, and consolidate accounting components into one system. [Robert E. Rakowski, (301) 492-7365]

**The Office of Personnel Management** (OPM) acquired a primary accounting system from the GSA Financial Management Systems Software Schedule and implemented the system in September 1991. The system meets the requirements of OMB Circulars A-123 and A-127, title 2, GAO and JFMIP *Core Financial System Requirements* and provides for use of the Standard General Ledger at the transaction level. Modules for general ledger, budget

execution/funds control, accounts payable and disbursements, accounts receivable and collections, travel, management and external reports, and ad hoc query are included. The system includes links to other OPM administrative systems such as payroll, work reporting, and program financial systems and it includes an integrated procurement system. Integrated property and inventory control modules will be added to the system in 1992. [Christopher H. Flaggs, (202) 606-2477]

**The Pension Benefit Guaranty Corporation** (PBGC) is improving its Present Value of Future Benefits (PVFB) system, which calculates more than 85 percent of the Corporation's liabilities. The revised PVFB system's more accurate liability figures will improve financial statements and financial management.

PBGC also is repairing (short-term) and replacing its Premium Accounting System (PAS). The automated portion of the current system, rendered unusable when Congress legislated a variable rate for PBGC's premium structure, is operable with restored data entry, updated premium history files, and current status with respect to past due filing notices and refunds.

The PAS replacement will include simplification strategies and better functional support of the variable rate premium. It will enable the PBGC to more effectively account for, report on, and control premium assets. The replacement PAS is expected to be operational by January, 1993. [Martin O. Boehm, (202) 778-8809]



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The **Securities and Exchange Commission** is expanding user access to its central accounting and reporting system by bringing the system on-line to all its headquarters and regional offices. Most of the headquarters was brought on-line during 1991 and regional offices will be connected during 1992 and 1993. The proprietary system was adopted at the SEC in 1988 and has been updated since then. A contractor is employed to run nightly financial reports to increase efficiency and cost effectiveness. The system was used to produce the annual financial closing. [Darrell Dockery, (202) 272-2049]

The **Securities and Exchange Commission's** Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system was implemented for pilot trial as an operational system in 1991. Release 1 of EDGAR allows filers, filing agents, and training agents to use the system. The system is being designed to receive, process, and store very large quantities of free-form textual information. The SEC annually receives and processes over 11 million pages of information.

The EDGAR project has governmentwide, precedent setting implications for the receipt and dissemination of electronic information. Consequently, it has been designated as a Presidential Priority System.

In prior testing, the EDGAR project was started in 1984 and has demonstrated that electronic filings can be received, processed, and analyzed. Filings are received via direct transmissions over telephone lines or public networks using

asynchronous or bisynchronous communication protocols, by diskettes prepared on various types of word processors and personal computers, and by magnetic tapes. In testing over 1,500 registrants have submitted more than 100,000 filings.

The operational EDGAR system, to be implemented in phases, will allow the SEC staff to review and validate filings from over 15,000 registrants and electronically disseminate these filings to investors. Live testing of the new system is expected to begin by July 1992. The phase-in of the first group of 3,200 mandated filers is tentatively scheduled to start in the spring of 1993. After this test group has filed for at least 6 months, 1,500 to 2,500 mandated filers will be phased onto EDGAR every 3 months. It is expected that 15,000 registrants will be filing on EDGAR by the summer of 1996.

Later phases of EDGAR planned for 1993 and 1994 will incorporate features that allow segmented filings, combined fixed-field and text searches, financial ratio searches, storage and retrieval of comprehensive screening sheets, and a variety of screen enhancements and operational features that will make EDGAR easier to learn and use for both filers and SEC examiners. [John Penhollow, (202) 272-3900, extension 3001]

**The Small Business Administration** (SBA), with the FMS, Department of the Treasury, is replacing SBA's administrative accounting system. The replacement proprietary system incorporates controls not previously available. For the system, as initially

installed, SBA headquarters offices input data, which is accessible by regional offices. After further installation in 1992 regional and district offices will enter most of their own data. SBA anticipates that by fiscal year 1993 all transactions will be accomplished electronically between the field offices and the agency finance center. [Lawrence Rosenbaum, (202) 205-6449]

**The Small Business Administration** (SBA) signed an agreement with the FMS, Department of the Treasury, to install the Electronic Certification System (ECS). SBA will prepare disbursement information electronically and deliver magnetic tape to the Treasury disbursement center. ECS provides, by electronic means, the equivalent of the required signed disbursement schedule. Currently, SBA uses ECS only for large vendor disbursements. SBA expects to expand ECS during fiscal year 1992 to include all recurring vendor payments and employee travel voucher reimbursements. [Lawrence Rosenbaum, (202) 205-6449]

**The Department of State** completed the conversion of all domestic bureaus to the Central Financial Management System (CFMS). The FMS is now operational in all 30 domestic bureaus of the Department. The conversion of prior year data will be completed by year-end 1992.

CFMS processes domestic financial activity and records summary financial data from overseas posts and the Department's payroll system. During 1992 all remaining funds



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and functions, such as the Foreign Affairs Retirement and Disability Fund (FARADS), will be fully converted to CFMS.

Another system, the Overseas Financial Management System (OFMS), will replace multiple overseas systems with one system. OFMS processes disbursing, vouchering, allotment accounting, and budget preparation. A subsystem of the OFMS, the serviced post financial management system (FMS), has been installed in six countries and will be installed in 12 more countries in 1993.

The Department's next emphasis will be to integrate and standardize worldwide financial information and systems to complete the implementation of the Standard General Ledger. [Howard A. Renman, (703) 875-6906]

The Department of State will implement in fiscal year 1992 a system to collect data worldwide on its contract actions. The collection of such data will permit the Department to analyze its acquisitions for financial management improvements, consolidate large purchases, and more efficiently allocate personnel and financial resources. [John Black, (703) 516-1686]

The Department of State has incorporated a manual acquisition planning section within its automated budget process (outyear budget call and upcoming financial plan). The next step is to integrate acquisition planning into the Department's program planning process, currently planned for fiscal year 1992. Automating acquisition planning will be scheduled during fiscal year 1992 as well. This

initiative will improve financial management as approximately one-half of the Department's discretionary funds are obligated through contracts. Acquisition planning enhances the efficient allocation of financial and personnel resources. [James Tyckoski, (703) 516-1688]

The Department of Transportation's (DOT) core accounting system, DAFIS, is replacing the nine accounting systems and numerous accounting subsystems in the individual DOT administrations. DAFIS incorporates the U.S. Government Standard General Ledger (SGL) at the transaction level. Further it accomplishes debt collection and cash management, Prompt Payment Act requirements, automatic clearing house-electronic funds transfer (ACH-EFT), the use of multiple agency location codes, and the recent "M" account legislation. The fully implemented DAFIS will produce auditable financial statements at the departmental and operating administration levels.

In 1991, the Office of the Secretary, Federal Aviation Administration, National Highway Traffic Safety Administration, United States Coast Guard, and the Federal Railroad Administration implemented DAFIS; the remaining four implementations are now in process and are scheduled for completion by mid-1993. [Doug Sawin, (202) 366-5625]

The Department of Transportation Coast Guard's (CG) implementation of DAFIS was accomplished by consolidating existing account offices into a finance center, at Chesapeake,

Virginia. The Coast Guard also developed an Automated Funds Transfer System (AFTS) to prepare funds transfer documents and enter data in accounting records for transfers between administrative target units, allotment fund codes, and Headquarters offices. [William Parker, (202) 267-0738]

The Department of Transportation Federal Aviation Administration (FAA) implemented a straightline allotment and allowance system in the agency's accounting system. It automatically generates an allotment/fund control code, answers inquiries and prepares reports, and supports a system of fund control including the single agency allotment and allowances and suballowances to straightline organizations. [Dave Thomas, (202) 267-8994]

The Department of Transportation (DOT) Coast Guard (CG) has started a Travel Liquidation and Certification (TLC) Project to satisfy problems pertaining to the total processing of members' travel claims and interface with other Coast Guard applications. When this project is implemented in late 1992, it will eliminate the transfer by mail of original travel documents, prevent duplication, improve service to the member by reducing payment delays, and provide more rapid reporting of actual funds expended. A future TLC project will provide an automated travel voucher and TAD orders-filing program for field units and transfer data to the field travel offices. Another phase may consolidate the field travel offices into a single activity. [D. Swatloski, (202) 267-2069]

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The Federal Transit Administration (FTA), **Department of Transportation** (DOT), now uses a system known as the Electronic Clearing House Operation (ECHO) to process payments to grantees and vendors. ECHO consists of three modules: one receives payment requests from grantees, another verifies the request, and the third module creates a disk file of approved requests for payment via the U.S. Treasury Electronic Certification System (ECS).

Under ECHO, FTA grantees and vendors receive funds expeditiously and economically. Grantees can initiate payment requests using personal computers at their own offices any workday from 7:00 a.m. to 7:00 p.m. The requests are processed and payments made directly to the grantees' bank accounts within 2 workdays. This prompt turnaround allows grantees to have cash on hand to meet due dates and, at the same time, holds federal fund balances in grantees' accounts to the minimum. FTA implemented ECHO in January 1991 and converted to ECS in August 1991. [Harold R. Metcalf, (202) 366-0968]

In 1992, the **United States Information Agency** will implement an accounting system front-end enhancement rendering accounting data on-line with interactive updates from accounts payable, travel advance, and accounts receivable systems. Data on allotments, obligations, accruals, and disbursements will be available on-line to both allottees and accounting personnel. [Charles McAndrew (202) 619-4315]

The **Department of Veterans Affairs** (VA) started a multi-year effort to implement a Departmentwide proprietary financial management system. Its implementation will include conversion of VA's construction appropriations to the new system in (1992). The system will be implemented at medical centers, regional offices, supply depots, and other VA field facilities (1993-1994). Custom changes to the proprietary system and interfacing with existing VA systems and support programs will be accomplished throughout the implementation period. [Robert Bevilacqua, (202) 233-8028]

The **Department of Veterans Affairs** (VA) is establishing an Executive Information System model for the Medical Care Cost Recovery Program (MCCR) to provide managers with up-to-date medical facility information. Managers may access specific data on a VA medical center's occupancy rate, length of stay, number of outpatient visits, MCCR staff (FTE authorized), monthly MCCR receivables, receivables outstanding, and collection standing. The project, started in October 1991, is expected to be implemented in September 1992. [Elizabeth Stewart, (202) 233-2071]

During 1991, the **Department of Veterans Affairs** (VA) implemented the American National Standards Institute, Accredited Standards Committee, Electronic Data Interchange (EDI) Standards X12 for the electronic transmission of incoming vendor invoices. Each month the VA's Finance Center in Austin, Texas,

receives approximately 19,000 invoices electronically from 32 vendors. These vendors sell supplies to the nationwide network of VA medical centers and regional offices. This electronic data is then processed by the VA's Centralized Accounts Payable Processing System for money management which generates the subsequent payment to these suppliers.

The benefits of the X12 EDI initiative are it provides the most efficient method of processing vendor invoices by reducing lost discounts and interest penalty payments, creates a document control system between vendors and the VA, and improves document quality for audit trails.

The VA's use of the electronic invoice provided for 70 percent of the vendors transmitting invoices to the VA their initial electronic invoice experience. Other agencies using the process in their financial operation may benefit as those vendors have systems available for additional interfaces. The VA will increase utilization of this technology in fiscal year 1992. [R. Keith Wanless, (512) 389-5310]

### *Debt Management Systems*

The **Export-Import Bank** (EXIMBK) is sometimes unable to collect a claim on a U.S. dollar denominated debt for which local currency has been deposited because of exchange restrictions in place by the debtor countries' central bank. State Department and Treasury Department discussions led to establishment in 1991 of an EXIMBK foreign transfer (FT) account at the Treasury. Through the FT account, a U.S. Embassy in the debtor's country may purchase,

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at the current official exchange rate, local currency that it needs for Embassy operations. EXIMBK's FT account is credited with dollars. EXIMBK bears the exchange risk and earns no interest. EXIMBK benefits by removing blocked local currency on deposit in the central bank of a debtor's country to collect funds for recovery of claims. [Quang Phung, (202) 566-8830]

Front-end entry of data into the Debt Management System (DMS) of the Social Security Administration (SSA), **Department of Health and Human Services** (HHS), facilitates tracking, resolving, and reporting on debts owed by the public. SSA field offices enter initial data in the DMS via computer terminals on an on-line basis. The change made obsolete the former batch process; it also replaced debt management coding forms and input screens. [Bonnie Sinlock, (410) 965-8352]

The Omnibus Budget Reconciliation Act (OBRA) of 1990 made available to the Social Security Administration (SSA), **Department of Health and Human Services**, the use of Tax Refund Offset (TRO) for Old-Age, Survivors and Disability Insurance delinquent debts. TRO is a debt collection method which offsets individuals' federal income tax refunds for outstanding debts owed to federal agencies. Prior to the 1990 legislation, SSA was precluded by the Deficit Reduction Act of 1984 from using tax refund recovery.

Offset of SSA's debts will begin in February 1992. In readiness, SSA has developed a system to process debts referred for offset and told citizens and special interest groups

that TRO will begin. In August 1991, SSA notified 201,000 debtors of the potential offset. Debtors voluntarily paid back over \$2.7 million as of early December 1991. SSA expects to recover \$36 million from offset in fiscal year 1992 and another \$36 million in fiscal year 1993, with program cost of \$4.7 million and \$2.3 million, respectively. Since the Department of the Treasury's legislation to conduct the TRO program has a sunset date of January 10, 1994, estimates beyond fiscal year 1993 were not made. [Michael D. Johnson/Kathy Primavera, (410) 965-8352/8349]

The **Department of the Interior's** Office of Surface Mining Reclamation and Enforcement (OSM) developed a Fee Billing and Collection System (FEEBACS). FEEBACS reports company-level billings associated with abandoned mine land fees. Management and field office access enhances collection and compliance activities. FEEBACS interfaces with OSM's applicant violator system, conforms with the Debt Collection Act, and meets Department of the Treasury reporting requirements. [Roy E. Morris, FTS 776-0331]

The **Department of the Interior's** Office of Surface Mining Reclamation and Enforcement (OSM) new Debt Administration Reporting Tracking System (DARTS) will combine debt management systems for abandoned mine land, audit, and civil penalty debt in a local area network. DARTS includes a debt forecasting module to determine future interest, penalty, and administrative charges that will

accrue. [Kenneth M. McNees, (202) 208-4535]

The Office of Debt Collection Management, **Department of Justice**, is developing a system whereby agencies may ascertain if applicants for loans or loan guarantees have judgments for their failure to pay past federal debts. It implements the "debarment" provision of the Federal Debt Collection Procedures Act. Treasury's FMS has funded project initiation scheduled for March 1992. A loan officer with a touch-tone telephone will dial into a nationwide central intake facility database to determine and query an applicant's record. [Robert N. Ford, (202) 514-5343]

The **Small Business Administration** (SBA), through memoranda of understanding (MOU) with the U.S. Postal Service (USPS) and potentially with the Department of Defense Manpower Data Center (DMDC), will be checking SBA's annual list of delinquent disaster home loan portfolios (approximately 100,000 accounts) against the other agencies' data bases. SBA's objective is to locate possibilities for action under the Interagency Salary Offset Program in which SBA has participated informally since 1988. USPS has 850,000 records for active and retired federal employees; DMDC has 10 million records for active and retired military members. Whenever a match is found, the employing agency is contacted to initiate salary offset against the individual's salary or retirement check. The average amount collected per match is \$426, far outweighing the Agency's cost of

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\$39.82 per match. [Lawrence Rosenbaum, (202) 205-6449]

The United States Coast Guard (CG), **Department of Transportation**, has developed a Current Accounts Receivable Information System (CARIS) to collect out-of-service debts. The system generates correspondence; computes interest, fees, and penalties; tracks payments; and identifies delinquencies. For a delinquency, CARIS may transfer account data for referral to a federally contracted collection agency. CARIS also provides an output file for submission to the Department of Commerce credit reporting program which reports debt information to credit reporting bureaus. CARIS can also develop lists of debtors for the IRS Tax Refund Offset Program. The use of CARIS has seen the outstanding debt balance for out-of-service debts reduced by over \$600,000 during the last 12 months. [C. L. Miller, (913) 295-2912]

### *Procurement and Property Systems*

The Public Health Service (PHS), **Department of Health and Human Services**, is changing to a paperless procurement system which supports all PHS procurement actions of requisitions, purchase orders, receiving reports, invoices, payments, contracts, Fedstrip, blanket purchase agreements, drafts, and HHS Departmental Contract Information System (DCIS) processing.

A submodule processes drafts including encoding of the bank routing and transit number and inclusion of descriptive payment information bank check stock. The

process eliminates need to maintain pre-encoded draft stock and related security problems.

The system interfaces with the Public Health Services Health Accounting System (HAS) and provides status data for procurement actions completed and in process. Electronic certification of requisitions and purchase orders is provided with nine levels of approval authority. For check issuance, the system consolidates nationwide payment requests for submission of payment data to the Department of the Treasury, Washington Finance Center.

The system was implemented in July 1991 for the PHS's Division of Fiscal Services. Work began in September 1991 to implement the system at the Perry Point Service Supply Fund and National Institute for Drug Abuse's Addiction Research Center.

HHS may implement the system at other agencies cross-serviced by the Public Health Service; these include the Office of the Assistant Secretary of Health, the Health Resources and Services Administration, the Alcohol Drug Abuse and Mental Health Administration, and the Indian Health Service. [Lloyd Fagg, (301) 443-2990]

The **Office of Personnel Management (OPM)** installed an interim Property Management Information System (PMIS) to record, report, and control OPM's personal property. It was designed for future conversion to the integrated property and inventory control modules that will be added to OPM's financial management system in 1992. Implementation of PMIS strengthens OPM's

stewardship of assets and improves financial statement reporting of property and equipment. [George Sabo, (202) 606-2200]

The **Department of State's** Office of Supply and Transportation has developed a Non-Expendable Property and Accounting system (NEPA). NEPA records and tracks location and maintenance records, reports items due for replacement and items disposed of, identifies changes made to sensitive data fields, and calculates depreciation expense of capitalized property. NEPA input accepts inventory data from bar code scanning equipment and reconciles data with inventory records. NEPA is used in Departmental offices and at overseas posts. [Chester H. Kuchno, (703) 875-6097]

Small purchase authority in the Coast Guard (CG), **Department of Transportation**, is decentralized for operating units' mission-essential tasks. Within the CG, District Commanders are designated heads of contracting activities (HCAs). HCAs are responsible for appointing contracting officers within their Districts, District Commanders must ensure compliance with applicable laws, regulations, procedures and good management practices.

For internal control of small purchase operations, the Coast Guard is testing a finance and supply billet in three Districts. It anticipates benefits from uniform small purchase methods, cost savings, and better training and controls. The test may lead to similar oversight billets for maintenance and logistics

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commands and headquarters units.  
[Phyllis Miriashtiani, (202)  
267-1172]

### ***Personnel and Payroll Systems***

The **Department of Defense** (DOD) will implement a Defense Retiree and Annuitant System (DRAS) to replace eight systems now used. A consolidated system for Army, Navy, Air Force, and Marine Corps retirees and annuitants will operate at two centers of the Defense Finance and Accounting Service (DFAS), processing retirees at the DFAS Cleveland Center and annuitants at the DFAS Denver Center. Commenced in October 1991, full implementation is scheduled for January 1995. Net projected lifecycle savings for the system implementation are approximately \$12.0 million. [Gloria Harris, (703) 607-1370]

The **Department of Defense** (DOD) has approved implementation of the Defense Joint Military Pay System (DJMS)—a standard military pay system. To replace six systems now paying the active, Reserve, and National Guard members of the four Military Services, DJMS will encompass two separate subsystems. The DFAS's Indianapolis, Cleveland, and Denver Centers will pay Army, Navy, and Air Force personnel. The DFAS's Kansas City Center will pay Marine Corps personnel as a high level of integration of the Marine Corps personnel and pay systems precluded consolidating the USMC with the others.

Prior to this initiative, the Army and Air Force had been

standardizing their active, Reserve, and National Guard pay systems to use the Air Force developed Joint Service Software (JSS). JSS, as the nucleus of DJMS, will be modified to accommodate Navy requirements. The Marine Corps' active and reserve pay systems will be consolidated in 1992-1993. DJMS is scheduled to be completed by December 1994. The estimated savings from DJMS are \$37.4 million over an 8-year lifecycle. [William Wilund, (703) 602-4880]

The **Department of Defense** (DOD) will implement a departmentwide standard civilian pay system. The Defense Civilian Pay System (DCPS) will operate at two locations, with the first payroll office operational in mid-1992 and consolidation completed in 1995. DCPS is expected to save approximately \$700 million over a 10-year period. [Edward Grysavege, (703) 607-1067]

The **Department of Health and Human Services** (HHS) has established a new time and attendance system serviced by more than 5,000 timekeepers. The system consists of timekeeper workstations integrated with a central system.

At timekeeper workstations, input time and attendance data is edited against employee pay entitlement data, pay period hours are designated and totaled by time categories, and records approved by the authorizing official are marked with an electronic signature. System administrators receive data from their timekeeper workstations, concatenate the time and attendance data and transmit it to the central system. The central system verifies reporting by all

areas, performs edits and corrections, and transmits time and attendance data to the payroll process.

Access to data at timekeeper workstations prescribes timekeeper, supervisor and system administrator levels of privilege. Timekeeper workstations store 28 pay periods of time and attendance data. Departmentwide implementation and system enhancements to the T&A system will occur over the next 3 years. [Samuel Thompkins, (202) 475-0245]

The Social Security Administration (SSA), **Department of Health and Human Services** (HHS), issued new software standards and edit criteria for tax year 1991 to improve payroll wage reporting and help ensure that 130 million workers receive full credit for their wages and Social Security taxes paid. SSA establishes and maintains earnings records for all employee wages and earnings of self-employed individuals. Earnings records are the basis for SSA determining the amount of social security taxes the trust funds should receive, identifying whether individuals are entitled to benefits and calculating benefit amounts for initial claims, earnings enforcement, personal earnings and benefit estimate statements and other programmatic operations.

The software standards instruct employers in reporting employee wages to SSA. SSA distributed the 1991 standards nationwide and will update this guidance to reflect upcoming tax law changes for 1992. [William Eichelman, (410) 965-0072]

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The **Office of Personnel Management (OPM)** is acquiring and installing the Federal Bureau of Investigation's (FBI) payroll system software. The payroll system will interface with OPM's personnel system. Implementation is planned for December 1992. [Christopher H. Flaggs, (202) 606-2477]

The **Department of Transportation (DOT)** Federal Aviation Administration (FAA) implemented an Electronic Time and Attendance Management System (ETAMS). ETAMS is an application software program that allows time and attendance (T&A) personnel to enter data directly into a personal computer or terminal using screen displays which replicate the manual T&A form. Currently, ETAMS is serving over 23,000 DOT civilian employees each pay period. [Jack Rogers, (202) 267-7382]

The **Department of Veterans Affairs' (VA)** Personnel, Accounting and Integrated Data system (PAID) supports all fiscal and personnel offices in the Department including 200 facilities in the fifty states, Puerto Rico, and the Philippines. By enhancements implemented in 1991, field station users obtained greater access to system data files through an expanded query and extract subsystem. Stations also obtained an on-line data entry system for entering, reviewing, certifying and releasing data from local terminals connected remotely to the central system. System changes improved the accuracy of personnel and payroll data through its on-line editing, mass action, and HELP

facilities. [Phil Edenfield, (202) 523-0201]

### **CROSS-SERVICING**

**T**he **U.S. Department of Agriculture (USDA)** has been cross-servicing since 1983 and added new clients for payroll/personnel and related billing, collection, and accounting services in 1991. Sharing of services lowers costs for agencies governmentwide because it eliminates redundant development, maintenance, and operation of systems.

The USDA National Finance Center (NFC) has been converting the Department of the Treasury's bureaus to USDA servicing since 1988. During 1991, the FMS and the IRS's National Office and North Atlantic, Central, Mid-West, and Southeastern Regions were brought into the system. The Treasury implementation will be completed in June 1992.

Also during 1991, the NFC began converting the Department of Justice's agencies and accomplished conversion of Headquarters components, the Office of Justice Programs, and the Office of the Inspector General. Except for the FBI, which will operate its own system, the Justice Department will be completely implemented in 1993. Other agencies converting to the USDA system in 1991 were the National Labor Relations Board, the Architect of the Capitol, the U.S. Senate Restaurants, and the U.S. Botanic Garden. [Clyde McShan, (504) 255-5200]

The **U.S. Department of Agriculture (USDA)** completed testing and implemented an automated system for processing Federal Employees Health Benefits (FEHB) enrollment forms (SF 2809 and SF 2810). The new system, known as the Automate 2809 System, was developed in cooperation with the Office of Personnel Management and is available to all agencies cross-serviced by Agriculture. The new system eliminates paper flow between personnel and payroll offices for FEHB processing, dramatically reduces errors, provides data to carriers via computer tape or by computer-generated forms, and quickly issues FEHB identification cards to employees. [Larry B. Slagle, (202) 720-3585]

The **U.S. Department of Agriculture (USDA)** implemented a system to process employees' retirement, refund, and death claims for submission to the Office of Personnel Management within 30 days of the employee's separation date. The system has reduced paper flow and telephone calls regarding these applications due to its achieving a filing timeliness rate which exceeds the governmentwide average. [Larry B. Slagle, (202) 720-3585]

In one of the largest cross-servicing programs in the federal government, the **General Services Administration's (GSA)** Office of Finance supports over 50 client agencies. This support extends from small clients with unique requirements to large complex organizations that require a full range of services. As part of

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GSA's focus-on-the-customer initiative, the Financial On-Line Data System (FOLDS) will allow client agencies immediate access to financial information; this access will be available in fiscal year 1992. The source of financial information is GSA's major accounting system, the National Accounting and Reporting (NEAR) System. The NEAR System meets or exceeds requirements of federal accounting for annual, multiple, or no-year appropriations and revolving funds. GSA recently moved the NEAR System to upgraded computer hardware.

GSA's Kansas City Finance Division provides accounting and financial management services to agencies and is developing individual client agency financial operating guides. The guides will be provided to all clients in fiscal year 1992. [Kim Accord/Dewey Lyall, (202) 501-3620]

The Federal Trade Commission, has joined the Federal Labor Relations Authority, International Trade Commission, Fish and Wildlife Service, and Bureau of Reclamation as clients of the **Department of the Interior** Bureau of Reclamation's Administrative Service Center in Denver, Colorado. The Center now runs production for these five agencies on a daily basis. In addition, it maintains the core federal financial system for the Bureau of Mines and the Bureau of Land Management as well as the above five agencies. This cross-servicing arrangement provides economies for all agencies involved. [Dennis Locke, (303) 969-7090]

During 1991, the Office of Justice Programs (OJP), **Department of Justice (DOJ)**, provided accounting, financial management, and grant administration services under cross-servicing agreements to the Commission on the Bicentennial of The United States Constitution, DOJ's Civil Rights Division and the Office of Special Counsel for Immigration Related Unfair Employment Practices, and to the DOJ's and Treasury's High Intensity Drug Trafficking Programs. Under these arrangements, the OJP awarded 200 new grants totalling over \$44 million. [Michael Lynch, (202) 307-0623]

The **Department of the Treasury's** FMS has established the Center for Applied Financial Management. The Center's accounting cross-servicing program is similar to other interagency programs designed to reduce the number of federal accounting systems and promote financial systems standards. Cross-servicing clients currently include the National Mediation Board, the Inter-America Foundation, the Small Business Administration, the Board for International Broadcasting, the Office of the Secretary of the Treasury, and the U.S. Soldier's and Airman's Home. [Michael D. Serlin, (202) 376-1300]

### **CREDIT MANAGEMENT**

**T**he Farmers Home Administration (FmHA), **U.S. Department of Agriculture**, has implemented the

Internal Revenue Service (IRS) Offset Program. Through this program, the IRS collects delinquent amounts owed the FmHA by deducting the amounts of debts from borrowers' income tax refunds. FmHA collected \$5.5 million during 1991, an amount which increased \$2 million over the prior year. [Carol Moody, (314) 539-6203]

The Food and Nutrition Service (FNS), **U.S. Department of Agriculture**, is pilot testing the Internal Revenue Service's (IRS) Offset Program in Alabama and California. The agency anticipates collection of about 10 percent of the debt amounts referred to IRS, or \$1.6 million, by the end of 1992. It expects a cost of less than \$250,000, including start-up costs (regulation changes, software development, etc.).

FNS will add five to seven states for the 1993 program and additional states in future years. The total FNS food stamp recipient claims portfolio is around \$700 million. FNS is considering the referral of other types of claims against individuals to the IRS in the future. [Larry Blim, (703) 305-2848]

The **Small Business Administration (SBA)** is modernizing its loan accounting system to include the standardized general ledger and create an on-line real-time processing system.

The SBA is also redesigning automated disbursement systems to incorporate credit reform requirements, support on-line loan modifications, and enhance loan accounting transactional reporting and tracking.



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SBA's Pre-Authorized Debit (PAD) program is being tested. This program establishes electronic debiting of borrowers' bank accounts for scheduled loan payments.

SBA has instituted a Micro-Loan Demonstration Program to finance direct loans and provide technical assistance to small businesses. It permits SBA to make direct loans at Treasury's cost of money to non-profit intermediaries in 15 states. The intermediaries create revolving funds that provide small loans, averaging about \$5,000 each, to establish or expand small businesses. [Lawrence Rosenbaum, (202) 205-6449]

**The Small Business Administration (SBA) Disaster Loan Program** responds to major emergencies. An Automated Loan Control System (ALCS) was installed in each of four Disaster Area Offices to track loan applications from receipt to loan disbursement. The ALCS interfaces with SBA's Loan Allotment system to ensure timely obligations, disbursements, and modifications. [Alfred E. Judd, (202) 205-6734]

**The Small Business Administration (SBA)** has signed a Memorandum of Understanding (MOU) with the Department of Housing and Urban Development to participate in the Credit Alert Interactive Voice Reporting System (CAIVRS). The CAIVRS system maintains a database containing the names of delinquent borrowers for the participating agencies. [Lawrence Rosenbaum, (202) 205-6449]

**The Small Business Administration (SBA), Office of**

Surety Guarantees (OSG), implemented a Claims Tracking System for claim reimbursement requests within OSG. It ensures that claims are processed within specific timeframes and provides productivity statistics for the program and staff. [Dorothy Kleeschulte, (202) 205-6540]

The United States Coast Guard (CG), **Department of Transportation (DOT)**, has developed a system designed to enable the Coast Guard Finance Center to electronically receive bills from major vendors and distribute charges to over 1,500 financial accounts electronically. The system reduces the resources devoted to handling and paying paper invoices, eliminates interest penalties, and avoids numerous check payments to vendors. Detailed audit and query capabilities were built into the system to meet all internal control standards. The system was designed to be exportable to other government agencies, and the General Services Administration has adopted this system to be distributed throughout the government for the processing of Federal Express Airbills. Other agencies are adapting the system and its concepts for payment of their bills.

The CG now has increased use of the GSA Bank Card program for small purchases. Maintenance and Logistics Commands, Districts, and 95 percent of the other contracting activities are participating in the program. The Coast Guard expects a 100 percent participation rate by the middle of 1992. [Teresa King, (202) 267-1176]

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## **CASH MANAGEMENT**

### **Credit Cards for Small Purchases**

**T**he Justice Management Division, **Department of Justice, (DOJ)**, was the first participant in the General Services Administration governmentwide Visa Credit Card Program. This program allows organizations with Delegated Procurement Authority to make small purchases of supplies and services with a credit card. By the end of 1991, 115 credit cards were distributed within the DOJ, representing a 26 percent increase from 1990.

The credit cards require no annual fee, but the contractor levies a percentage surcharge for each purchase. The percentage is reduced as the volume of governmentwide usage increases; this surcharge fell from 2.355 percent at program inception to 0.501 percent at the end of 1991. [Edward Dolan, (202) 501-6600]

During fiscal year 1991, the **Railroad Retirement Board's (RRB)** purchasing division used commercial credit cards to pay for small purchases. Use of the cards for 169 purchases in 1991 saved costs of issuing purchase orders, acquired resources to support the opening of a new agency claims processing center, and allowed prompt purchases. The RRB plans to continue participation in this credit card program. [Donald Augustyn, (312) 751-4535]

The **Department of State's** commercial credit card program will be interfaced with the Department's Central Financial Management



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## *Initiatives by Agencies to Improve Financial Management*

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System in fiscal year 1992. This will improve the Department's ability to manage the program and further reduce the potential for improper use of the credit cards. Cost savings are periodically analyzed as instructed by the Treasury Financial Manual for Guidance of Departments and Agencies (TFM 4-4500) and the Federal Supply Schedule contract for the commercial credit card program. [Will Zehnder, (703) 516-1690]

The **Department of Transportation (DOT)** Federal Aviation Administration (FAA) uses a VISA credit card for small purchases. Card usage tests in FAA's Southern, Central, and Western-Pacific Regions showed improved results over the use of imprest funds or purchase orders. The program has expanded to include the Great Lakes and Alaskan Regions, and the Aeronautical Center. [Morgan Baker, (202) 267-8999]

The **Department of Transportation (DOT)**, Federal Aviation Administration (FAA), was the first government agency to implement the use of Automatic Teller Machine (ATM) Cards for Imprest Fund Cashiers. The program was initiated by the Department of Treasury in a major cash management initiative to reduce the balances of imprest funds. ATM cash withdrawals instead of government checks are used to replenish imprest funds. FAA made withdrawals under the pilot program at seven sites, three in the Western-Pacific Region and four in the Central Region. [Morgan Baker, (202) 267-8999]

### **Other Cash Management Efforts**

The Animal and Plant Health Inspection Service (APHIS), U.S. **Department of Agriculture**, prepared a reference guide, training plan, and program to emphasize the importance of prompt payments. Since July 1991 implementation, APHIS has reduced interest penalties on purchase order procurement by 43 percent. [Karen Day (301) 436-4968]

Following termination of Department of the Treasury's "Letter of Credit" disbursement system, the **Department of Commerce** National Oceanic and Atmospheric Administration (NOAA) has developed and implemented an automated Financial Assistance and Disbursement System (FADS) to pay grantees and contractors. FADS allows the payee to obtain payments by using a touch-tone telephone through NOAA's computer site in Suitland, Maryland. The payee keys in the numeric password and the amount needed, learns (through synthesized voice) the credit balance after each request, and receives payment via the Treasury's Vendor Express program. [Millie Ingels (301) 427-3150]

During fiscal year 1991, the **Department of Energy (DOE)** implemented the Federal Salary Offset Program (FSOP) and began using collection agencies. While the number of referrals and collections have been small (under 100), DOE reports effectiveness of commercial collection agencies in locating troublesome debtors who are constantly on the move and have not responded to government debt

collection demand letters. [Harriet Lankford, (301) 903-5858]

Within the Finance Staff, Justice Management Division, **Department of Justice**, compliance with the Prompt Payment Act reached 95 percent during fiscal year 1991. Interest payments made during the last half of fiscal year 1991 declined 48 percent from the first half fiscal year 1991 and were 62 percent less than the amount paid during the last half of fiscal year 1990. The average time for the staff to process an invoice has been reduced from 6 days in the fourth quarter of fiscal year 1990 to 2.5 days in the fourth quarter of fiscal year 1991. The improvements derived from increased training and continued emphasis on invoice processing, oversight, and analysis. [Lee Lofthus, (202) 501-7868]

The Office of Justice Programs (OJP), **Department of Justice**, successfully converted from the Letter of Credit Treasury Financial Communication System (LOC-TFCS) to the Letter of Credit Electronic Certification System (LOCES) in May 1991. LOCES allows selected OJP grantees to electronically request payments on all grants issued by the OJP. LOCES allows OJP certifying officers to review requests, connect with Treasury, and transfer payments to a grantee's predesignated bank account. Use of this system is limited to grantees acquiring over \$120 thousand in grants and a continuing (year or more) relationship with OJP. Payments of \$245 million were made using LOCES during the last six months of fiscal year 1991.

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During July 1991, OJP began to electronically certify all vendor payments subject to the Prompt Payment Act. Instead of a manual SF 1166, Voucher and Schedule of Payment, being hand carried to Treasury, the certifying officer used the Electronic Certification System (ECS) to authorize the Treasury to make payment. By using ECS, payment is made on the next business day following the transaction. [Emil Peront, (202) 307-5909]

In August 1991, the **Library of Congress** accepted the Department of the Treasury's invitation to become one of the pilot agencies to test the new collection network CASH-LINK. The network links the government's collection systems, creating a single database of deposits and thus streamlining cash management, reporting, and agency reconciliations. Through the Agency Access feature, the Library will be able to view data on-line and manage its collections daily, simplifying the reconciliations of differences in Library accounts. During this fiscal year, the Library will be evaluating the results of using CASH-LINK and testing the various components of the database software products and programs. The system is expected to be operational in the Library during fiscal year 1992. [Huey Cole, (202) 770-5203]

**The Small Business Administration (SBA)** implemented an alternate payment procedure (APP) during fiscal year 1990 whereby purchases under \$1,000 were paid by the payment office without receipt of a receiving report. During fiscal year 1991, the

purchase limit applicable to APP was increased to \$2,500 because over 85 percent of SBA purchases are below this amount. Receiving reports are prepared and the information is maintained at the SBA ordering office for routine internal control reviews. The process facilitated implementation of the Prompt Payment Act guidelines. [Lawrence Rosenbaum, (202) 205-6449]

Following a recommendation by the Office of Inspector General, the **Department of State** is revising its methods for obtaining over \$2 billion annually in foreign currency and managing its foreign currency holdings. Cash management in the past had incurred losses upon foreign currencies devaluations, occasioning unnecessary costs in borrowing from the U.S. Treasury. The new method of centralizing foreign currency procurement provides better central oversight and management of foreign currency bank accounts. The Department expects to save millions of dollars annually in foreign currency procurement and cash management techniques. [Ed Brennan, (202) 663-1920]

### **Electronic Payments**

#### *Electronic Funds Transfers*

The Food and Nutrition Service (FNS), **U.S. Department of Agriculture**, is developing several financial infrastructure models for settling, reconciling and reporting Electronic Benefit Transfer (EBT) transactions. The models will support EBT for both federally-administered and state-operated programs such as

Food Stamps, veterans benefits and others. FNS expects to complete the model development work during fiscal year 1992. It will submit the models to the Financial Standards Subcommittee of the federal government's EBT Interagency Steering Committee for review preceding its recommendation to the full Committee for decision on selecting a particular model. One or more of the models will be selected for pilot testing. [Dick Mellinger, (703) 305-2048]

**The Department of Health and Human Services**, Social Security Administration (SSA), is expanding its International Direct Deposit Service to include Social Security beneficiaries living in France. Until 1987, payments to beneficiaries outside the United States were made by bulk-shipping U.S. dollar Treasury checks to Embassies for local mailing. Beneficiaries received payments 5-20 days after the scheduled payment day in the U.S., usually the 3rd of the month. The later the deliveries occurred, the more telephone calls and complaints were received by the servicing Embassy. Another problem was that beneficiaries incurred a \$5-\$15 administrative charge to cash their checks and convert the currency.

Under International Direct Deposit, payments are received in the beneficiary's bank account on the 3rd of the month. Because the benefit amount is converted from U.S. dollars to local currencies, administrative fees are not incurred. The Federal Reserve, which converts the currency en masse, obtains a better rate of exchange than individual beneficiaries can

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obtain for themselves. Use of International Direct Deposit reduces or eliminates nonreceipt claims.

Plans are to begin making International Direct Deposit payments in France in February 1992. Based on participation rates in other countries, it is expected that 80 percent of the beneficiaries living in France will use the service within the first year it is available. Plans are underway to expand the International Direct Deposit Service to two additional countries in 1992, beginning with Italy. [Michael D. Johnson/Cheryl McBride, (410) 965-8342/8313]

The **Department of Health and Human Services**, Social Security Administration (SSA), in cooperation with the Department of the Treasury's FMS and several participating financial institutions, is testing the feasibility of transmitting direct deposit enrollment information from financial institutions to program agencies (including SSA) via the National automated clearing house (ACH) system.

SSA's Automated Direct Deposit Enrollment by Reverse Prenote allows participating financial institutions to electronically transmit enrollment information to SSA's National Computer Center in Baltimore through the ACH in lieu of the traditional paper sign-up form (SF 1199A). The new process allows financial institutions to predict with greater accuracy the date the first direct deposit payment will be received. For SSA (and eventually other program agencies) it results in an administrative savings in field offices because the number of paper sign-up forms and

data input will be reduced. The accuracy of the direct deposit information being transmitted is also increased.

The automated enrollment pilot test began in November 1990. An evaluation was conducted of enrollments received through March 15, 1991. It was decided to continue the pilot with additional participants prior to deciding whether to expand it nationally. If implemented nationally, SSA and the FMS will concentrate on the 600-700 large financial institutions that account for 70 percent of all Social Security direct deposit arrangements. More than 1 million SF 1199A sign-up forms are received annually by SSA field offices from financial institutions. SSA estimates that if the Automated Enrollment pilot is successful and is expanded nationally, the volume of paperwork can be decreased by approximately 40 percent. [Michael D. Johnson, (410) 965-2863]

In cooperation with the Department of the Treasury, the **Library of Congress** has completed the implementation of electronic collection processing using FEDWIRE. This technology, when used by collection areas within the Library, has proved to be a special benefit to the Copyright Office. The electronic funds transfer process enables cable systems and satellite carriers under the copyright compulsory license to submit royalty payments of \$50,000 or more directly to the Treasury. By using FEDWIRE, the Library receives royalty payment deposits originating from cable and satellite carrier operators' commercial banks. The cable system operators and satellite carriers benefit because they

can now wait until the due date to transmit their royalty payments. The Copyright Licensing Division benefits because the electronic transfers reduce paperwork and related administrative costs, improve reporting and audit control, and eliminate mail processing and collection float. The new process became effective in July 1991 for the accounting period January through June 1991. For the accounting period, \$29.7 million was transmitted electronically—34 percent of total royalties. The largest transfer occurred on August 29, 1991, when \$11.7 million was transmitted. [Vincent Murzinski, (202) 707-8150]

The United States Coast Guard (CG), **Department of Transportation** (DOT), has increased the participation of its employees in the Direct Deposit program by approximately 5,600 new participants. The Coast Guard's overall participation in Direct Deposit at the end of 1991 was 66,771 individuals, which represents 81 percent of the overall work force, including active duty, Reserve, and retired military personnel and civilian employees.

The increase in Direct Deposit participation is the result of a continuing unified effort to make nonparticipants aware of the benefits of Direct Deposit. This is accomplished by providing statistical participation data to units, publishing Direct Deposit promotional articles in periodicals, and enclosing Direct Deposit inserts with pay checks that are mailed. [S. Arndt, (202) 267-1203]

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The **Department of Transportation (DOT)**, Federal Transit Administration's (FTA) Office of Budget and Financial Management developed a process to transmit grantee payments utilizing the U.S. Treasury Electronic Certification System (ECS). This process provides the capability to use a personal computer with a communication application that connects to a host computer at the U.S. Treasury Regional Financial Center (RFC). Although ECS is used by many federal agencies, FTA is one of only two agencies that transmit payments from a disk file.

The Treasury ECS permits entry of the payment schedule, certification by a Certifying Officer, and transmission of schedules to a mainframe computer at the RFC on a daily basis. Access to the system is restricted to three functional areas which include a security administrator to perform system tasks, a data entry operator to load schedules from floppy disks to the PC, and a certifying officer to review, certify, transmit, and print the schedules.

The FTA implemented the ECS process in August 1991 and utilizes this method for all grantee payments from its Electronic Clearing House Operation (ECHO) system. [Gwendolyn F. Daniel, (202) 366-0968]

### *Automated Clearing House*

The Farmers Home Administration, U.S. **Department of Agriculture**, implemented the automated clearing house software in 1991. This system is used daily by the agency for uploading data to issue checks through Treasury in

lieu of wire transfers. Checks instead of wire transfers are used for amounts under \$25,000. [Eric Joshu, (314) 539-2489]

The Department of the Treasury's decision, in May 1990, to eliminate the Treasury Financial Communication System—Letter of Credit (TFCS-LOC) by December 1990 placed the **Environmental Protection Agency (EPA)** in the position of having to find another means to continue grant payments. The EPA explored alternative payment processes and decided to develop its own PC-based automated clearing house (ACH) process which would accommodate the agency's 11 finance offices and guarantee timely payments. The design of the new process included features for vendor files, payment data entry, scheduled Treasury payments, certifying officer functions, strong security controls, and capability to transfer data to Treasury. By April 1991, all recipients were transferred from the old system with 400 recipients converted to ACH. For fiscal year 1991, EPA made approximately 4,000 ACH payments with consolidated agreements for \$1 billion. Conversion was accomplished without disruption of EPA or inconvenience to recipients. EPA plans to enhance the ACH Payment Process for recipients to make payment requests via modem. This enhancement will enable EPA to electronically verify each grant on the request against the available grant balance in EPA's accounting system and to automatically update the accounting system with the payment transaction. [Shelly A. Norland, (202) 545-2499]

In July 1991, the **General Services Administration's (GSA)** Office of Finance implemented the Vendor Express method of payment. Lease vendors were chosen for initial implementation due to the recurring nature and regularity of payments. To create a data base, GSA reviewed and input data from completed Standard Forms 3881, Payment Information Form/ACH Vendor Payment System. To implement Vendor Express, the Office of Finance notified vendors of timeframes and provided general information about participating in the program. Initially, 2,000 of 4,000 vendors signed up to participate.

Through the end of the calendar year 1991, the Office of Finance has made approximately 12,000 payments for an estimated \$207 million. GSA will offer the option of direct deposit to the remaining 145,000 commercial vendors and government travelers during 1992. [Dennis Schroff, (202) 501-1056]

The **Department of Health and Human Services (HHS)** Health Care Financing Administration (HCFA) uses the Treasury Vendor Express Program to make vendor and program payments. Payments of any amounts may be paid through the automated clearing house network. HCFA switched 3,417 FEDLINE payments and 1,927 Treasury check payments to Vendor Express, realizing savings of \$34,748 in fiscal year 1991. A savings of \$173,740 is projected over a 5-year period. [Dennis Czulewicz, (202) 646-5457]

Since October 1989, the Social Security Administration (SSA), **Department of Health and**

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**Human Services**, has been using the Electronic Certification System (ECS) to initiate benefit payments to beneficiaries and administrative payments to vendors. Initially only check payment processing was available on ECS. In 1991, the Department of the Treasury enhanced ECS to include processing Vendor Express (VX)/automated clearing house (ACH) payments. Both check and VX/ACH payments can be made for vendor, salary, and travel using ECS. As with check payments, processing VX/ACH payments via ECS has been beneficial to both the Treasury and federal program agencies in that schedules of payments are electronically certified and transmitted. VX/ACH payments are deposited directly to the recipients accounts at designated financial institutions on the payment date.

The fiscal year 1992 cash management initiative cites a savings of \$10 and \$.30 respectively for every ACH payment made in lieu of a FEDLINE or check payment made. SSA is requesting an additional ECS site from Treasury that would enable additional conversions of check and FEDLINE payments to ACH payments. [Sue Adams, (410) 965-0537]

The **Railroad Retirement Board (RRB)** will implement the use of the automated clearing house (ACH) system for the payment of approximately \$150 million in unemployment insurance contributions owed annually by railroad employers. These payments are currently made through the FEDWIRE Deposit System or by check. Railroad employers will be

required to make their payments by the ACH system for amounts due by April 30, 1992. The RRB and Internal Revenue Service (IRS) plan to use the ACH system to collect over \$4 billion in railroad retirement taxes paid annually. The IRS will test this process in 1992; implementation is to begin in 1995. [James J. Finn, (312) 751-4668]

The **Railroad Retirement Board (RRB)** uses the automated clearing house (ACH) to receive reimbursements of unemployment and sickness insurance claims paid by the RRB. In August 1991, an informational bulletin explaining the transmission of deposits by ACH was mailed to all railroad employers. The RRB began receiving completed applications in November 1991; implementation began in December 1991. [Martha M Barringer, (312) 751-4812]

### *Lockbox*

The **Export-Import Bank (EXIMBK)** established an insurance lockbox account with a commercial bank to receive insurance premiums from the holders of U.S. government export credit insurance policies. Under the lockbox arrangement, EXIMBK's Cash Control Section retrieves and prints daily deposit information from an on-line data base and posts accounting entries based on these data. As checks deposited in the lockbox clear, the bank wire transfers the funds to EXIMBK's account at the Department of the Treasury. [Quang Phung, (202) 566-8830]

The **Railroad Retirement Board (RRB)** uses the lockbox services of a bank to speed deposits

on railroad retirement benefit overpayments. Before the lockbox, cash receipts were usually deposited into the RRB's account 3 business days after they were received. With the lockbox, deposits are made the next business day after receipt. Use of the procedure saved one full-time equivalent position. The daily deposit tape from the bank is used to automatically update the accounts receivable system. [Philip H. Arnold, (312) 751-7188]

In fiscal year 1990, the **Department of State's Office of Passport Services** expanded the use of lockbox services to 10 of 12 domestic passport locations. Passport applications and accompanying fees taken by acceptance agents at eight passport agencies are mailed to the lockbox depository in Pittsburgh. The money is deposited to Treasury's general account at the Federal Reserve Bank of New York the business day following receipt. The passport application is then forwarded to the appropriate agency for citizenship adjudication and passport issuance. Over \$41 million was collected in fiscal year 1991. As a cash management technique, this procedure speeds deposit of funds to earn interest and enhance internal controls. [Charles Koeneman, (703) 875-5610]

The **Securities and Exchange Commission (SEC)** is implementing a requirement that all filing fees be paid through a U.S. Treasury-designated lockbox depository. Some 50,000 filings with fees totaling about \$200 million are made to the SEC each year. Lockbox system use primarily by filers under the Electronic Data

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Gathering, Analysis, and Retrieval System (EDGAR) has been in effect since 1984 and accounts for 20 percent of all filing fees collected in 1991. The bank in Pittsburgh was directly linked by communications to the SEC to increase speed and efficiency. With the communications network in place, the SEC will begin implementing a mandatory lockbox network system beginning in Spring 1993..

To simplify reconciliation of fees and filings, the SEC will use a "corporate account" system that will change the fee payments from a "filing" to an automated "company account" concept. A monthly corporate account statement will provide filers with a summary of account transactions that have taken place during the billing period. [Wilson Butler, (202) 272-7210]

### *Third Party Drafts*

The Social Security Administration (SSA), **Department of Health and Human Services**, uses third party drafts (TPD) on a national level in lieu of imprest funds. A contractor bank processes the TPDs used to pay for small purchases, medical and financial evidence, local travel reimbursement, monthly telephone service, emergency salary payments, travel advances and emergency beneficiary payments. Use of drafts has improved cash management, security, and internal control. Over 1,300 offices issue some 20,000 drafts per month for \$3 million. Beginning in fiscal year 1992, dollar disbursement limitation for authorized TPD expenditures will increase to \$2,500.

In December 1991, SSA converted from the FEDWIRE

deposit method to the automated clearing house (ACH) system for its daily deposit of funds in payment of cleared drafts for the same day. The conversion to ACH has reduced the daily cost of making deposits. [Robert Wolfe, (410) 965-0531]

The **Department of the Interior (DOI)**, U.S. Geological Survey tested use of a third party draft (TPD) program from June through December 1989 and subsequently implemented TPD use bureauwide in August 1990. Sixty-five of its locations use TPDs for transactions including publications, subscriptions, software updates, registration fees, tuition, and other purposes. The Department of the Treasury granted the Bureau approval to use TPDs for reimbursement to individuals who provide stream gage readings. It speeds reimbursement for scientific research services. [Joe Murphy, (703) 648-7604]

The National Park Service, **Department of Interior (DOI)**, continued to expand use of third-party drafts in 1991. The Service's 290 active draft sites during the year issued 77,887 drafts totaling over \$18 million. [William Siebert, (703) 487-9139]

The Third Party Draft Program within the **Department of Justice (DOJ)** is used by the Offices, Boards and Divisions (OBD), the Bureau of Prisons (BOP), the Drug Enforcement Administration (DEA), the U.S. Marshals Service (USMS), and the Federal Bureau of Investigation (FBI). The use of drafts reduces the need for imprest funds or cash held outside of the Treasury. The Department of the

Treasury cited DOJ's program as a model draft system which includes an automated system, on-line funds control, a policy manual, and ongoing compliance reviews.

The FBI currently processes over 1,000 drafts daily totaling more than \$50 million per year. The agency expects TPDs to save more than \$260,000 in annual interest.

In non-FBI components, draft disbursements for fiscal year 1991 reached \$65 million, a \$32 million increase over fiscal year 1990, with 210,000 draft payments made from 167 sites. The BOP uses draft payments at all of its institutions; the DEA is introducing TPDs to additional field locations. The USMS plans to use third party drafts throughout the United States when it implements DOJ's Financial Management Information System. [Lee Lofthus, (202) 501-7868]

The **Nuclear Regulatory Commission** uses third party drafts (TPD) to pay local travel, travel advances, and travel reimbursements at all of its imprest fund locations. The traveler files the proper form to request the advance or reimbursement. NRC cites the following benefits of the drafts:

- better audit trail (a cashier must account for all drafts issued but is not personally liable, as with cash),
- less exposure to theft or fraud (a lost or stolen draft can also be replaced sooner),
- smaller imprest funds (NRC has reduced them by one-third),
- timely payment
- information and reports.

NRC plans use of TPDs for other imprest fund payments (e.g.,

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small purchases). [Roger L. Loos, Sr., (301) 492-9836]

### **TRAVEL**

**T**he Department of Defense (DOD) will implement DOD-wide a standard Defense Travel Pay System. Local activities which prepare travel orders and claims will electronically exchange information with a central site which will pay the claims. The system will extensively use electronic signature and certification. The system is structured from both developed and proprietary modules. Usage of the system will be limited by contractual agreement to DOD. Modules will include a travel order writer and claim modules for permanent change of station (PCS) and temporary duty travel (TDY). Single entry of data, through interfaces with accounting, personnel, disbursing, and debt collection system, will eliminate manual reentry of data and many accounting reconciliation problems. The system will also track travel claims to ensure timely filing and collection of excess advances. The system will use Electronic Funds Transfer for advances and settlements. It will also use government travel cards and travelers checks for advances with continuance of only limited use of government checks and cash.

The system prototype is planned for January 1993. Implementation will begin in July 1993 and is scheduled for completion in June 1994. The fully implemented system is expected to save over

\$360 million over 10 years. [Michael Bryant, (703) 607-1587]

The **Department of Energy** (DOE) will use travelers checks for full or partial travel advances in lieu of cash. Treasury checks will continue to be used for travel advances if sufficient lead time exists, which provides increased flexibility to disbursing operations. A proprietary travelers check computer program was installed for automatic and manual check disbursement, daily and monthly inventory and sales reports, and an automatic stock reordering mechanism. [Harriet Lankford, (301) 903-5858]

The **Environmental Protection Agency** (EPA) developed an automated system to track the processing time for travel vouchers from receipt in the Accounting Operations Branch through payment certification. A daily report of vouchers on-hand and their status (data entry, rejected, certification or audit) is issued. Analyses are made of processing statistics on a daily, month-to-date, and monthly basis. System use helped prompt a new project to implement a daily tracking system for commercial invoices. [Crystal Saunders, (202) 260-5100]

The **Environmental Protection Agency** (EPA) now uses a time and attendance (T&A) form produced on a high speed laser printer and bar-coded with the employee's social security number, fiscal year, and pay period number for indexing and retrieval purposes. Bar-code data loads to a Computer Assisted Retrieval System (CARS) which identifies the location of each record on microfilm. All T&A

information will be stored on four microfilm cartridges; the actual documents will be shredded. An added goal for a fully automated T&A process is utilizing electronic certification to create a completely paperless system. [Debra Bennett, (202) 260-5100]

The **Federal Maritime Commission** is performing a cost benefit analysis on the use of Automated Teller Machines (ATM) for official travel. The agency is testing a charge card to allow travelers to withdraw cash from ATMs. The agency has reduced federal funds held in cash advances and made travel more convenient for its employees. [Karon E. Douglass, (202) 523-5770]

The Transportation Management Division, **General Services Administration** (GSA), is responsible for the Federal Travel Regulation (FTR) and attendant forms. The agency is revising the Standard Form 1012, Travel Voucher, and its process. GSA has recognized an increased need to examine the travel voucher process since 1986 when lodgings-plus per diem was established as the predominant reimbursement system for travel within the Continental United States (CONUS). No action was taken at that time, however, pending a review of the reimbursement system used for travel outside CONUS to determine whether a uniform method of paying per diem expenses to federal travelers would result in simplified and equitable reimbursement procedures. Effective December 1, 1990, the FTR was amended to establish lodgings-plus as a single worldwide



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per diem system, and GSA has developed a compatible vouchering process intended to also accommodate agency automation efforts.

On October 10, 1991, thirteen representative agencies were invited to participate in a workgroup to design the new process. The workgroup's primary focus has been to develop and implement a new optional form and a process consistent with the lodgings-plus per diem system and with automated processing. The workgroup identified key issues relevant to the project, conducted research to resolve those issues, and compiled its findings to form the basis for a new vouchering process.

The new process will replace the Standard Form 1012 and provide agencies with flexibility to use an optional form provided by GSA, to design a form conforming to the agency's organizational needs, or to develop an automated travel system format.

To accommodate the options provided to agencies, GSA will identify in the FTR the minimum required standard data elements that must be incorporated into a travel management system whether the data collection mechanism is manual or automated. The data elements provide agencies with suitable control for managing the travel function and their use eases travel voucher preparation for employees. GSA plans to implement the new process, including the optional form, by July 30, 1992. [Geraldine Beard, (703) 305-7837.]

The Social Security Administration (SSA), **Department of Health and Human Services** (HHS), has employees in a wide

network of offices across the nation as well as at headquarters in Baltimore, Maryland. A Memorandum of Understanding (MOU) between SSA and HHS establishes responsibility for SSA relocation travel with SSA's Division of Finance. Activities from HHS regional finance offices have been transferred to the Division of Finance to benefit SSA transferees by ensuring nationwide consistency in determination of relocation entitlements and resolution of policy questions. The centralization also will provide tax and W-2 reporting and provide a contact point for relocation questions. A relocation data base will be established to monitor relocation costs, save appropriated funds, and prepare management information reports. [Kevin J. Lanagan, (410) 965-0544]

The Social Security Administration (SSA), **Department of Health and Human Services** (HHS), is upgrading and automating administrative processes which interact with SSA's Financial Accounting System. A travel management system will facilitate user preparation of travel documents and electronically transmit data for payment and accounting purposes. In January 1991, SSA implemented an off-the-shelf software to automate preparation of travel documents. The test provided 100 user offices with an interim travel system. The interim system will be replaced in 1992 by HHS's travel management system, which is a mainframe based application. A pilot will be conducted in two SSA regional offices beginning in January 1992 to evaluate its use in comparison

with the interim proprietary system. [Ronald T. Sayers or Ginny Largent, (410) 965-3403/0540]

The Minerals Management Service, **Department of the Interior**, has tested the use of credit cards and Automated Teller Machines (ATMs) for travel advances. The pilot test showed that Bureau travelers not only had few problems adapting to using the ATMs, but it confirmed several advantages of ATMs including flexibility of locations and times available for obtaining funds. Savings from use of ATMs was estimated at about \$7 per trip. The Bureau is fully reviewing the results to decide on Bureauwide implementation in 1992. [George Keller, (703) 787-1243]

The **Department of Justice** (DOJ) has expanded its successful Automated Teller Machine (ATM) travel cash advance pilot program into an operating program which provided over \$2 million to employees for official travel during 1991. The program had approximately 6,000 cardholders with ATM access by the end of 1991. Monthly withdrawal volumes exceeded \$200,000 representing a significant offload of cash which otherwise would have been disbursed through the DOJ Imprest Fund or the Department of the Treasury. Current DOJ policy states that the ATM Cash Advance Program is the preferred method of obtaining a cash advance for travel expenses, and the Department will continue to use the ATM as the primary mechanism for cash advances. [Lee Lofthus, (202) 501-7868]



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The Office of the Comptroller, **Securities and Exchange Commission**, has indexed the Federal Travel Regulation. The comprehensive index and table of contents encompass detailed lists of specific travel related subjects. A "Travel Reference Guide" with commonly asked questions was also developed for the federal traveler. Contact the SEC for information and copy availability. [Glynis Long, (202) 272-7337]

The **Small Business Administration** (SBA) completed a pilot test of employees' use of government-issued Diners Club cards at automated teller machines (ATMs) for issuance of travel advances. A cost benefit analysis indicated savings with ATM. The ATM program, being expanded throughout SBA, eliminates almost all cash and check advances at SBA. [Lawrence Rosenbaum, (202) 205-6449]

### **FINANCIAL REPORTING**

**T**he **Department of Education's** Payment Management System (EDPMS) annually disburses an estimated \$19 billion to over 17,000 recipient organizations. About 2,000 recipient organizations account for 75 percent of the funds disbursed. Over 12,000 recipient organizations request funds from EDPMS and report grant expenditures quarterly.

In January 1991, the Department started work with Treasury's FMS, to design a

Monthly Electronic Expenditure Reporting System (MEERS). Through this system, recipients may access their accounts to verify the status of expenditures for each grant. Edits to validate data accuracy are made and a service bureau will batch the files for transmission to the EDPMS computer facility which updates the recipients' accounts.

After a pilot test by five recipients from June to September 1991, FMS began transferring the largest recipients to MEERS. Fifteen recipients now use the system; another 100 organizations will be transferred to MEERS during the first two quarters of fiscal year 1992; and the process of extending the services will continue during fiscal years 1992 and 1993. [Betty Hepak, (202) 401-0103]

The **Environmental Protection Agency** implemented the Management and Accounting Reporting System (MARS) in July 1991. MARS retrieves data from the Integrated Financial Management System (IFMS) and allows users to generate reports from general ledger, accounts receivable, obligation, payment, and budget files. Users may customize reports for management and for specific internal and external reporting requirements. [Jon M. Whitacre, (202) 260-5107]

The **General Services Administration's** (GSA) fiscal year 1990 consolidated statements received an unqualified opinion auditor's report (the third consecutive year). GSA's auditors reported only 15 new items and 43 unresolved items as contrasted with 51 new items and 69 unresolved

items for the fiscal year 1989 audit. GSA's 1990 Annual Report included a management discussion and analysis section complete with performance measures, ratios, and a variety of statistics to explain financial results. The 1990 Annual Report and an additional financial management report were used to provide the Office of Management and Budget with information to meet the reporting requirements of the Chief Financial Officers Act of 1990. A future goal envisions the annual report's use in Congressional budget hearings. GSA is expanding annual report content to give Congress and senior level managers more detailed funding information and performance measures for assessing the efficiency and effectiveness of programs. [Donzell Jackson, (202) 501-1192]

The **Department of Health and Human Services** (HHS), in fulfilling a requirement of the Chief Financial Officers (CFO) Act of 1990, issued in fiscal year 1990 its first-ever CFO Annual Report. The report provides audited financial statements for HHS' Social Security Administration (SSA), a designated pilot agency under the CFO Act, and the fiscal year 1990 Audit Report on SSA issued by the HHS Inspector General.

The report also includes discussion and analysis of HHS's first effort to provide performance measurement information for financial management as called for under the CFO Act.

The report summarized initiatives of HHS to improve its financial management in accordance with the CFO Act. These included financial management systems

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improvements such as the Phoenix Project; a single integrated financial management system in compliance with the Standard General Ledger; a review of rates and fees charged by HHS for work done for others; and discussion of the Department's program of services made available to other agencies for managing and paying recipients of grants.

HHS's future CFO Annual Reports are expected to focus on performance measures and indicators for programs of each HHS reporting entity. [Frank W. Sullivan, (202) 245-1799]

The Social Security Administration (SSA), **Department of Health and Human Services** (HHS), prepared the first discussion and analysis on the status of financial management within SSA. This document discussed SSA's actions to protect and maintain the Social Security trust funds. Its performance indicators demonstrated that SSA services to millions of people were delivered with a minimum of error. SSA issued retirement and survivors payments to over 35.4 million beneficiaries with a payment accuracy rate of over 99 percent.

SSA was the first organization within the Department to complete a discussion and analysis of its financial management. Its 1991 Report on the Status of Financial Management will discuss and analyze SSA's financial position, financial operations, debt management, internal controls, financial integrity, and service delivery. The report also will overview SSA's organizational structure and describe the programs administered by SSA. Financial and program performance

measurements for the 4-year period ended September 30, 1991, will include trends and forecasts for the future growth of Old Age, Survivors, and Disability Insurance (OASDI) programs with respect to demographic, environmental, and economic changes. [Elizabeth Lawson, (410) 965-5324]

The **Department of Labor** (DOL) was the first cabinet level agency to complete the compilation and audit of departmentwide consolidated financial statements under the Chief Financial Officers (CFO) Act of 1990. DOL produced the statements primarily by using data from the Standard General Ledger in DOL's Accounting and Related Systems (DOLARS) and the Department of the Treasury accounting results for DOL's major trust funds. After filing the SF 220 reports with Treasury in January, 1991, DOL converted the reports into consolidated financial statements and presented them to the Office of Inspector General and the Office of Management and Budget. The Office of Inspector General audited the statements and produced its audit report.

In fiscal year 1992, DOL will use its central accounting system to produce system-generated financial reports from which statements can be compiled. Finance staff in all agencies of DOL and certified public accountants under contract with each agency are involved as a team in the compilation effort. The process of compiling and auditing statements has provided benefits of better coordination and improved understanding of financial activity throughout DOL; it also provides objective data meeting the

objectives of Section 4 of the Federal Managers Financial Integrity Act. [William Furman, (202) 523-6891]

The **Department of the Treasury** is required to prepare financial statements for some of its components and to have those financial statements audited. An Audited Financial Statements Task Force (AFSTF) was created in 1991 within Treasury to assist in fulfilling the requirements of the Chief Financial Officers Act. An agreement for AFSTF was approved by the Assistant Secretary for Management and Inspector General in July 1991. Treasury's Deputy Chief Financial Officer chairs the AFSTF; members include bureau financial managers and representatives from the Office of the Fiscal Assistant Secretary and Office of Inspector General. Meeting monthly, the AFSTF provides a forum to discuss financial statement preparation, audit issues, accounting policy questions, newly formulated or upcoming financial management policies, and other areas of financial management concern.

Four study teams are reviewing existing financial statements and developing model comprehensive financial statements for the Treasury, acting to ensure CFO approval of all financial reports, developing indicators required by the Act, and exploring the feasibility of linking financial systems or designing a single integrated system. At the conclusion of their work, each study team will provide recommendations to the AFSTF. The AFSTF efforts will continue at least through fiscal year 1992. [Edwin A. Verburg, (202) 566-2825]

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### **AUDITING AND MANAGEMENT REVIEW**

**T**he U.S. Department of Agriculture (USDA) Office of Finance and Management National Finance Center (OFM/NFC) provides financial services to all USDA agencies and over 40 non-USDA agencies. Payroll and personnel processing, travel processing, administrative payments, and central accounting are examples of the services provided through automated systems. Because services are vulnerable to special risks, audit staffs of non-USDA users were considering auditing of OFM/NFC operations. To preclude audits by multiple audit groups, the USDA Office of Inspector General (OIG) initiated a memorandum of understanding (MOU) with non-USDA agencies concerning audit activities at the OFM/NFC. The MOU provides that the USDA OIG is solely responsible for auditing at the OFM/NFC and that it considers the non-USDA agencies requests for audit coverage during the annual planning process. All transactions processed by OFM/NFC are subject to review by OIG.

Ongoing audits at OFM/NFC include general ADP controls for the entire OFM/NFC, general and subsidiary ledger processing, and followup on implementation of prior audit recommendations. Audit results are provided to the audit groups of the non-USDA cross serviced agencies. Currently, OIG has memorandums of understanding with over 20 audit groups (one audit group may support several agencies). These

reports will provide the users with information as to the adequacy of internal controls over OFM/NFC operations. [Robert W. Young (202) 720-8235]

The Office of the Inspector General for the **Agency for International Development (AID)** has implemented an audit approach emphasizing strategic planning and system-oriented audits. Past audits were primarily directed to individual development assistance projects and programs. The new approach, a part of the Inspector General's Five-Year Audit Strategy, will focus on management and accounting control systems in order to reveal systemic management problems and to recommend solutions. AID's activities subject to audit include the Bilateral Project and Nonproject, Grant and Cooperative Agreement, Participant Training, Disaster Assistance, and Food for Peace Programs. The system-oriented approach is directed toward compliance with the generally accepted government auditing standards; it is expected to increase audit coverage of agency programs and activities. [Bruce N. Crandlemire (703) 875-4303]

The Office of Inspector General, **Department of Defense**, completed Quality Assurance reviews of the Army Audit Agency, Naval Audit Service, and Air Force Audit Agency. By government auditing standards, organizations which conduct government audits must undergo an external quality control review at least once every 3 years. The Office of Assistant Inspector General for Audit Policy and Oversight established peer review teams which implemented

review guidelines developed by the President's Council on Integrity and Efficiency. The Quality Assurance Reviews focused on adequacy of internal quality control systems within each audit agency, effectiveness of audit policies and procedures, and compliance with applicable auditing standards for the audits performed. The reports issued following each review made recommendations to the audit organizations. [Charles F. Rawdon, (703) 693-0015]

The **Department of Education** Office of Inspector General (OIG) has established the Accounting and Financial Management Staff (AFMS) to take responsibility for audit activities related to the Chief Financial Officers Act of 1990. The staff audits the facilities loan and contribution programs and assists the General Accounting Office with auditing the Guaranteed Student Loan Program. AFMS has aided the Department's reconciliation of accounts and the identification of internal control problems. The staff has also communicated issues which must be addressed for audited financial statements and recommended improvements for securing construction loan advances. [Geraldine F. Jasper, (202) 732-5600]

The Office of Inspector General, **Department of Education**, is expanding upon an Electronic Workpapers (EWP) concept developed by GAO in order to assist auditors with reviewing and compiling data for report writing purposes. Using WordPerfect, the auditor selects from a menu of workpapers for interview, analysis, observation, or review. Based on

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subject or issue area, codes for particular issue areas are entered before each topic area. A database is created of the combined workpapers. The database can then be queried or sorted by issue code, key word, document title, interviewee's name, and other data. When preparing a report, extracted data is cross-indexed to the original workpapers. Used together, these functions facilitate and speed drafting and referencing a report. Workpapers from multiple auditors may be addressed; the auditor-in-charge can monitor progress at all locations and a referencer may use the data base for referencing. [James Houk, (202) 732-5610]

The Office of Audit Services, **Department of Health and Human Services (HHS)**, participates in an interagency Task Force on contract auditing. The Task Force was established in August 1991 by the Office of Management and Budget (OMB). Its establishment was in response to recommendations made by the Subcommittee on Oversight of the House Committee on Energy and Commerce. The Subcommittee's recommendations were intended to protect against overcharges by contractors doing business with the federal government.

The Task Force's overall goal is to identify ways to improve contract audit coverage. Its work will develop policy and procedures to clarify primary audit responsibility for contractors, identify necessary resources to ensure audits of government contractors are carried out on a timely basis, and identify ways to improve the auditing of government contracts. The Task

Force also will explore the feasibility of creating a separate agency to audit contracts.

The Task Force has used a questionnaire to obtain basic contract and audit data by collecting information from various departments. An agency's response was then coordinated with the agency's Senior Procurement Official and Inspector General to provide both procurement and audit perspectives. A consolidated report will be issued during fiscal year 1992. The report will also describe steps to improve the auditing of federal contracts. The Task Force will identify questionable charges and practices and encourage contractors to develop better internal controls to prevent billing unallowable costs to federal contracts. [Jack Fecris, (202) 619-1175]

The Office of Audit Services, Social Security Audit Division, **Department of Health and Human Services (HHS)**, is testing an Electronic Audit Briefcase software package titled Interactive Data Extraction and Analysis (IDEA). The package assists the auditor in examining the characteristics of large sets of computer records from a variety of operating environments. Analysis of this type of data would not be feasible if done manually. IDEA is menu driven, user friendly, and requires little training in comparison to software applications that demand expertise in computer operating system procedures and other programming proficiency.

The test will analyze payments issued by the Social Security Administration (SSA). The approach, if successful, will be

implemented for other SSA audits. [Tim Trockenbrot, (410) 965-9700]

The **Department of Housing and Urban Development (HUD)** Office of the Inspector General began in 1991 to test an audit software package called AuditPro. This software was first developed by the Office of the Auditor General of Canada. It is now being extended and modified jointly by Canadian and U.S. audit organizations to meet U.S. needs. The use of AuditPro is the first step toward a paperless audit environment. Having been tested for 6 months, the office is pleased with the performance.

AuditPro is a shell program which ties together into electronic format all segments of an audit. Audit activities from designing the plan through its execution and final review are accomplished efficiently by computer use. Working papers created by the auditors are maintained and filed electronically. A completely paperless audit also will need to convert, using scanning devices, original supporting documents from paper form to text or image files.

Together with AuditPro, the audit Electronic Briefcase uses laptop computers containing a database, spreadsheet, word processor, and flowcharting software. This briefcase is currently being used by the agencies field auditors. [Morris Grissom, (202) 708-1342]

In compliance with the Single Audit Act of 1984, implemented by OMB Circular A-128, the Office of the Comptroller (OC), Office of Justice Programs, **Department of**

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## *Initiatives by Agencies to Improve Financial Management*

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**Justice**, provides audit control, tracking, and resolution. The OC received external audit reports from the Office of the Inspector General on all 300 DOJ grantees and closed 271 of the audit reports during fiscal year 1991. The OC has improved its reporting system for the existing Audit Control and Compliance Examination Service System (ACCESS) used to track audits and maintain a database of 2,035 reports. The enhanced reporting system is menu driven and reports on grantee information and audits based on different selection criteria that assist in monitoring grantee compliance with audit submissions and resolutions. [Michael Lynch, (202) 307-0623]

The Office of Inspector General (OIG), Office of Audit, **Department of Labor** (DOL), held its second 2-week training program for auditors in June 1991. The program combined general sessions and specific tracts for various audit interests and OIG needs. The specialized coverage included automated data processing, grants and contracts, fraud, performance auditing, and oral and written communication. Training materials developed in-house addressed specific DOL programs; commercial training packages were selected which reflected the needs of the OIG.

A federal financial statement auditing course was developed for this year's program, covering the requirements of the Chief Financial Officers (CFO) Act of 1990. At the Inspector General's invitation, 19 staff members from 15 other federal audit organizations also participated in the course. The course

demonstrated the audit model developed by the DOL OIG based on its experience in compiling and auditing financial statements. The model provides for full accountability auditing, encompasses attestations on both the traditional financial statements (financial inputs) and program statistics (program outputs), and presents cost-based performance statements. This course was recently offered by the U.S. Department of Agriculture Graduate School's Government Audit Training Institute.

The advantages of directly sponsoring such training, apart from cost containment and efficiency, derive from control that can be exercised over content, instruction, and customization to cover DOL's needs and federal auditing in general. [Patricia A. Dalton, (202) 523-5906]

The **Department of Labor's** Employment Standards Administration has arranged independent certification of Form LS-513, Report of Payments, used by the Division of Longshore and Harbor Workers' Compensation. A special fund, established by section 44 of the Longshore and Harbor Workers' Compensation Act, is funded by an annual assessment of insurance carriers and self-insured employers based on a formula which takes into account usage of the special fund and payments to claimants during the preceding calendar year. Insurance carriers and self-insured employers report payment information on which the special fund assessment is based.

The Division of Longshore and Harbor Workers' Compensation published an industry notice during

fiscal year 1990 requiring that each insurance carrier and self-insured employer obtain certification from an independent accounting firm that its report (Form LS-513) is complete and accurate. The certifications were to be provided for the first time during fiscal year 1991. The certification program, an immediate success, will be expanded and improved during fiscal year 1992. Total reported payments have increased over recent years in an otherwise recessionary economy and this increase is attributable directly to the certification requirement. [Jack Martone, (202) 523-8721]

The Office of Inspector General, **Resolution Trust Corporation** (RTC), developed a local area network-based library of forms used by its audit staff in administrative and audit-related activities. The library, developed using WordPerfect, contains many standard forms including such as interview write-ups, audit proposals, audit workplans, various checklists, and travel forms. An Audit and Resolutions Tracking System was implemented to track the status of planned, ongoing, and completed audits and of issued audit recommendations. The system provides regional and nationwide information on a bi-weekly basis and assists management in identifying significant audits and in managing multi-regional and nationwide audits. [Scott Miller, (202) 416-2839]

The Office of Inspector General, **Department of the Treasury**, has initiated a program to identify and rank major Treasury automated information processing systems for

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potential audit so that audit resources can be effectively channeled to the most critical ADP areas. A database inventory of automated systems is being developed which will extrapolate information from each bureau's Five-Year Information Systems Plan, Treasury's Inventory of Sensitive Systems, and interviews with information resources management officials within each bureau. The database will also incorporate information from other sources. [Karla Corcoran, (202) 927-5430]

The Financial Services Directorate, **Department of the Treasury**, developed an Early Warning System (EWS) comprised of trend indicators, such as fluctuations in prompt payment interest penalties and undeposited collections, in order to spot emerging issues for corrective actions before they escalate into serious management problems.

The implementation plan for EWS was approved by the Assistant Secretary (Management) and the Inspector General in October 1990 and implemented at the beginning of fiscal year 1991. Bureaus now report semi-annually on their review of the early warning indicators, and summary analyses are performed at the Departmental level. The initial semi-annual analyses were performed for the 6 month periods ended March 31 and September 30, 1991. The EWS enables Departmental and bureau managers to focus on areas requiring their attention, investigate apparent problems to determine their underlying causes, and initiate corrective actions as appropriate.

Since EWS indicators are generic in nature, Treasury's approach may be used by other agencies. The Department expects that as the EWS accumulates historical data on the early warning indicators, it will prove increasingly beneficial. [Edwin A. Verburg, (202) 566-2825]

In 1991, the **Department of the Treasury** experienced its first full year of utilization of its Inventory Tracking and Closure System (ITC). The ITC is a departmentwide system which tracks Federal Managers' Financial Integrity Act (FMFIA) reviews, deficiencies, and corrective actions and accounts for audit report recommendations and corrective actions. Bureaus can report time-sensitive issues to senior Departmental management through the "Alert" module of the ITC; the system interactively links all 13 bureaus and the Department.

The ITC system has various reporting capabilities. For example, the Secretary's Semi-annual Report to the Congress on Audit Activity was prepared using ITC System data for periods ending March 31 and September 30, 1991. [Dennis Mitchell, (202) 343-0249]

The **Department of Veterans Affairs** (VA) established a Financial Integrity and Assistance Service (FI&A) within its Office of Financial Management. The Service primarily will provide VA's financial managers with independent reviews of the Medical Centers' Medical Care Cost Recovery (MCCR) program implementation and operation and of other financial operations. The FI&A Service has developed and disseminated an

MCCR review guide to all VA Medical Centers for use in performing self-assessments. The Service also performed site reviews at 38 Medical Centers from April through December 1991. The Service conducted a review of the Department's vendor payment system (Centralized Accounts for Local Management System) and it used stratified statistical sampling procedures to identify payments for VA's Prompt Payment Act initiatives. These sampling procedures resulted in reviews of 1,890 individual payment cases. [Linda Cole, (512) 326-6936]

The Office of Inspector General (OIG), **Department of Veterans Affairs** (VA), reorganized its Office of Audit. Prior to this change, the division charged with financial audit responsibilities also had responsibility for VA's acquisition, material management, construction and facilities activities. Now a Financial Management Division has been created and it is specifically responsible for performance of national audits of VA's financial statements and other financial functions, such as budgeting, fiscal systems, financial policy and accounting. [John Jonson (202) 233-3881]

The Office of Inspector General (OIG), **Department of Veterans Affairs** (VA), has undertaken responsibility for followup on OIG and General Accounting Office reports. This requires maintaining a centralized, computerized followup system that provides for oversight, monitoring, and tracking of all OIG and GAO recommendations through resolution and implementation. Resolution and

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implementation actions are monitored to assure that disagreements between OIG and management are resolved as promptly as possible and that corrective actions are implemented as agreed upon by management officials. Disagreements unresolved between OIG and management are decided by the Deputy Secretary, who is the VA's audit followup official. Managers are required to provide the OIG with documentation showing the completion of corrective actions including reporting collection actions until the amounts due VA are either collected or written off. The OIG staff assesses adequacy and timeliness of actions, requests periodic updates, and conducts onsite followup inspections if needed to verify that agreed upon corrective actions have been effectively implemented. [Jack Williams (202) 233-5634]

### **OTHER IMPROVEMENTS**

**T**he Farmers Home Administration, U.S. Department of Agriculture, combined its annual statement of loan account for borrowers with the IRS Form 1098, Mortgage Interest Statement. The revised form, implemented in January 1991, provided borrowers with important tax information on one form, eliminated printing and separate mailing of over 1 million IRS forms, and saved \$280,000—a recurring annual savings. [Cheryl Gorrell, (314) 539-6203]

The **Department of Defense** (DOD) will implement Electronic Commerce/Electronic Data Interchange (EC/EDI) throughout the Department with the objective of achieving 80 percent of full operating capability before fiscal year 1996. The Defense Finance and Accounting Service (DFAS) has undertaken a pilot project to test and implement the capabilities needed to establish an EDI system which allows paperless interoperability using standard computer system components, commercial and DOD EDI transaction formats, electronic mail and messaging formats, DOD networks, commercial networks and third-party services, and electronic funds transfers. This initiative will streamline finance and accounting procedures and related functional areas such as procurement, contract administration, transportation, supply, maintenance, and business interfaces with the private sector.

At present, the limited EC/EDI use by DFAS, DOD, and the private sector results in costly and time-consuming execution of business transactions. The benefits of the EC/EDI initiative include lower data entry cost, more accurate and timely business data, lower DOD inventory levels resulting from timely procurement, decreased paper handling, improved productivity, better business relationships, and greater customer satisfaction.

The DFAS has estimated that an annual savings of \$38.9 million will result from EDI initiatives. [Gail Jennings, (703) 607-0810]

The **Department of Energy** (DOE), addressing the training and development needs of financial

management personnel, has been arranging a program for career levels from entry positions to senior management. Both work experiences and formal activities are encompassed in the training. Accomplishments to date have included establishment of a Steering Committee and appointment of a Financial Management Training Coordinator; Headquarters CFO offices and field offices have been surveyed to identify training and developmental needs; and a proposed training program has been developed which includes Individual Development Plans, centralized administration, and defined reporting requirements. [James H. Maroldo, (301) 903-4466]

The **Department of Energy** (DOE) has supplemented actions to implement the provisions of the Chief Financial Officers Act with activities related to key financial management positions. The DOE has instituted uniform qualification standards, ranking factors (for recruitment actions), position descriptions, and performance standards for financial management positions including the CFO and Heads of Accounting, Budget and Financial Review. [John Martus or Ginny Cornwell, (301) 903-5495/(202) 586-4047]

In March 1991, the Social Security Administration (SSA), **Department of Health and Human Services**, completed the efforts to utilize 9-digit ZIP codes for issuing Social Security and Supplemental Security Income benefit checks and other large scale mailings. The initiative was accomplished by using a ZIP + 4



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software package to apply and maintain the +4 sector segment portion of SSA's master records. As a result of using the 9-digit ZIP code, SSA expects an annual saving of approximately \$2 million in postal costs. [Don Savage, (410) 965-8356]

The Office of Surface Mining (OSM), **Department of the Interior**, will use electronic data imaging and filing for civil penalty and abandoned mine land debtor files. Hard copy case files will be input to automated storage media for document security, easy locating of documents, and improved response time for researching cases. [Roy Morrison, (202) 208-3603]

The **Securities and Exchange Commission's** Office of the Comptroller developed a 5-year financial and management plan for SEC financial activities. The SEC held planning and discussion sessions and sent a questionnaire to all SEC divisions, offices, and regional administrators to gather information and feedback on the services provided by the Comptroller's Office. The questionnaire responses stated that said the Comptroller's Office could improve communications and training to help program areas learn federal and agency guidelines and requirements.

A comprehensive financial system flowchart was prepared to help agency managers understand the system. Existing financial reports are being reviewed and revisions are expected that will make them more useful to agency managers. The plan is also expected to increase the use of evolving technology to assist the office in meeting increased

workloads. [Larry Haynes, (202) 272-2150]

The Federal Transit Administration (FTA), **Department of Transportation** (DOT), developed the Transit Benefit Program. The Transit Benefit Program is a fare subsidy program which encourages FTA employees to use mass transportation. In October 1991, FTA was the first agency to implement this program at its headquarters; the DOT in January 1992 extended the program to cover employees of DOT headquarters.

FTA also announced expansion of the Transit Benefit Program to its regional offices. The FTA Office of Budget and Policy will use an automated Transit Benefit Program system to process employee applications for fare subsidy, provide certification, and issue monthly reports on participation. The first regional office is expected to implement this process in March 1992.

The Transit Benefits Program offers advantages including increased use of public transportation for commuting, decreased numbers of cars on crowded highways, and better air quality and an improved environment. Information about the program is available to other potential users. [James G. Bradley, (202) 366-0989]

The Office of Financial Management (OFM), **Department of Veterans Affairs** (VA), tracks ADP initiatives through its "Business Agreement" procedure. Individual Agreements define the roles, responsibilities and

accountability of each element involved in providing an ADP service. The work flow process is also documented. Agreements create a framework for workers to do higher quality work in less time with fewer resources. [Elizabeth Stewart, (202) 233-2071]

### **Total Quality Management**

The **Department of Commerce's** (DOC) Quality Council, chaired by the Deputy Secretary, consists of a political and a career appointee from each bureau and provides a forum for sharing information and for advising the Secretary on DOC quality improvement initiatives. Most DOC bureaus have quality councils, have held TQM awareness sessions for all their employees, and, in several bureaus, have begun in-depth TQM tools training.

The Secretary's 1991 Quality Award was presented to the Office of the Assistant Commissioner for Public Services and Administration, Patent and Trademark Office. This year, DOC also recognized the National Meteorological Center of the National Oceanic and Atmospheric Administration (NOAA) for special achievement in the area of information and analysis. [Stephen C. Browning (202) 377-3707]

The **Environmental Protection Agency's** (EPA) Total Quality Management (TQM) activities have included applications in the Superfund Accounting Branch, Office of the Comptroller, and Headquarters Accounting Operations Branch.



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- The Superfund Accounting Branch is improving Superfund financial data integrity to provide accurate, timely, and cost effective Superfund cost recovery packages. Systems, data flow, and documentation nationwide are being analyzed to pinpoint potential problems and causes of data discrepancies. The branch plans to improve and clarify internal control procedures, reduce time required to produce Superfund cost recovery packages, and increase the dollar value of Superfund cost recovery. [Kevin Brittingham, (202) 260-2886]
- The Office of the Comptroller's (OC) TQM activities have trained employees on the principles of TQM, trained 12 TQM facilitators, and launched six Quality Action Teams to improve OC processes and financial systems. [Kathy Sedlak O'Brien, (202) 260-9650]
- The Headquarters Accounting Operations Branch has analyzed the data flow of inquiries received by Customer Assistance, how inquiries are researched, and the mechanism for providing feedback. The branch plans to improve the data collection process and increase information sharing via an automated on-line input and query system. [Debra Bennett, (202) 260-5100]

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## Appendix A

### *JFMIP Officials and Staff in 1991*

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#### Principals

Nicholas F. Brady	Secretary of the Treasury
Charles A. Bowsher	Comptroller General
Richard G. Darman	Director, Office of Management and Budget
Constance B. Newman	Director, Office of Personnel Management

#### Steering Committee

Susan Gaffney	Chief, Management Integrity Branch, Office of Federal Financial Management, Office of Management and Budget (until December 1991)
Edward J. Mazur	Controller, Office of Federal Financial Management, Office of Management and Budget (from December 1991)
Donald Chapin	Assistant Comptroller General, Accounting and Financial Management, General Accounting Office
Gerald Murphy	Fiscal Assistant Secretary, Department of the Treasury
James Lancaster, Jr.	Associate Director for Administration, Office of Personnel Management (until November 1991)
E. John Prebis	Chief Financial Officer, Office of Personnel Management (from November 1991)
Alvin Tucker	Deputy Comptroller (Management Systems), Department of Defense
Virginia Robinson	Executive Director Joint Financial Management Improvement Program

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## *JFMIP Officials and Staff in 1991*

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### **JFMIP Staff**

Virginia Robinson . . . . . Executive Director  
Doris A. Chew . . . . . Assistant Executive Director  
Kenneth Winne . . . . . Senior Project Director  
Frank Kramer . . . . . Publications Manager  
Bruce W. Kletz . . . . . Publications Specialist  
Donna Tebeau . . . . . Secretary

### **Detailed Project Team Director and Members**

Bernard Trescavage . . . . . General Accounting Office  
Wesley E. Jones . . . . . Department of the Treasury

#### ***Standardization of Financial Data Team***

Susumu Uyeda

#### ***Seized/Forfeited Asset System Requirements***

John Stahl . . . . . Co-Project Leader  
Ken Winne . . . . . Co-Project Leader  
Carolyn Holloway . . . . . Department of Justice  
Candy Olds . . . . . Department of Justice  
Mike Perez . . . . . Department of Justice  
Don Skiles . . . . . Financial Management Service  
Ken Carfine . . . . . Financial Management Service  
Kerry Ellison . . . . . Financial Management Service  
Bob Faber . . . . . Internal Revenue Service  
Bernard Trescavage . . . . . JFMIP  
Greg Pence . . . . . United States Customs Service

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## Appendix B

### *JFMIP Liaisons*

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This Appendix provides a list of individuals designated as liaisons to JFMIP current at the time of printing this annual report. Where used, "FM" refers to the designated financial management liaison; "IG" to that of the office of inspector general.

#### ACTION

FM .....	Carmine DiFazio
IG .....	Joseph M. Suszko
Administrative Conference of the U.S. ....	Daniel F. Mann
Administrative Office of the U.S. Courts .....	Raymond A. Kaiaam
African Development Foundation. ....	Thomas Wilson
Agency for International Development .....	Michael G. Usnick
Agriculture, Department of	
FM .....	Larry Wilson
IG .....	James R. Ebbitt
Appalachian Regional Commission .....	David E. Meuser
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*Plan for Audited Financial Statements in the Federal Government.*  
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