

30TH ANNIVERSARY

ANNUAL REPORT

Joint Financial Management
Improvement Program
1978

FOREWORD

This report marks the 30th anniversary of the Joint Financial Management Improvement Program highlighting its history and achievement. The report summarizes the major accomplishments and undertakings of the program in 1978.

The President has credited the Joint Program for pioneering the cooperative approach among agencies in producing major improvements in Federal financial management during the past 30 years. He has emphasized that the objectives of the Joint Program are clearly compatible with and reinforce those of the Administration to attain greater efficiency and effectiveness in Government operations.

The Principals--the Secretary of the Treasury, the Director of the Office of Management and Budget, the Director of the Office of Personnel Management, and the Comptroller General of the United States, have stated that the Joint Program made many notable and successful contributions to financial management in the Government. They firmly believe that the continuing success of the Program rests on a firm partnership of all members of the financial community. They are appreciative of the enthusiastic support and cooperation of the financial management community and seek its vigorous participation in the future.

We would like to express our appreciation to the following people for their contribution and assistance in the development of this report: Department of the Treasury - Joyce Barbee, Eleanore Condon, Edith D'Ambrosio, Irvin Faunce, Gustavo Mercanti, Floyd Swayzee, Frasia Trice, Wallace Wasserstein, and James Zok; Federal Audit Executive Council - Frank Quinn; General Accounting Office - Bill Broadus, Harry Havens, Ronell Raaum, Robert Ryan, and Mary Simmons; Office of Management and Budget - Betty Bradshaw, Richard Cavanagh, Patricia Cunningham, and George Strauss.

Susumu Uyeda
Executive Director

THE WHITE HOUSE

WASHINGTON

March 23, 1979

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: 30th Anniversary of the Joint Financial
Management Improvement Program

Thirty years ago the Executive and Legislative Branches saw the need for a closer working relationship to improve financial management in Government. The advances that have been made since the establishment of the Joint Financial Management Improvement Program and the passage of the Budget and Accounting Procedures Act reflect the efforts of many dedicated individuals. The 30th anniversary of the Joint Program is a timely reminder that significant accomplishments are possible through cooperative efforts without creating new and bigger bureaucracies.

One of my goals as President is to have an efficient and effective Government responsive to the needs of the American people. With the passage of the Civil Service Reform Act, Federal managers now have new incentives to eliminate waste and inefficiency, to develop innovative solutions to complex problems, and to build a new foundation for more effective Government. I am confident that Federal managers will respond to this challenge with efforts that will have a lasting impact on the public service.

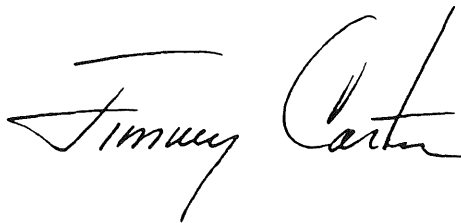
We need to re-establish public confidence in Government, and we are making progress. We are placing Inspectors General in each Cabinet-level Department to detect and eliminate fraud and abuses. They have broad powers and a substantial degree of independence. The significant features of this program must be extended throughout the Federal Government. The Office of Management and Budget will make sure that the auditing and investigative functions are meshed in a smooth and effective way.

In November 1977, we started a comprehensive review of cash management policies, practices, and organizations throughout the Executive Branch. The Office of Management and Budget and the Department of the Treasury have been working with Federal agencies to accelerate Federal collections, to time disbursements properly and to develop incentives to make Federal employees better cash managers. I am pleased that the review has identified \$400 million in interest cost savings during its first year alone.

A Government-wide effort led by the Office of Management and Budget and the General Accounting Office has now resulted in a breakthrough in auditing Federally assisted programs -- a single guide to replace the almost one hundred guides now in use. We need to bring the same kind of simplicity to other Government programs without sacrificing effectiveness.

The spirit of cooperation exemplified by these efforts is an essential ingredient in establishing a new foundation for responsible and responsive Government. JFMIP has pioneered the cooperative approach and produced major improvements in Federal financial management during the past 30 years.

Every anniversary is a time to look back and a time to look ahead. This anniversary reminds us not only of progress made, but also that improved financial management must be a continuous effort, and one that involves every agency of government. I look to the future with great confidence as we put in place many new innovative techniques to make better use of our resources -- everything from our cash to our human resources. The objectives of the Joint Program are clearly compatible with and reinforce those of my Administration to attain greater efficiency and effectiveness in Government operations. Therefore, I urge all of you to renew your commitment to the Joint Program and to better financial management in Government.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

SECRETARY OF THE TREASURY
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT
COMPTROLLER GENERAL OF THE UNITED STATES

TO HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: 30th Anniversary of the Joint Financial
Management Improvement Program

The Joint Financial Management Improvement Program has reached a significant milestone in commemorating its 30th anniversary.

We would like to take this opportunity to express our appreciation for your vigorous support and enthusiastic cooperation over the years. Agency commitment is essential to achieving greater economy and effectiveness in Government operations and has enabled the Joint Program to make many successful contributions to financial management in the Government.

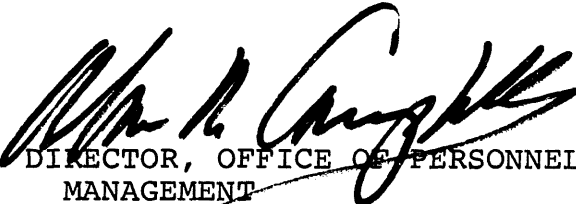
Notable steps have been taken to improve and modernize financial management in Government. Despite the significant advances made to date, much remains to be done to establish financial management systems that fully and effectively serve management. There must be continuing surveillance and rigorous effort to take advantage of new technical and technological developments.

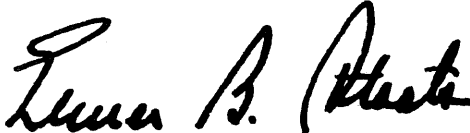
The continuing success of the Joint Financial Management Improvement Program rests on a firm partnership of all members of the financial management community, in addition to the active leadership and strong commitment by top officials in all Federal departments and agencies.

We have a common objective and a duty to rebuild public confidence in Government. We can achieve this through a firm commitment and dedication for more efficient and effective Government. Accordingly, we urge and invite your continued interest, support and participation in this vital Program.


SECRETARY OF THE TREASURY


DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET


DIRECTOR, OFFICE OF PERSONNEL
MANAGEMENT


COMPTROLLER GENERAL
OF THE UNITED STATES

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CHAPTER I

BACKGROUND

A. Historical Background of JFMIP

The Joint Financial Management Improvement Program has now enjoyed 30 years of progress and success through a Government-wide cooperative effort to promote better financial management in the Government. It has become a force to promote the continued development, modernization, and use of improved financial management practices in planning, executing, and controlling agency operations.

In 1948, the General Accounting Office, the Department of the Treasury, and the Bureau of the Budget (now the Office of Management and Budget) began an effort, in cooperation with the other agencies of the Government, with the avowed purpose of establishing more effective and efficient financial systems in the Government and to coordinate the interrelated activities and responsibilities of the central financial agencies.



On January 6, 1949, Comptroller General Lindsay Warren, Secretary of the Treasury John Snyder, and Director of the Budget James Webb signed a formal agreement that set forth the policies, objectives, and work areas for this joint program. The agreement concluded by stating that:

"The successful prosecution of this Joint Program will give the President better management in the Executive Branch, the Congress better information and bases for acting upon appropriations and other legislation, and the public a clearer picture of the financial condition and operations of the Federal Government."

The principles and objectives of the program were subsequently embodied in the Budget and Accounting Procedures Act of 1950.

The program, known originally as the Joint Program for Improving Accounting in the Federal Government, concentrated its early efforts in the improvement of accounting operations. Prior to that time, financial systems in the Federal Government were inadequate for management purposes, were unduly complex, and generated a mass of red tape. Part of the problem was that inadequate communications among the central financial agencies resulted in the issuance of conflicting requirements in numerous instructions to the operating agencies. The need to develop more timely and useful financial information systems was also recognized. The Joint Program concentrated its efforts initially to resolve these basic problems and to realign some of the accounting responsibilities among the central agencies.

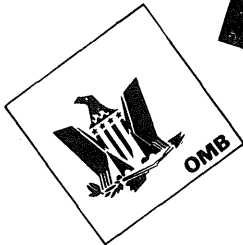
Subsequently, the central and operating agencies recognized that if maximum benefits were to be obtained by the joint effort, the area of involvement must be broadened to cover the full spectrum of financial management. Thus, the scope of the Program was expanded to include budgeting, reporting, auditing and related financial management practices that would assist agency managers in their program planning, execution, and control. Consequently, the program was redesignated as the Joint Financial Management Improvement Program (JFMIP) in December 1959. In 1966, the Civil Service Commission (now the Office of Personnel Management) was invited to join the JFMIP to provide leadership in recruiting and training of financial management personnel and to develop improved job classifications and standards.

Although methods and techniques of financial management continuously change and evolve, the Joint Program's overall goal has remained essentially the same over the years--that is, to promote the improvement of financial management policies and practices in the Federal Government through cooperative efforts, thereby better serving the needs of the managers at all levels of the Executive Branch, the Congress and the general public.

JFMIP: PAST and PRESENT

1948

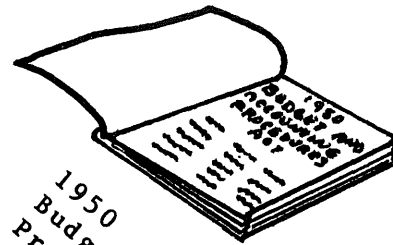
Joint Program for
Improving Accounting in
the Federal Government



"Better accounting and financial reporting is an integral part of a broad program to improve efficiency and attain economies in the Management of the Government's operations."

Press Release
January 13, 1949

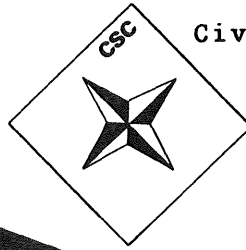
1950's



1950
Budget and Accounting
Procedures Act

1959: Name changed to
Joint
Financial
Management
Improvement
Program

1960's



Civil Service Commission
joined in 1966

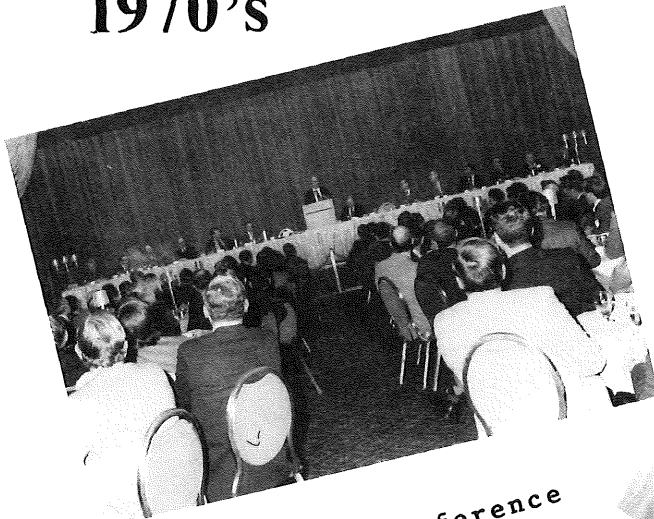


1969 Steering Committee Meeting

Statistical
Sampling

Transportation
Study

1970's

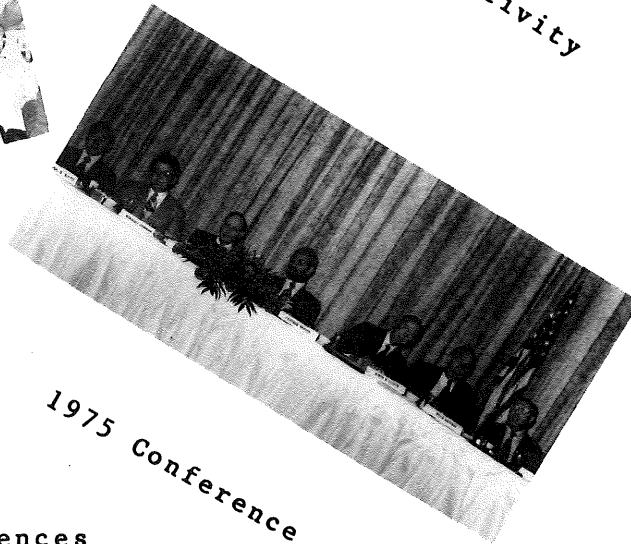


1973 Conference

Ca\$h Management

SIBAC

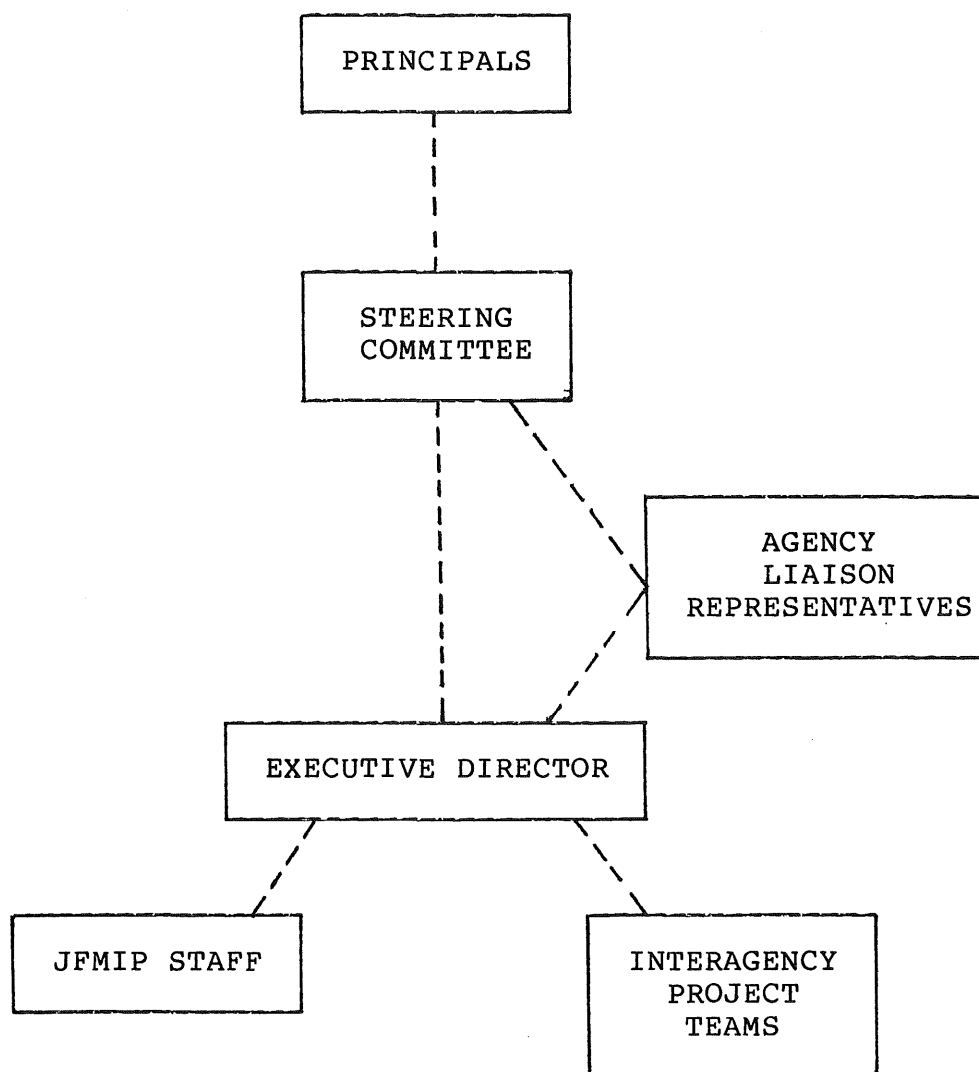
Productivity



1975 Conference

Financial Management Conferences

B. JFMIP Organization Structure and Officials



Leadership and program guidance are provided by the four Principals of the Program--the Comptroller General, of the United States, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management. The chairmanship is rotated among the Principals every other fiscal year. The present Chairman is Mr. Blumenthal, Secretary of the Treasury.

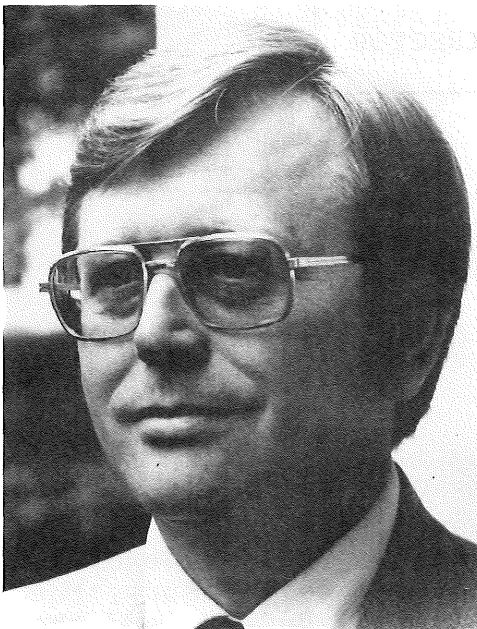
The current Program Principals are:



W. Michael Blumenthal
Secretary of the Treasury



Alan K. Campbell
Director of the Office of
Personnel Management



James T. McIntyre Jr.
Director of the Office of
Management and Budget



Elmer B. Staats
Comptroller General of the
United States

Each Principal designates a representative to serve on a Steering Committee that is responsible for the general direction of the Program. The Executive Director of JFMIP is also a member of the Steering Committee. The Steering Committee coordinates central agency efforts on Government-wide matters and selected improvements within individual agencies. It serves as a focal point for consideration of problems in the financial management field and organizes efforts to resolve such problems. The Chairmanship of the Steering Committee also rotates every other fiscal year among the representatives of the central agencies. The present Chairman of the Steering Committee is Gerald Murphy, Department of Treasury.



The Steering Committee members for 1978 were (from left to right in the above picture:

John Lordan, Office of Management and Budget;
Donald Biglin, Office of Personnel Management;
Donald Scantlebury, General Accounting Office;
Gerald Murphy, Department of the Treasury; and
Susumu Uyeda, Joint Financial Management Improvement
Program

The Executive Director is responsible for developing and directing multiple interagency programs and projects relating to the improvement of financial management in the Federal Government. The day-to-day operations are carried on by the Executive Director and a small staff. Beginning in 1977, the central agencies assigned professionals to the JFMIP staff on a rotating basis for a period of 12 to 18 months.



Pictured above from left to right, the members selected to serve on the staff in 1978 were:

Kenneth Winne, General Accounting Office
Doris Chew, Department of the Treasury
Alvin Kitchen, Office of Personnel Management

The staff members assist the Executive Director in coordinating, monitoring and providing support for special projects; reviewing agency financial management improvement programs and progress; analyzing financial management problems and studying areas for potential projects; reviewing regulations and instructions on financial management policies and practices; and responding to agency requests for information and advice.



Other JFMIP staff
members are:

Sandra McDonald
Marjorie Spencer

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the central agencies and operating agencies. The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts. To fully achieve the necessary coordination and cooperation on a day-to-day basis, the head of each Federal agency has designated a liaison representative to JFMIP. The agency liaison representatives provide a vital communication link between the Program and the agencies. Agency liaison representatives are listed in Appendix A.

CHAPTER II

HIGHLIGHTS OF 30 YEARS OF PROGRESS

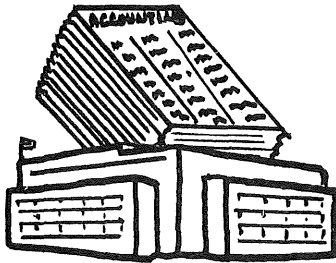
Throughout the thirty years of the Program's existence, many steps have been taken to improve and modernize financial management in the Government. These changes have come about through conscientious efforts on the part of financial managers and through the development of new technologies especially in automatic data processing systems.

The following sections highlight some of the significant progress made in central financial operations, accounting, budgeting and auditing.

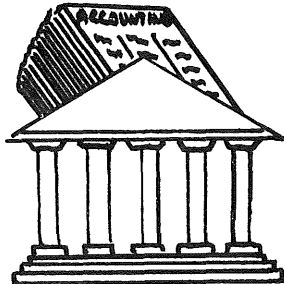
IN THE PAST...

Detailed funds control generated unnecessary paperwork and duplicate record keeping.

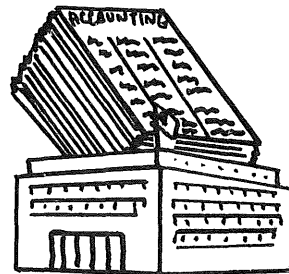
GAO



TREASURY



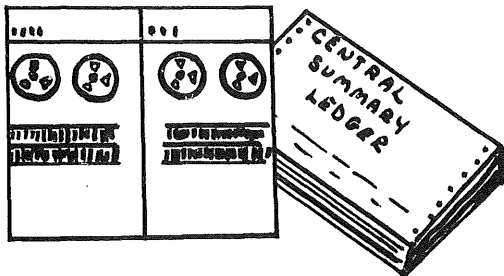
AGENCY



NOW...

Detailed records are not kept at GAO and Treasury. Treasury maintains a central summary ledger of accounts while each agency maintains the detail accounts.

TREASURY



AGENCY



1. Progress in Central Financial Operations and Accounting

Central financial operations and accounting in the Federal Government have changed significantly over the last 30 years. The emphasis on managerial accounting today contrasts markedly with pre-1948 emphasis on uniformity throughout the Government and preoccupation with detailed fund controls which generated unnecessary paperwork and duplicate record keeping. Managerial accounting means that the design of accounting system for each Federal agency must provide not only the basis for control over funds, property and other assets, but also the cost information that meets the needs of internal management and, at the same time, satisfies the requirements of the Congress and the central agencies. Some of the significant developments in the central financial operations and accounting areas are discussed below.

Responsibilities of Central Financial Agencies.
Before 1948, the General Accounting Office maintained appropriation accounts which duplicated similar records in the Treasury Department and operating agencies. This time-consuming and paper shuffling effort was eliminated in both of these central agencies by the Budget and Accounting Procedures Act of 1950. The Act clarified the responsibilities and duties of the central financial agencies--the General Accounting Office, the Department of the Treasury, the Bureau of the Budget (now the Office of Management and Budget), and each executive agency in the areas of accounting and financial reporting.

The responsibility for central accounting, reporting and related financial operations lies with the Treasury Department. Treasury maintains the summary central accounts, which are supported by agency financial systems. This major change has placed the accountability for funds at the operating agency level and has provided better data for agency management and for central financial reports.

The auditing of the Government's financial transactions continued under the Comptroller General of the United States, and authorized the GAO to perform audits at the site of agency operations. In addition, the GAO was given responsibility for prescribing principles, standards and related requirements for accounting to be observed by the Executive agencies, and to approve the agency accounting systems.

This Act strengthened the management responsibilities of the Bureau of the Budget and authorized the Bureau to develop plans for organizing, coordinating and managing the Executive Branch. In addition, the Act permitted the use of performance budgets that included data on the functions and activities of the Government.

Change in Accounting Requirements by GAO. A fundamental change that resulted from early Joint Program activities was a shift in prescribing accounting requirements by GAO for operating agencies. The Budget and Accounting Procedures Act of 1950 required the Comptroller General to prescribe accounting principles and standards to guide individual agencies in developing their own accounting systems, rather than to prescribe uniform procedures for use by all agencies. The first comprehensive statements of accounting principles and standards were issued by GAO in 1952. From time to time, revisions and additions have been made and the current accounting principles and standards have been issued in Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies.

Simplified Central Funding Practices. In 1948, the law required the use of warrants and requisitions, which had to be signed by the Secretary of the Treasury and the Comptroller General, to make funds available for spending by operating agencies. This warrant system gave rise to a great deal of red tape and paperwork within the central financial operations as well as in agency operations. Revised procedures were initiated with the passage of the Budget and Accounting Procedures Act of 1950, resulting in paper reduction. The most recent change in 1974 eliminated the countersigning of routine appropriation warrants by the GAO. The simplification of the central funding practices has enabled all organizations concerned to direct their resources in providing better financial services to operating management.

Improved Basis for Central Accounting. In the 1940's, the central accounting system recorded expenditures when checks were issued, and receipts when warrants and advances of deposits from banks were received. The present central accounting system now provides for the disclosure of cash operations of the Federal Government based on reports submitted by disbursing, collection and administrative offices. The accounting for receipts is on the basis of collections received or deposits confirmed; while for expenditures it is based on vouchers paid by check, cash,

letters of credit, interagency transfers, and electronic funds transfers. This improvement in the central accounting system has provided consistent data for use in various Government-wide reports, such as those issued by Treasury and the Office of Management and Budget. It also has provided a basis for reconciliation with transactions recorded in agency accounting systems.

Changes in Agency Reporting. With the change in the basis for the central accounting system, the Treasury Department also changed the reporting requirements for operating agencies. Since Treasury processing of disbursing and deposit transactions for operating agencies are now accounted at the level of agency location symbol, agencies are required to furnish the classification of these transactions by appropriation fund and receipt accounts in monthly statement of transactions reports.

Each month Treasury prepares a statement of the individual appropriation, fund and receipt accounts and transmits it to the agency to show the balance of agency accounts based on the cash receipts and disbursements data recorded in these accounts. These statements serve as reconciliation media with the agency's books, and the final fiscal year statement of accounts for receipts, expenditures, and balances for the U.S. Government. These figures for receipts and outlays must also be used in agencies' budget presentations to OMB and the Congress.

Other financial information is needed to meet the demands of the Congress, the Executive Branch and the public. This information must also be provided by the operating agencies which is then compiled and published in numerous reports by the Treasury Department. For example, data on financial resources provided by the Federal Government in support of State and local programs that provide services to the public is published in the "Federal Aid to States" report. Other financial reports include those on the agency's financial conditions, its incomes and expenses, investment operations, obligations incurred within and outside the Federal Government, and foreign currency operations.

Consolidation of Payment and Reconciliation Activities. In 1948, checks were paid by the Treasury, and the General Accounting Office reconciled the payments with the checks issued. A joint study by the GAO, Treasury Department, and the Bureau of the Budget (now the Office of Management and Budget) resulted in a decision to consolidate payment and reconciliation activities in the Treasury

Department. In 1956, Treasury began to automate and simplify the reconciliation of check payments by using high speed electronic equipment, which has saved time and reduced costs.

Developments in Disbursing. The Treasury Department is the central disbursing agency for over 1,600 civilian agencies in the Federal Government. Treasury has increased the productivity of its disbursing operations with the use of progressive management practices, improved technology, and simplified procedures during the past 30 years. The unit cost of processing checks has been reduced because of the implementation of these improvements. In 1949 the unit cost for processing checks was approximately \$.087, while the unit cost averages about \$.035 in the 1970's. Over the years, disbursing operations have used many mechanized approaches for producing checks such as addressograph checkwriting, liquid transfer posting process, thermal transfer printing system, the "bill fed" checkwriting equipment and electronic equipment. Another factor that helped to reduce the unit cost was the cooperative work of Government agencies in furnishing check-issued data on magnetic tape rather than on paper documentation. The introduction of electronic funds transfers for recurring payments, such as Social Security payments, Civil Service Retirement payments, Railroad Retirement benefits, and Veterans Administration Pension benefits, have decreased the volume of checks issued.

Elimination of Funded Checking Accounts. Treasury began to eliminate funded checking accounts for the issuance and payment of checks drawn on the U.S. Treasury in 1950. Funded checking accounts meant that disbursing officers were required to have enough money in their checking account before a check was issued. Maintaining funded checking accounts not only increased the agency administrative costs to maintain these accounts, but also increased the cost to Treasury to follow up on the reconciliation of these accounts. By July 1975, 240 funded checking accounts were converted to unfunded accounts. These accounts included those for the U.S. Courts, Senate, House of Representatives, Tennessee Valley Authority, Panama Canal Company, Federal Deposit Insurance Corporation, and Federal Reserve Banks. The elimination of funded checking accounts has standardized the reconciliation of checks issued in Treasury as well as saved time and money in administering these accounts at those agencies.

Simplified Intragovernmental Billing and Collection Procedures. Another improvement was the implementation of the Simplified Intragovernmental Billing and Collection (SIBAC) System in 1972, that resulted from a JFMIP study on interagency billing and collection procedures. SIBAC eliminates interagency receivables and payables, reduced the need for checks and deposits in payment of bills, and simplified collection procedures by providing for simultaneous billing and collection. The basic concept under the SIBAC system is that a buyer-seller relationship among Government agencies should require only the shifting of funds from one agency to another. By using SIBAC, more than 169,000 documents have been eliminated for interagency transactions for FY 1978.

Agency Systems of Administrative Control. The Anti-deficiency Act (Section 3679 of the Revised Statutes), required among other things, that each agency have regulations prescribing its system of administrative control of funds and that such regulations be approved by the Office of Management and Budget. All systems must be designed to keep obligations and expenditures from exceeding appropriations and apportionments, and agency heads must be able to fix responsibility for violations of this Act.

Simplification of Claims Settlement Activities. With the support of the Joint Program, legislation was passed in 1956 that simplified requirements in settling claims. Public Law 84-798 authorized agencies to retain the unspent balances of appropriations that no longer could be used for ordering goods and services, to maintain accounting control over bills chargeable against such unspent balances as long as they were legally due, and to pay those bills without preliminary review by GAO unless there were doubtful questions of law or fact.

2. Progress in Budgeting

The White House and the Office of Management and Budget are continually searching for ways to improve the Federal budget process and to make it a more useful instrument of public policy and financial planning. Also, the Congress has changed dramatically its process for considering and acting upon the annual budget. During the past 30 years, the Federal budget process has undergone several phases of evolution. Some of the major changes made over the years are summarized below.

Performance Budgeting. Prior to 1949, budget requests were based on objects or things to be purchased such as salaries, travel costs, rents, utilities, etc. Such requests did not inform management and the public what the items were to be used for, nor what the results of their acquisition and use would be. In 1949, the first Hoover Commission on the Organization of the Executive Branch of the Government recommended the use of performance budgets. This approach to budgeting was to identify the nature and character of the work performed, thereby introducing and emphasizing workload and performance information for use in decisionmaking. Also, performance budgeting called for information on program costs and the value of available resources by function, activity or project, as well as traditional obligation and disbursement data.

The adoption of performance budgeting affected the entire budget process, from budget formulation to execution. The 1951 Budget was refashioned to show programs and activities under each appropriation request, and workload and other performance information in narrative form. Public Law 84-863 of 1956, in part, required the use of cost information in support of appropriation requests and as a basic tool for managing activities in execution of the budget.

Planning-Programming-Budgeting System. The Planning-Programming-Budgeting System (PPBS) was implemented in the budget process during the 1960's. The PPBS was designed to relate (a) national needs to specific identified goals, (b) identified goals to alternative programs, (c) selected programs to specific resources, and (d) specific resources to budget dollars--all on the basis of projections through several future years. The system was first used in the spring of 1966 in consideration of the 1968 budget proposals.

Although PPBS disappeared as a formal system, the executive budget process continues to emphasize the tools used in PPBS. Those include emphasis on goal setting, producing more indepth and formal study of issues in advance of budget deadlines, improving quality of budget analysis by greater use of sophisticated, quantitative methods and providing another step toward multi-year planning in budgeting.

Management by Objectives. Another technique introduced in 1973 in the formulation of the President's budget was Management by Objectives (MBO). MBO required agencies

to submit objectives that would include new policy initiatives and major operational achievements which would be made in current programs, giving particular attention to objectives considered to be of Presidential level importance. The impact of adopting MBO was the emphasis on setting specific goals and tracking them to assure their achievement.

Unified Budget. Since the passage of the Budget and Accounting Act of 1921, a Presidential Commission reviewed for the first time the basic concepts underlying the budget in 1967. The Commission's most important recommendation was that a unified summary budget statement be used to replace the three competing concepts that were both confusing to the public and the Congress and deficient in certain essential characteristics.

Prior to 1969, the budget had been presented in different years on the basis of three different concepts: the administrative budget; the consolidated cash budget; and the national income accounts budget. Considerable confusion existed because these approaches measured the total scope of Federal financial budget activities in different ways resulting in different totals. Actually, they could be used together or compared only with a fairly elaborate reconciliation that tended to confuse more than it enlightened. This confusion made it difficult for the ordinary citizen, and even the Congress, to keep abreast of what the Government was doing.

Since the 1969 budget, all budgets have been presented under the unified budget concept. As a result, the President's budget is now a more consistent, understandable, and useful instrument for communicating public policy and the Federal financial plan. To meet some of the needs fulfilled by the previous presentation of the three concepts, the President's budget includes a number of special analyses to augment the unified budget data.

With the adoption of the unified budget, much of the budget data series accumulated before 1969 were outmoded. OMB has since then reconstructed prior year budget data to reflect the unified budget concept for the following:

- Receipts, outlays and surpluses or deficits for the total budget and by fund group (Federal funds and trust funds) for every year starting with 1940.
- Receipts by source (individual income taxes, corporation income taxes, etc.) for every year starting with 1940.

- Outlays by major function for all years starting with 1948.
- Outlays subfunction for all years starting with 1962.

All of these data were restated on the basis of the current unified budget concepts and categories to permit users to make valid comparisons and to reveal trends.

Congressional Budget Reform. The Congressional Budget and Impoundment Control Act of 1974 is a milestone legislation toward congressional budget reform. Under this legislation the Congress, for the first time, is able to focus on overall budget totals and relate individual appropriation actions to each other within a general set of spending priorities. The bill provides a timetable for considering all authorizing and appropriation bills in a new congressional budget process which if followed, will result in a more expeditious and rational congressional action.

To implement this reform the Congressional Budget Act created three congressional institutions responsible for various aspects of the new budget process. Two of these bodies are standing committees of the Congress--the House and Senate Committees on the Budget. The Budget Committees are responsible for reviewing each year's budget proposals and to recommend overall levels of spending, revenues, the public debt, and the surplus or deficit.

The third--the Congressional Budget Office--is a non-partisan organization mandated to provide the Congress with budget-related information and with analyses of alternative fiscal, budgetary and programmatic policies. The Office does not make recommendations on matters of policy; its principal missions are to prepare for the Congress options for consideration and to study the possible budgetary ramifications of those options.

The success of the reform rests primarily upon the ability of the Congress to meet its timetable based on a new fiscal year to begin October 1 and end September 30 and to discipline itself sufficiently to make its individual actions consistent with the responsible budget total--and within the tight timetable the act has provided. The tight deadline includes:

May 15 --Congressional committees must report bills and resolutions authorizing the new budget authority.

- May 15 --Congress must complete action on first concurrent budget resolution. The budget resolution sets forth tentative budget totals broken down by targets for functional categories.
- Seventh day after Labor Day --Congress must complete action on bills and resolutions providing new budget authority and new spending authority.
- Sept. 15 --Congress must complete action on second concurrent budget resolution in light of any changes in economic conditions and program priorities based on social, national and international conditions.
- Sept. 25 --Congress must complete action on any required reconciliation bill or resolution, or both, as necessary to be consistent with the second concurrent resolution.

The Act also amended the Legislative Reorganization Act of 1970 and assigned the General Accounting Office significant new responsibilities concerning program and budget information for congressional use. These responsibilities for improving the accessibility and usefulness of Federal fiscal budgetary and program information include:

- Developing standard terminology, definitions, classifications, and codes in cooperation with OMB and Treasury.
- Conducting a continuing program for identifying and specifying the needs of the Congress.
- Maintaining inventories and directories of sources and information systems.
- Evaluating the extent to which the Executive Branch reporting meets identifying information needs.

The Congressional Budget Act also provided GAO responsibilities to perform program evaluation to assist the Congress in its deliberation.

In keeping with the terms of the Congressional Budget Act of 1974, the President's Budget provides three new major points of focus.

- The current services estimates attempt to show what the level and composition of budget receipts and outlays would be in the budget year if the Federal budget continued through the budget year with no policy changes from the preceding year.

- The national needs presentation provides the functional structure to display spending on similar forms of activities of all agencies. It also provides greater emphasis to defining the ends to be served and in identifying all of the means used by the Federal Government to achieve those ends.
- The listing of tax expenditures, defined as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provides a special credit, a preferential rate of tax or a deferral of tax liability."

Moreover, the Impoundment Control Act of 1974 gives the Congress power to restrict the President's ability to establish reserves, or delays the use of appropriated funds for programmatic reasons, or any changes in economic conditions that would make such withholding of funds appropriate fiscal policy. The act classifies postponement of expenditures into "rescissions" and "deferrals" and provides rules for the Executive Branch in obtaining approval for postponement or curtailment of outlays from the Congress.

Zero-Base Budgeting. Zero-base budgeting (ZBB) was first introduced in the Federal Government in the preparation of the 1979 Budget. ZBB is a systematic process in which management undertakes the careful examination of the basis for allocating resources in conjunction with the formulation of budget requests and program planning. The principal goals of ZBB are to:

- Examine the need for, as well as the accomplishments and effectiveness of, existing programs as if they were being proposed for the first time;
- Allow proposed new programs to compete for resources on a more equal footing with existing programs;
- Focus the budget justification on the evaluation of the discrete elements (programs or activities) of each decision unit; and
- Secure extensive managerial involvement at all levels in the budget process.

To accomplish this, ZBB requires agencies to:

- Establish, for all managerial levels in the agency, objectives, quantified to the extent possible, against which accomplishments can be identified and measured;
- Identify and assess alternative methods of accomplishing internal objectives;

- Analyze the probable effects of different resource allocations and performance levels on the achievement of objectives;
- Decide upon the relative importance of each program of activity level; and
- Provide a credible rationale for reallocating resources within the agency, especially from existing activities to new activities.

To accomplish these objectives, zero-base budgeting requires decisionmakers to use "decision packages" as the major tool for budgetary review and analysis and to rank program or activity levels in order of priority. The value of ZBB is in the systematic evaluation of the total budget request and all program objectives.

3. Progress in Auditing

Over the years, audit techniques have become more and more sophisticated and, in recent years, there has been a trend toward closer cooperation and coordination among audit organizations in Federal Government as well as those among Federal, State, and local governments.

Change in GAO's Audit Approach. Early improvement efforts also extended to GAO auditing operations. In 1948, GAO performed "desk audits" in Washington, D.C. and other geographic centers where financial documents were sent in by all operating agencies. A tremendous amount of paperwork was required--both in the agencies, where the documents were administratively examined and shipped to GAO, and copies were retained for internal agency use; and in GAO where the documents were once again examined to determine the legality of the transactions.

The Budget and Accounting Procedures Act of 1950 changed the auditing procedures by authorizing the GAO to perform audits of Federal agencies at the site of operations. Comprehensive site audits allowed GAO to concentrate on the effectiveness of management control systems in an agency and only examine supporting documents to the degree necessary in each case. The amount of detailed examination by GAO auditors is based on the adequacy of internal audit and other management control practices in the individual agency, and on the nature and significance of the deficiencies encountered. These accounting and financial control deficiencies in the system are reported to the Congress and agency officials, along with recommendations for improvements in those areas.

Program Auditing. The demand for information about government programs by public officials, legislators, and the general public has increased significantly. This demand for information on how funds are handled as well as whether programs are being conducted efficiently and effectively has widened the scope of governmental auditing. Auditing is no longer a function concerned primarily with financial operations, but it includes the examination and review of governmental programs to see whether they are operating efficiently and effectively and achieving its missions. Standards for performing this type of auditing were developed by the GAO in 1972.

Use of Models in Auditing. The GAO has also used models in its review of agency programs and systems. Models are simplified representations of the inter-relationships among elements of some portion or aspect of reality. ^{1/} Modeling has been applied by GAO in problem solving and decisionmaking in many major areas.

Modernization of Auditing Government-wide. The use of statistical sampling techniques in voucher examination operations was first introduced during fiscal year 1963 in the Departments of Agriculture; and Health, Education and Welfare. The passage of Public Law 88-521 in 1964 permitted the use of statistical sampling procedures in the examination of vouchers. Since that time, many agencies have incorporated the use of statistical sampling techniques in its auditing operations.

The use of the computer has been introduced in the area of auditing, so that auditors can now audit "through the computer", and check whether the internal controls of automated systems are adequate. Software packages and test decks are used to make sure that these controls are reliable.

Central Agencies' Efforts to Improve Intergovernmental Cooperation in Auditing. The Intergovernmental Cooperation Act of 1968 established the cooperative intergovernmental framework under which administrative procedures, including accounting and auditing, were simplified and streamlined for Federal assistance programs administered by State and

^{1/}Models and Their Role in GAO, October 1978, PAD-78-84, p.1.

local governments. This act also provided that the Comptroller General of the United States and head of the Federal agency responsible for administration of the Federal assistance programs were allowed access to books, documents, papers and other pertinent records for the purpose of auditing federally assisted programs.

The Office of Management and Budget attempted to improve auditing through issuance of guidelines; e.g., Circular A-73, "Audit of Federal Operations and Program by Executive Branch Agencies," and Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments." Circular A-73, first issued in 1965, encouraged intergovernmental audit coordination and the sharing of audit findings. The circular most recently amended in 1978 required Federal agencies to coordinate their audit plans and schedules with each other and State and local governments. The revisions in the circular also provided that Federal agencies rely on the work of non-Federal auditors for the audits of federally assisted programs in lieu of Federal audits, if the audit effort meet Federal audit standards and other requirements of the agency. Circular A-102 provides uniform requirements to be followed by Federal agencies in awarding grants and contracts to State and local governments. It also required grantees to provide for financial and compliance audits at least once every two years.

The General Accounting Office has published a single audit guide for auditing federally assisted programs. This guide, if used, would replace almost 100 guides that were in use in various Federal programs. The new approach in this guide would call for a total audit of an organization with appropriate sampling of individual grants to determine overall reliability of financial operations. OMB has recently proposed a new attachment to Circular A-102, prescribing the implementation of a "single audit concept" and the use of GAO audit guide.

Intergovernmental Audit Forums. Another major initiative to improve intergovernmental auditing was the establishment of the intergovernmental audit forums in the early 1970's. The audit forums provide a means for exchanging views and solving common problems, promoting the acceptance and implementation of governmental audit standards and coordinating audits, and promoting understanding and communication that will result in cooperative audit work and mutual reliance on audits performed by others.

The National Intergovernmental Audit Forum consist of 19 Federal audit executives from GAO, OMB and major grant-making agencies, and the heads of 20 State and local government audit organizations. Today, there are 10 regional audit forums that have members that include heads of virtually every Federal and State government audit organizations and many local audit groups. Although GAO provides some administrative support of the forums and designates staff members in each of the regions to serve as points of contact; the forums are independent of GAO and of one another.

Some of the accomplishments of the forums are described below:

- The audit forums adopted two position statements that recommended standard opinion language for grant costs and CPA qualifying experience for government accountants.
- The Western Forum prepared and issued a booklet, "The Computer as an Audit Tool," concerning specific applications for using the computer in auditing.
- The Western Forum developed procedures designed to enhance auditing coordination and cooperation among Federal, State, and local audit agencies.
- The New England Forum developed guidelines for economy and efficiency audits of federally assisted programs in cooperation with GAO.
- The National Forum established an ad hoc Committee on independence to study the independence of government auditors. As a result of their interest, the American Institute of Certified Public Accountants reissued its policy statement on the independence of governmental auditors.
- The forums also have assisted Federal agencies in the preparation of audit guides, and the JFMIP in the study of the audit of federally assisted programs.

Federal Audit Executive Council. The Federal Audit Executive Council is an association of the heads of Federal Government audit organizations. The council was established in the late 1960's to consider significant matters impacting on Federal audit policy and to develop solutions on mutual or unique Federal auditing practices and problems. Through the Council the Federal audit community can express a consensus viewpoint on position statements on particular issues or guidelines related to Federal auditing practices.

The Council will be shortly issuing position statements on the categories of training considered necessary to develop and maintain effective auditing skills and on the single audit approach. The single audit approach would provide for a single financial and compliance audit of a recipient conducted on an organization-wide basis. The audit would determine if recipients were complying with grant requirements and if financial operations were properly conducted. With this approach, the responsibility for reviewing the adequacy of the financial and compliance audit would be under one single Federal lead agency. The results from this audit can be disseminated to other Federal agencies and grantees for appropriate action. Thus, the duplication and overlap of auditing federally assisted programs can be eliminated.

Creation of the Offices of Inspector General. The Offices of Inspector General were initially established in the Department of Health, Education and Welfare and Department of Energy. In 1978, the Inspector General Act provided for the creation of the Office of Inspector General in 12 other major Government organizations. The Offices of Inspector General were established to conduct investigations and audits related to their programs and operations; to provide leadership and coordination for activities designed to promote economy, efficiency, and effectiveness in the administration of these programs; and to prevent and detect fraud and abuse within the agency. These independent and objective units will report to the head of their agencies and to the Congress any problems and deficiencies related to the administration of programs and operations, and the necessity for corrective action.

CHAPTER III

CURRENT INITIATIVES TO IMPROVE GOVERNMENT-WIDE FINANCIAL MANAGEMENT

During the past year, the Joint Financial Management Improvement Program staff and the central agencies--the Office of Management and Budget, the Department of the Treasury, the Office of Personnel Management, and the General Accounting Office--have undertaken many activities to improve financial management. This section highlights some of their initiatives.

A. JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM STAFF

The staff carries out a variety of activities to improve financial management practices and policies throughout the Federal Government. This includes: coordinating financial activities of the central agencies; reviewing the financial management improvement efforts of the operating agencies; sponsoring or conducting studies on financial management topics of general interest; publishing a quarterly news bulletin and various other documents to disseminate information on financial management practices; sponsoring conferences, workshops and seminars. A list of publications can be found in Appendix B.

A number of projects are carried out through inter-agency project teams organized by the JFMIP. Such teams may include staff members from operating agencies as well as the central agencies. Some financial management problems may be dealt with by referral to a source of expertise, some by assignment to one of the central agencies, and some by informal consultation. Some of the activities undertaken and initiated by JFMIP in 1978 are described in the following sections.

1. Audit Improvement Project

An interagency project team completed its study on the auditing of federally assisted programs for the JFMIP. The study, initiated in January 1977, was aimed at improving audit performance and coverage through the cooperative efforts of Federal, State and local government officials. A draft report was circulated in August 1978 for review and comment and a final project team report to the JFMIP was released in March 1979.

The study team, with representatives from six Federal agencies and three State governments, received assistance from the National Intergovernmental Audit Forum and a number of regional audit forums whose membership includes Federal, State and local audit officials. The team members are listed in Appendix C.



Team members from left to right are J. Sheehan, D. Knowles, C. Alexander, S. McGeorge, G. Lawson, and B. Broadus.

The study report pointed out that some substantial improvements in the audit of federally assisted programs have been made in recent years. These improvements can be attributed mainly to the issuance of policy circulars by the Office of Management and Budget; the work of the intergovernmental audit forums; and individual efforts by Federal, State and local audit organizations. Nevertheless, problems associated with the audit of federally assisted programs continue to exist, because of the present piecemeal practice of auditing each separate program by Federal agencies and different levels of government. This study corroborates the findings of previous studies made by other organizations that there are considerable duplication and overlap of efforts in auditing of federally assisted programs; substantial gaps in audit coverages; and limited coordination of audits among various levels of governmental auditors and public accountants hired by the recipients of grants.

Recognizing that existing problems cannot be resolved overnight, the study recommended the adoption of a single audit approach to auditing recipients of federally assisted programs. A single audit approach refers to audits that

are conducted by one audit organization to determine whether financial operations had been properly conducted and whether the recipient had complied with grant requirements. These audits are conducted on an organizational basis, (usually by State or local governments or public accountants hired by them) and not grant by grant. Under this overall approach, a Federal cognizant agency would be designated for each recipient of Federal assistance programs and would be responsible for reviewing the adequacy of the financial and compliance audits. The results of the review will be passed on to other Federal agencies and recipients for appropriate action.

2. Other Projects Initiated in 1978

JFMIP is currently working on a variety of projects that were initiated in 1978. One project that is near completion is the development of a checklist for new agencies designing and implementing financial management systems. The checklist is designed to provide a "reminder" to new or reorganized Federal agencies in developing their basic financial management systems.

JFMIP has been working with the Interagency Committee on ADP in the review of how Federal computer installations charge for their services. The Interagency Committee on ADP will be publishing a report on the use and development of chargeback systems in the Federal Government.

A study on the role and responsibilities of certifying and disbursing officers was also initiated in 1978. The primary objectives of this project will be to seek ways to modernize the administrative procedures used by certifying officers in fulfilling their legally mandated responsibility, and to develop meaningful, equitable and cost-effective methods and standards of accountability. A review of disbursing and accounting operations within various agencies and the role of the certifying and disbursing officers will be conducted in 1979.

Another current undertaking is updating the 1974 JFMIP publication, "Financial Management Functions in the Federal Government." This reference document will include the responsibilities and functions of the major financial agencies, especially the recent changes made with the reorganizations in the Office of Management and Budget, and the Office of Personnel Management.

The JFMIP is working on a project to clarify the objectives of Federal financial statements. A statement of objectives will provide a conceptual framework considered

essential to assure coherence and consistency of accounting standards. Because of the importance and the need for such a framework, the JFMIP has drafted a document that defines the objectives of financial statements issued by the Federal Government. The draft paper will be released to agencies for review and comments in the spring of 1979.



Speakers at
Seventh Annual
Financial
Management
Conference

Workshop on
Zero-Based
Budgeting



3. Annual Financial Management Conference

In order to enhance the spirit of cooperation and to share new ideas and developments within the public sector, the JFMIP sponsors a Financial Management Conference each year. The theme of the Seventh Annual Conference held in Washington, D.C. on February 6, 1978 was the "Impact of New Initiatives on Financial Management." Three prominent speakers challenged the financial management community to excel in endeavors during the morning session.

Elsa Porter, Assistant Secretary for Administration at the Department of Commerce, explained some of the efforts she has initiated to improve financial management systems and procedures within her organization. She emphasized the

need for reinforcing basic human values as part of financial management improvements efforts. She stated that the basic operating principles that underlie these efforts are trust, interdependence, and human development.

Comer Coppie, Special Assistant to the Mayor and Director of the Office of Budget and Management Systems for the District of Columbia, highlighted the recent history of financial improvement and development in the District of Columbia. He pointed out that a comprehensive program of financial management reform and improvement should be well defined and the information needs of specific users of the system should also be precisely defined. With a good financial management system, the Government's credibility can be enhanced.

J.P. Bolduc, Director for Public Administration Services, Booz, Allen & Hamilton, Inc., addressed the need for financial managers to become more aware of the environment in which they and their agencies operate, to be realistic in their goal setting, and to develop a participatory spirit of cooperation and understanding among financial and program managers within the Federal Government.

During the luncheon session, Dr. Alan K. Campbell, Chairman, Civil Service Commission, presented the Financial Management Improvement Awards to:

- Rear Admiral James R. Ahern, Deputy Comptroller of the Navy for his excellent leadership of the Navy's financial management program with a work force of nearly 5,000 persons and annual operating budget of \$100 million.
- Mr. Lloyd F. Hara, Auditor of King County, Washington, for making significant improvements in the County's audit program and financial management with potential impact of his innovations to other local governments throughout the country.

Topics covered in the afternoon workshops were: "Crisis in the Public Pension Systems," chaired by Edwin C. Hustead, Chief Actuary for the Civil Service Commission; "Zero-Base Budgeting: An Evaluation," led by David A. Winfield of the Office of Management and Budget; "The Effects of Federally Assisted Programs on State and Local Governments," led by Susumu Uyeda of the Office of Management and Budget; and "The Relationship of the Accounting Profession to the Federal Government," chaired by Roscoe L. Egger, Jr., Price Waterhouse & Company.

4. JFMIP Workshops

Cash Management Workshops

The JFMIP has been promoting the concepts of good cash management practices for quite some time. In 1964, the letter of credit for making advance payments to grantees and contractors was first introduced as a result of a JFMIP study. This method reduces the interest cost to the Government by keeping the funds in Treasury until they are actually needed by the recipients.

Another JFMIP study on money management highlighted the need for cash management improvements in the Federal sector. It concluded that substantial savings can be realized if operating agencies establish effective cash management procedures, such as those outlined in the Money Management Study pamphlet issued in January 1976.

In 1977, the JFMIP began sponsoring workshops on cash management--one on loan accounting systems and another on letters of credit. During the past year, more emphasis has been placed on cash management since Presidential concern has triggered a study on cash management practices within the Federal Government by one of the President's Reorganization Projects led by the Office of Management and Budget and the Department of the Treasury. Recognizing that improvements in the use of sound cash management practices is still desirable, the JFMIP continued to sponsor related workshops on cash management during 1978.



Panel discussion
at Cash Management
Workshop

A cash management workshop, held on October 18, 1978 in Washington, D.C., was attended by 250 people. This workshop emphasized the specific objectives of effective

cash management, which are: (1) to accelerate receipts, (2) to properly time disbursements, and (3) to invest any surplus cash balances.

The speakers at this workshop covered a wide range of topics. One speaker discussed the approach that the President's Reorganization Project Task Force on Cash Management took in studying cash management practices within various Federal agencies. Treasury representatives explained how the cash management regulations concerning deposits, disbursement, and foreign currency operations should be implemented. Representatives from the General Accounting Office, the Office of Federal Procurement Policy and the Defense Department summarized their experiences in initiating cash management improvements. The speakers also covered specific methods to improve cash management, including the following subject matter:

- Letter of credit for making advance payments, using various techniques, such as delayed drawdowns and checks paid to augment this method,
- Electronic funds transfers for making Government deposits and timely disbursements,
- Lock boxes and decentralized concentration banks to reduce the time it takes to deposit collections made by agencies, and
- Timely payment of goods and services to take full advantage of any discount offered.

In addition, JFMIP sponsored letter-of-credit workshops in Boston and Atlanta during the past year, as a result of the interest expressed by agency officials to have this training extended to the people in their regional offices. These workshops were geared to program officials who had some background knowledge of letter-of-credit systems. Presentations at these workshops included:

- Evolution of the letter-of-credit system,
- Monitoring responsibilities of program agencies,
- Single letter-of-credit concept,
- Form preparation for letters of credit, and
- The use of electronic funds transfers for letter-of-credit payments.

Workshops in other Federal Regional Council cities will be scheduled in 1979.

Workshops on Cost Principles for Grants and Contracts.

At the request of the Commonwealth of Virginia, JFMIP sponsored a series of 2-day workshops in Richmond, on cost principles for grants and contracts with State and local governments. These workshops highlighted the principles and standards for determining costs applicable to grants and contracts found in Federal Management Circular (FMC) 74-4. During these training sessions, over 150 attendees learned about:

- Allowable and Unallowable Costs,
- Indirect Costs,
- Cost Allocation Plans, and
- Audit and Negotiation of Indirect Costs.

In addition, JFMIP will be sponsoring workshops on OMB Circular A-102 on uniform administrative requirements for grants to State and local governments in 1979.

Workshop on Intergovernmental Relations.

JFMIP sponsored a workshop for the Metropolitan Washington Council of Governments and other local government officials in the Washington metropolitan area. The purpose of the workshop was to present to the local officials new developments in the Federal Government concerning Federal assistance programs. Subjects that were discussed include:

- The Role of the Joint Financial Management Improvement Program,
- Local Government Financial Management Capacity Sharing Program,
- GAO's Current Interest in Intergovernmental Matters,
- New Initiatives in the OMB's Financial Management Branch,
- Status Report on OMB Study on Federal Assistance Program, and
- Status Report on OMB Study on Federal Assistance Information Center.

The speakers from these workshops are listed in Appendix D.

5. Agency Meetings

During the past year, JFMIP has met with top financial management personnel from major departments and agencies to learn about agency concerns, problems and initiatives in financial management. These visitations enable JFMIP to bring together agencies that are working or have worked on

similar projects for the purpose of sharing and exchanging experiences and knowledge. Through this cross-fertilization effort, we hope to minimize systems developmental costs and to elevate the quality of the financial management systems. Meetings were held with the following organizations:

Action
Agency for International Development
Air Force, Department of the
Army, Department of the
Commerce Department
Commodity Futures Trading Commission
Community Services Administration
Defense, Department of
Environmental Protection Agency
Government Printing Office
Health, Education and Welfare, Department of
Housing and Urban Development, Department of
International Communications Agency
Justice, Department of
National Aeronautics and Space Administration
National Science Foundation
Overseas Private Investment Corporation
State, Department of
Veterans Administration

In addition, JFMIP staff members were invited to attend several agency financial management conferences to explain the role and missions of JFMIP and/or to participate in agency discussions of financial management problems and their resolutions (Commerce, HUD, and DOD).

Some of the financial management improvements discussed at these meetings are highlighted in later chapters of this report.

B. GENERAL ACCOUNTING OFFICE

1. Approval of Accounting Systems

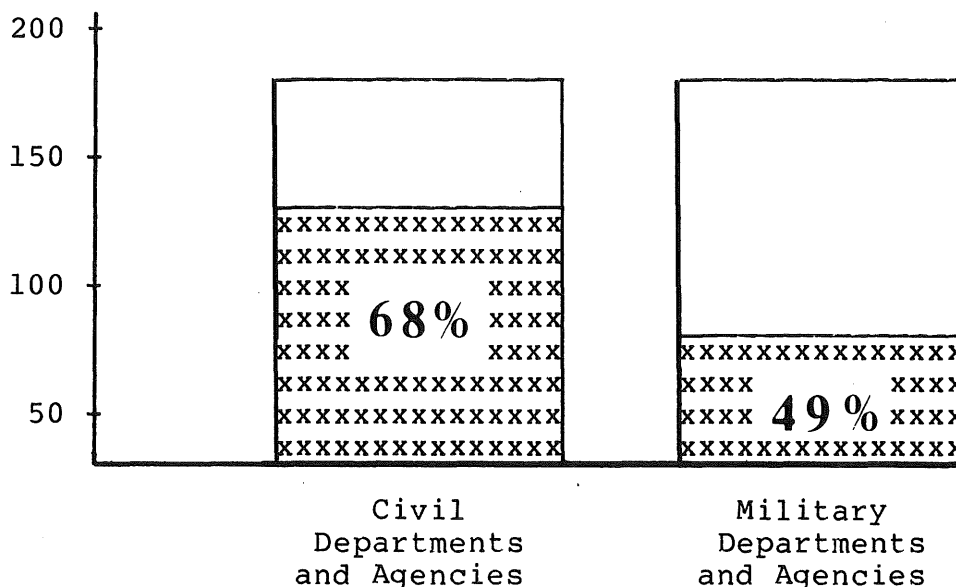
The General Accounting Office has the responsibility for evaluating and approving executive agencies' accounting systems. Requests by the agencies for approval of their accounting systems must be submitted in two stages:

- (1) Principles and standards underlying the accounting system, and
- (2) Systems design.

During the past fiscal year, GAO approved six sets of agency principles and standards and seven agency systems designs. As of September 30, 1978, GAO reported that principles and standards had been approved for 99 percent of the 326 accounting systems subject to approval. Designs had been approved for 60 percent of the systems.

Accounting System Designs Approved
As of September 30, 1978

Number of
Systems



Legend

Unapproved

Approved

2. Review of Financial Management in Government

The General Accounting Office is responsible for auditing Federal programs and activities to evaluate the legality, efficiency, economy, and effectiveness with which Federal agencies carry out their financial management and program responsibilities. During the past year, the GAO completed many studies related to financial management that resulted in savings, improvements in Government operations, and increased effectiveness of Government programs and activities. Some examples of Government-wide reviews are highlighted below.

Bill Payments Made by the Government. In response to numerous complaints by commercial firms that Federal agencies are slow in paying their bills, GAO sampled and analyzed 3,263 contractor invoices totaling \$34.1 million, and responses from 950 contractors. The study showed that the Government paid most of its bills within 30 days, but there was a lack of a Federal standard establishing when payment is considered due. Government procurement regulations and the standard contract payment clauses did not specify due dates. As a result, many agencies were paying their bills prematurely. The study concluded that changes are needed in Federal procurement policy as to due dates and in agency payment procedures to delay payments until they are due.

Cash Management in the Federal Government. A review by GAO of Federal cash management practices showed that agencies needed to more closely adhere to the guidelines issued by the Treasury Department to improve cash management. These guidelines require Government agencies to collect and deposit amounts owed to the Government promptly, to establish procedures preventing premature disbursement of Government funds, and to ensure that recipients minimize cash balances of Federal funds. Although specific ideas were recommended to individual agencies in a series of cash management reports, many of these recommendations had wider application throughout the Government.

Accounting for Billing, Accounts Receivable, and Collections. GAO completed a study on accounts receivable that identified similar problems in many agencies for controlling and collecting amounts owed the Government. To improve the debt collection process in the Federal Government, GAO recommended that agencies follow several commercial practices when collecting their debts.

Review of Financial Audits. A review of the financial audits performed in the Federal Government disclosed that many Federal agencies have not performed financial audits on their accounts and records. The lack of internal financial audits can be partly attributable to the increased emphasis placed on external auditing of grants and contracts by the agencies. Nevertheless, GAO maintained that agencies are still responsible for their assets, liabilities, income and expenses and should perform periodic audits on these accounts.

Review on Audit Followup. A GAO report revealed that Federal agencies have not been following up on audit findings, and that Federal agencies had as much as \$4.3 billion

in backlog in unresolved audit findings. The lack of followup on these audit findings may be costing the Government millions of dollars annually. Agencies should make significant procedural changes to consider and resolve audit findings promptly. Audit should be viewed as a basic management tool for preventing unauthorized expenditures and to insure that the funds are properly spent. A summary on what the Office of Management and Budget has done in response to this report is explained in the next section.

For further information on these GAO studies, see the 1978 Annual Report of the Comptroller General of the United States.

3. Study on Accounting for ADP Costs

GAO completed a government-wide study on cost accounting and cost control for automatic data processing (ADP) activities and systems in 1978. The study report, Accounting for Automatic Data Processing Costs Needs Improvement was released in February 1978 and concluded that Federal agencies did not adequately account for their ADP costs. The report contained several recommendations to agencies on how to remedy this situation.

GAO also issued guidelines for the improvement of management control of Federal ADP resources in Federal Government Pamphlet Number 4, Illustrative Accounting Procedures for Federal Agencies. The document discusses how to identify ADP activities and significant cost elements, what equipment and software costs should be capitalized, how to account for depreciation, and how to report and bill computer services costs to users. GAO expects that a gradual implementation of these guidelines will take place whenever any accounting system is redesigned. The implementation of these guidelines should provide more reliable and accurate cost information about these specialized resources and aid managers in the control and use of ADP services.

4. Improvements in Program and Budget Information for Congressional Use

The General Accounting Office is responsible for developing standard terms and classifications for Federal fiscal, budgetary, and program-related information in cooperation with the Department of Treasury and Office of Management and Budget; identifying congressional needs for

such information; monitoring recurring reporting requirements of the Congress; and making recommendations for changes in the reporting requirements.

GAO's analysis of budget concepts and practices over the past year have covered a wide range of questions in several reports to congressional committees, including studies of unexpended balances of budget authority, entitlement programs, no-year appropriations, full funding, advances from foreign military sales trust fund, and budgetary treatment of unobligated balances.

The information developed in analyses of budget concepts and practices relates to GAO's parallel work in developing standard program and budget descriptions and classifications for use by Federal agencies in reporting fiscal, budgetary, and program-related information. GAO continued development of its inventory of Federal programs and activities with associated legislative authorization and budget information. The Congress will need this inventory to conduct an effective oversight process. It will also serve as a basis for creating close ties between agency budget and accounting systems.

GAO also pursued efforts to achieve implementation of previous proposals concerning a revised structure of budget function categories and assisted in developing standard data codes for Federal agencies and bureaus.

Work also was undertaken for the House and Senate Committees on Appropriations in identifying needs for information concerning programs in appropriation and fund accounts and in working with agency officials to implement reporting changes to meet those needs. Over the past year this has focused primarily on developing improvements in the budget-related information submitted to the Committees by the Veteran Administration.

C. OFFICE OF MANAGEMENT AND BUDGET

1. Zero-Base Budgeting

After the 1979 Budget was prepared for the first time using the ZBB process, OMB made an assessment of the process. It found that the departments and agencies "got off to a good start" in putting the process to work within the short leadtime that was available. The OMB assessment specifically noted that:

- Agency budget priorities were explicitly identified and stated;
- Agencies were better able to restrain the size of their budget requests;
- Management participation in the budget process increased at all levels, resulting in a better understanding of the relationship of separate program plans and policy initiatives within the agency.

With the issuance of OMB Circular A-115 in May 1978, ZBB was thoroughly institutionalized as part of the Executive budget process. The new Circular superseded former OMB guidelines to agencies on ZBB and contained a number of changes to improve the process in preparing the 1980 and subsequent budgets.

Agencies are now making more extensive use of in-depth zero-base budget reviews and becoming more sophisticated in their preparation and review of zero-base budgeting materials. OMB believes the Government's decisionmaking processes are becoming more orderly and rational, and the use of public resources more efficient.

Moreover, two significant innovations were developed in OMB's central review techniques as a result of the 1980 budget process. The ZBB process permitted two kinds of crosscutting reviews that resulted in a more integrated, systematic examination of programs administered by two or more agencies that had similar or related objectives. Zero-base packages for such programs from a number of agencies were combined, reviewed and ranked in priority order. Government-wide decisions were then made on the basis of those rankings.

Similarly, zero-base packages ranked by agencies at the margin of their budget totals were re-ranked by OMB on a Government-wide basis. This provided a more systematic basis for balanced, even-handed decisions to insure that agencies were being treated equitably on "border-line" programs and packages.

2. Multi-Year Budget Planning

The 1980 Budget is the first prepared using the multi-year (three-year) budget planning system. Since 1970 the Federal budget has shown the longer-range implications of the Administration's budget-year policies by presenting five-year projections of Federal outlays and receipts. However, explicit plans were rarely made for the years

beyond the budget year. As a result, the budget was difficult to control, and changes in the allocation of resources to meet emerging priorities were difficult to make. The amount of discretion available to the administration and the Congress is extremely limited.

To help remedy this problem, agencies were directed for the 1980 budget to prepare budget requests within the context of a planning period that extends two years beyond the budget year. This innovation should have several important effects:

- It expands the Government's planning horizon to two years beyond the budget year and thereby integrates long-range planning into the Executive budget cycle;
- It helps to insure that the long-term consequences of programmatic changes and proposals are identified and taken into consideration throughout the decisionmaking process;
- It provides a more useful and meaningful structure for review and analysis of spending and tax policy choices;
- It enables Federal program managers to plan for the future on the basis of more realistic appraisals of future resources than they had in the past; and
- It gives the Congress and the public a more complete statement of the administration's budgetary and legislative program.

All significant program and tax policy proposals prepared for budgetary consideration now include an analysis of their fiscal implications for two years beyond the budget year.

3. The President's Federal Cash Management Project

During the past year, the President's Reorganization Project concluded its study on Federal cash management. Under the leadership of OMB and Treasury, 17 departments and agencies have undertaken 87 improvements in cash management and the benefits to the Federal Government will exceed \$400 million in the first year alone. Additionally, the 1980 budget estimate contains further initiatives that will provide even greater benefit when implemented.

These cash management improvements center around three principal ways to manage the Government's money better. First, a number of steps have been taken to manage Federal receipts more efficiently. Government agencies are taking greater care to send out bills in a more timely manner; to

ensure that the Government collects money as frequently as it should; to streamline processes for depositing money once it is received; and to use sophisticated receipts systems such as electronic funds transfer. Second, the Government is doing a better job in making sure that it pays its obligations on time--but not before or after. In this area, greater use of letters of credit and better controlled bill paying practices have been instituted. Third, there has been a greater emphasis put on decreasing the levels of idle cash the Government maintains, making sure available cash is put to good use.

Most of these improvements were identified and implemented by teams composed of Reorganization Project and agency financial experts that studied the major cash flows of selected departments and agencies. The ongoing work of the GAO and Treasury provided many good ideas. Finally, Treasury, through its revisions to the Treasury Fiscal Requirements Manual codified comprehensive cash management standards for the entire Government.

The JFMIP contributed much to this effort through its education and training programs, its support of the concept, and its reservoir of research and expertise that remained from an earlier money management study.

The results and recommendations of the project study will be summarized in a report that will be released in 1979.

4. Government-Wide Update of Fund Control Regulations

The Office of Management and Budget has been reviewing and approving agency fund control regulations to insure that the Federal agencies have adequate financial controls over its funds. OMB initiated this effort in the summer of 1977 and required major Federal agencies to review, update and submit their administrative fund control systems for OMB approval. The Antideficiency Act, among other things, requires each agency to have an OMB approved administrative control system that prevents overobligations and over-expenditures. The control system must also enable the agency to fix personal responsibility for violations of the act.

With the assistance of GAO, OMB issued informal guidelines for the agencies on implementing acceptable administrative control of funds regulations. In addition,

OMB staff members have assisted agencies in their efforts, which resulted in an increased awareness throughout the Executive Branch of the importance of proper fund control.

As of December 1978, 28 of the 30 major agencies involved had submitted revised regulation for OMB approval. OMB, in working with GAO, has approved 17 of these regulations. OMB expects to approve the remaining regulations in 1979. The result should be a significant improvement in the way the Government controls the obligations and expenditures of Federal funds. This review is a good example of how OMB and GAO can work effectively together to improve financial management in the Federal Government. For further information, contact David Gribble: 395-4706.

5. Review of Grant Closeout Procedures

In an effort to improve cash management in the Federal Government, OMB requested that Federal agencies review their grant closeout procedures. OMB had received indications that many grantees have accumulated significant amounts of excess cash that should have been returned to the Treasury. Currently, most State and local governments and other grantees receive cash advances for their day-to-day operating needs from Federal agencies. OMB Circulars A-102 and A-110 specifically require that funds held outside the Treasury awaiting closeout of a grant be recovered immediately from the grantee. When the normal closeout procedures cannot be effected on a timely basis, the recovery of Federal funds should precede closeout. All Federal agencies were requested to submit reports on the results of these reviews by the end of 1978. OMB expects agencies to make a vigorous effort to recoup excess funds in the hands of grantees. Also OMB plans to follow up with agencies to insure that closeout procedures and practices are effective and in compliance with OMB policy. For further information, contact Marvin Saunders: 395-3993.

6. Audit Followup

In response to a GAO study on agency actions on audit findings, OMB requested all Federal agencies to launch an immediate review of their audit followup systems and to initiate corrective actions where necessary. Each agency was required to submit a status report on the agency audit followup system, audit resolution system, an update on the unresolved findings, and an explanation of the changes the agency plans to make to the existing system.

OMB has stressed that audit followup is a general management problem, and not exclusively an audit problem. Therefore, OMB has requested that top program officials join the audit staffs in resolving this problem.

OMB plans to work with the agencies to assure that individual systems are consistent with the provisions of OMB Circular A-73, "Audit of Federal Operations and Programs," and that the backlog of unresolved audit findings is promptly and properly settled. For further information, contact Jack Sheehan: 395-3993.

D. DEPARTMENT OF THE TREASURY

1. Cash Management

The Treasury Department reported significant improvements in the area of cash management. The success of the projects initiated in Fiscal Year 1978 went a long way toward achieving the stated objectives of Federal cash management, which are:

- Acceleration of receipts,
- Appropriate timing of disbursements, and
- Investment of any surplus cash balances.

Some of the projects instrumental in the achievement of these objectives are discussed in the following paragraphs.

Letters of Credit. Electronic funds transfer (EFT) application for making advance payments through the Treasury Financial Communications Systems is being tested to decrease outstanding cash balances related to letter-of-credit advances by establishing a guaranteed time for payment. This application will provide for electronic transmission of incoming payment request, a pre-audit of the payment request by the Federal agency, and fund transfer within a specified guaranteed payment time. The primary advantage of the use of this system is that it will simplify the agencies' monitoring responsibilities and facilitate their accounting and reporting functions. Implementation is scheduled during the second quarter of FY 1979.

Treasury Department Circular No. 1075, "Regulations Governing Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs," was revised to formally establish the Letter of Credit-Regional Disbursing Office System. In addition revised regulations on letters

of credit were issued in the Treasury Fiscal Requirements Manual, (Volume 1, Part 6, Chapter 2000). These regulations more specifically delineate the responsibilities of Federal agencies that make advance payments. Agencies are now responsible for developing instructions covering advance financing procedures for use internally and by the recipient organizations; ensuring that Federal funds are promptly refunded by the recipient organizations when funds are erroneously drawn in excess of immediate disbursement needs; and, furnishing to Treasury, upon request, a Daily Status of Federal Funds Report on a selective basis. The revised regulations have made more control possible over an annual outlay in excess of \$88 million. For further information, contact Paul Gist: 566-5125.

Treasury Financial Communications System. The Treasury Financial Communications System (TFCS) was established as part of an overall effort to improve cash management and financial reporting within the Federal Government. The system provides a computer interface with the Federal Reserve Communications System, allowing Treasury electronic access to Federal Reserve Banks and a nationwide banking network.

By utilizing this interconnected banking network, the Government can receive payments originating from nearly any commercial bank within a matter of minutes via electronic transfers. Checks, therefore, are not used and time traditionally required to process and collect on checks are completely eliminated. The Government, under TFCS, receives usable funds on the actual date of payment. Moreover, TFCS gives the Government absolute disbursement control through its ability to initiate and complete payments on actual due dates.

Since its inception in September 1976, several agencies have recognized the cash management benefits from TFCS and have converted some of their programs to it. During FY 1978, 17 receipt applications (including investment income by the Department of Health, Education and Welfare and the Department of the Interior; sales by the Department of Energy, the General Service Administration and the Tennessee Valley Authority) with an annual projected volume of \$34.2 billion were added to the system. These collections equate to approximately \$25 million in yearly interest savings to the Government. In FY 1978 a total of \$33 billion in receipts moved over the system representing a 22 percent increase over FY 1977. To make timely payments,

eight applications with an annual projected volume of \$16.8 billion were added during the past fiscal year. For further information, contact Michael Backert: 566-2379.

Treasury Tax and Loan Investment Program. Public Law 95-147, October 1977, authorized the Secretary of the Treasury to invest Treasury's operating cash in obligations of banks maintaining Treasury tax and loan accounts, and obligations of the United States and of agencies of the United States. This enables the Treasury to earn a direct return on its temporarily excess operating cash. The law also allowed eligible savings and loan associations and credit unions to participate in the tax and loan investment program.

Under Treasury Tax and Loan Investment Program, the Treasury will pay financial institutions for services they render in connection with accepting Federal tax deposits, maintaining the tax and loan accounts, issuing and redeeming United States Savings Bonds. The fiscal activities to carry out the Program will be performed by Federal Reserve Banks.

During Fiscal Year 1978 significant achievements included: the publication of revised regulations in the Federal Register; the issuance of procedural instructions in the Treasury Fiscal Requirements Manual (Treasury Bulletin No. 78-3) to depository financial institutions; the furnishing of procedural instructions to Federal Reserve Banks concerning their fiscal responsibilities under the Program; and the design and implementation of automated systems at Federal Reserve Banks to carry out the fiscal activities required by this Program. The Program was implemented nationwide on November 2, 1978. For further information, contact Joseph Capuano: 566-5125.

Direct Deposit-Electronic Funds Transfer System. When authorized by recipients, Federal recurring payments are transmitted directly to financial organizations by utilizing the Direct Deposit-Electronic Funds Transfer (EFT) System. The Direct Deposit of Federal Recurring payments is a voluntary program that allows the Government to transmit benefit payments for credit to the account of recipients of Federal recurring payments. The EFT system is a method of distributing payments by the exchange of data in the form of electronic media to the financial organization through the Federal Reserve System. This system first implemented in December 1976 initially made payments for Social Security recipients. The Direct Deposit-EFT System has been expanded to virtually all

classes of Federal recurring payments, including Social Security Supplemental Security Income, Railroad Retirement, Veterans Administration compensation and pension, and Civil Service Retirement. The EFT system now includes revenue sharing payments which are made quarterly. The number of payments has increased from a volume of 65.8 million payments made during FY 1977 to 86.1 million payments in FY 1978. As of October 1978 8.5 million beneficiaries have elected to participate in the Direct Deposit-EFT System and approximately 161.2 million payments have been made since the implementation of the system. For further information, contact Lester Plumly: 566-2525.

Cash Management Regulations. The Treasury Department issued guidelines on cash management, in the Treasury Fiscal Requirements Manual (Volume I, Part 6, Chapter 8000) to all Government entities whose financial transactions affect the cash account of the Treasury.

To assure effective management of the Government's cash, the procedures prescribed must be observed by Government organizations when they are developing regulations, systems, procedures and conducting their financial activities, namely billings, collections, deposits, disbursements, advance funding operations and cash held outside the Treasury.

Some of the provisions as to how agencies can improve their cash management practices are summarized below.

- Billings are to be prompt and clearly indicate the requirements for timely payment.
- Deposits of funds for credit to the account of the Treasury are to be made as expeditiously as possible. To this end, deposit systems are to incorporate procedures which will allow for the separation of the flow of receipts from the flow of documents at the earliest processing point.
- Agencies should make payments by the due date specified in the invoice provided that the related goods or services have been received. The payment system should incorporate procedures to take advantage of cash discounts.
- Responsibility for monitoring cash advances under Federal grants remains with the grantor agencies.

The implementation of these procedures within Government organizations will help to maximize the amount of cash available to Treasury on a continuing basis for purposes of investment and to preclude unnecessary borrowing. For further information, contact Michael Protz: 566-8251.

2. Government-Wide Accounting

Since 1975, the Treasury Department and the General Accounting Office, in cooperation with several Government agencies, have been developing consolidated financial statements for the Federal Government. This experimental application of accrual accounting to the measurement of Government financial operations has as its objectives:

- The improvement of accounting at Federal, State, and local levels of government;
- The development of accounting standards for public financial reporting by government entities; and
- The integration of governmental accounting standards with accounting standards applicable to the private sector.

To date, three prototype Consolidated Financial Statements of the United States Government have been issued for FY 1975, 1976, and 1977. A statement of changes in financial position was added to the third prototype report.

An interagency Advisory Committee on Consolidated Financial Statements was formed in July 1977, consisting of top-level representatives from various Government agencies and headed by the Comptroller General. This committee has been recommending to Treasury practical solutions and implementation procedures for the major problems identified by a former external Advisory Committee.

The interagency task groups are currently studying the following subjects: (1) asset valuation, (2) allowance for losses on accounts and loans receivable, (3) accrual of taxes, (4) Federal retirement and social security, (5) inflation reporting, (6) insurance, and (7) loan guarantees. Final reports by the task groups on several of these areas are expected to be available to the interagency committee within FY 1979. For further information, contact Charles White: 566-8374.

3. Check Claims Modernization

The Treasury Department implemented the On-Line Automated Reclamation System, to provide better control and operating efficiency in the issuance of reclamation requests, and the processing and deposit of funds received from the banking community.

Treasury initiates approximately 12,000 reclamation requests each month, valued in excess of \$3 million, against the commercial banking community for Treasury checks which have been cashed bearing forged or fraudulent endorsements. The recovery of this money had been an entirely manual operation, with accounts receivable documentation maintained in a paper file and follow-up action on overdue reclamations also processed manually.

With the implementation of the new system, the information necessary to produce a reclamation ticket is entered into a mini-computer. The tickets are sent to the presenting banks for collection. When credit is received, the amount is deposited to a designated account and the receivable files are cleared. The system also automatically generates progressively stronger followup demand for refund notices to banks which have not remitted credit or presented a valid protest at 30, 60, and 90 day intervals.

The increased efficiency and timeliness of an automated followup system should have a significant impact on cash flow. Tangible cost benefits are projected at approximately \$60,000 per year. For additional information, contact Donald R. Ward: 447-1080.

E. OFFICE OF PERSONNEL MANAGEMENT

1. Civil Service Reform

On October 18, 1978, President Carter signed the Civil Service Reform Act, designed to improve Government efficiency and to balance management authority with employee protections. The major features of the act are: an independent and equitable appeals process; protections against abuse of the merit system; and incentives and rewards for good work and skilled management.

Complementing these reforms, the Congress approved a reorganization plan which divides the functions of the Civil Service Commission between a new Office of Personnel Management and a new Merit Systems Protection Board. The plan also established a new Federal Labor Relations Authority.

The Office of Personnel Management helps the President carry out his responsibilities for management of the Federal work force. OPM took over many of the responsibilities of the Civil Service Commission. These include central examining and employment operations, personnel

investigations, personnel program evaluation, executive development, and training. OPM also administers the retirement and insurance programs for Federal employees and exercises management leadership in labor relations and affirmative action. As the central personnel agency, OPM develops policies governing civilian employment in Executive branch agencies and in certain agencies of the Legislative and Judicial branches, and helps agencies carry out these policies. Subject to its standards and review, OPM also may delegate certain personnel powers to agency heads.

The Merit Systems Protection Board is the independent agency to safeguard both the merit system and individual employees against abuses and unfair personnel actions. The Board hears and decides employee appeals and orders corrective and disciplinary actions against an employee or agency when appropriate. It also oversees the merit system and reports annually to the Congress on how the system is functioning. The Federal Employee Appeals Authority and Appeals Review Board were abolished when the Merit System Protection Board was created. The Special Counsel of the Board has the power to investigate charges of prohibited personnel practices, including reprisals against whistleblowers; to ask the Board to stop personnel actions in cases involving prohibited personnel practices; and to bring disciplinary charges before the Board against those who violate merit system law.

The Federal Labor Relations Authority oversees the creation of bargaining units, supervises elections, and deals with labor-management issues in Federal agencies. This agency replaces the Federal Labor Relations Council. The General Counsel of the Authority investigates alleged unfair labor practices and prosecutes them. Also within the Authority, and acting as a separate body, the Federal Service Impasses Panel continues to resolve negotiation impasses.

Most of the provisions of the act and the establishment of the new organizations were effective as of January 1, 1979.

2. Federal Workforce Productivity

The reform of the civil service system and reorganization of the Civil Service Commission were undertaken to improve public service. In October 1978, an Executive Order assigned to the Office of Personnel Management the

leadership for improving the productivity of the Federal Workforce. The Executive Order also established a National Productivity Council of which the Office of Personnel Management is a member.

The Office of Personnel Management has designed a program for improving Federal sector productivity which focuses on strengthening management capability. The program design reflects input from a wide array of program and operating managers. It emphasizes effectiveness as well as efficiency, address both organizational and individual productivity. Diffusion and outreach occupy a critical place in the Office of Personnel Management's program opportunities for expanding awareness of productivity issues, developing new techniques for improvement and transferring effective systems will be exploited through information sharing, comprehensive technical assistance and consultation. For further information, contact Allan Udler: 632-5558.

3. Position Classification and Qualification Standards

The Office of Personnel Management initiated occupational studies to develop classification and qualification standards for the Budget Administration Series, GS-560 and to develop classification standards for the Accounting Series GS-510. Draft classification standards for Auditors (GS-510 series) will be released for comments to the agencies in FY 1979. The approval of these standards will assure appropriate classification and staffing of these positions which are found in many agencies and organizations. The OPM has been working on revising classification standards for the Voucher Examiner Series, GS-540, and anticipates the final standards to be issued in the near future. For further information, contact Claudio Benedi: 632-5560.

4. Financial Management Training

The Management Sciences Training Center in Washington, D.C. conducted 125 financial management related training sessions, with a total of 3,600 participants in fiscal year 1978. Other regional training centers of the OPM trained 8,133 Government employees in 411 training courses. The Management Sciences Training Center has continued to provide and enhance Zero Base Budgeting training by developing new courses and revising existing courses to include the ZBB topic. For further information, contact Patrick Neill: 632-6090.

CHAPTER IV

OPERATING AGENCIES' INITIATIVES TO IMPROVE FINANCIAL MANAGEMENT

Significant Accomplishments

A number of financial management improvements were reported by the operating agencies in 1978. Significant accomplishments were made in all aspects of financial management--cash management, accounting, payroll, budgeting, automatic data processing, auditing, and specialized system. All agencies reporting accomplishments in these areas of financial management are shown in Appendix E.

This section provides examples of agency accomplishments to improve financial management. For further information, agency contacts are provided in parentheses following each improvement.

Note: The area code for the telephone numbers listed is (202) unless otherwise designated.

A. CASH MANAGEMENT

A joint review by the President's Reorganization Project and the DEPARTMENT OF ENERGY initiated improvements in cash management practices throughout the Department that will reduce annual interest costs to the United States Government by approximately \$4.5 million. The following summarizes the estimated total annual interest savings resulting from improved cash management practices:

Receipts

--Conversion of check collections to wire transfers	\$ 434,000
--Utilization of regional banks for deposits	128,000
--Follow-up on final billing for more timely collections	<u>450,000</u>
Subtotal	<u>\$1,012,000</u>

Disbursements

--Eliminations of excess bank balances under Federal Reserve letters of credit	\$ 110,000
--Elimination of excess balances under Treasury Regional Disbursing Office letters of credit	81,000
--Payments of bills on the date due	<u>3,300,000</u>
Subtotal	<u>\$3,491,000</u>
Grand Total	\$4,503,000

(Jack Clark: 353-3799.)

Within the COMMUNITY SERVICES ADMINISTRATION, accounting for advance payments to grantees by both check and letters of credit were fully automated. This not only results in faster service to our grantees and savings in clerical staff time, but also provides the potential for mechanized computations to monitor cash draw downs by the grantees to avoid excessive cash on hand. (R.J. White: 254-6400.)

The ENVIRONMENTAL PROTECTION AGENCY developed a cash management reporting system to support the agency's efforts to improve cash management of grant programs. It allows the agency to look at cash advance and letter of credit transactions by individual grant or grantee. A periodic report is produced for accounting offices to monitor outstanding advances and to detect possible abuses in letter of credit usage. (Michael Kaplan: 426-2686.)

A cash management review by a DEPARTMENT OF TRANSPORTATION and the President's Reorganization Project task force was completed. The team identified ways to apply modern cash management techniques in the Department. Until the recent changes in policy the Federal Highway Administration reimbursed the States for progress payments to contractors including amounts the States had withheld from contractors to assure satisfactory completion of the contract. At the end of FY 1977, the amount withheld from contractors by the States approximated \$210 million. Delaying this transfer of funds until the States pay the contractor would result in interest savings of approximately \$12.7 million annually. (Robert Kessler: 426-1306.)

During 1978, the DEPARTMENT OF TRANSPORTATION continued its efforts to use Electronic Fund Transfer (EFT) to make reimbursements to 47 of the 52 state highway agencies.

The advantages of using EFT are:

- More rapid delivery of reimbursement by reducing turn-around time to approximately 3 days.
- Manpower savings by elimination of the receipt and processing of checks.
- Decreasing the possibility of check loss and posting errors.
- Elimination of associated "red tape" required in internal check handling.
- Generation of interest savings on short-term borrowings.
- Aid in better and more effective cash management.

(James Lewis: 426-0562.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE implemented organizational and reporting changes which resulted in closer monitoring of excess cash balances held by recipients of Federal grants. Early in the fiscal year, HEW found that 1,100 recipients held unused funds and another 1,000 recipients had accounts awaiting close-out procedures. The unused advance balances held by recipients amounted to approximately \$123 million before the effort began to resolve these accounts. By facilitating close-out and/or collection action for these recipients, the number of recipients with unused funds has been reduced to 300 amounting to about \$24 million. The number of accounts which are pending close-out action has been reduced to about 100 accounts. (William Yancy: 443-1660.)

During FY 1978, approximately \$329 million, or 63 percent of total AGENCY FOR INTERNATIONAL DEVELOPMENT dollar loan receipts, were channeled through the Treasury Financial Communications System, which utilizes electronic funds transfers. The channeling of payments through this system has reduced borrowing by the Treasury and saved approximately \$162,000 in annual interest costs. Through a terminal hook-up, the agency is able to access the Treasury system's message file for current information on dollar loan payments made by the borrowers on a daily basis. This has facilitated the agency's monitoring requirements on loan collections. (Elmer S. Owens: 632-0166.)

The DEPARTMENT OF AGRICULTURE cash management task force reported interest costs to the United States Government decreased in FY 1978 by \$16.9 million, because of improvements in cash management practices. Agriculture continued its emphasis on using electronic fund transfers for making payments to States and other grantees and developed regulations for implementing the cash management policies of the U.S. Treasury Department. (Don Manns: 447-5630.)

The Food and Nutrition Service in the DEPARTMENT OF AGRICULTURE developed a system that relies on electronic funds transfer to eliminate the need for grant recipients to hold excess cash funds. The pilot system ran for an initial 9 month period in the State of California and proved to be highly successful. Many grant recipients find it necessary to hold money balances above their immediate needs because of uncertainty as to the timing of additional funds. With the use of this system, the cash flow is much more certain and timely, and grant drawdowns may be scheduled more realistically. This pilot system, resulted in a 95 percent reduction in balance requirements and an annual interest savings of approximately \$132,000 in California. (LeRoy Konz: 446-3990.)

The DEPARTMENT OF AGRICULTURE, in cooperation with the Treasury Department, is establishing Treasury General Accounts with local banks for the loan payments received at the 1,800 county offices of the Farmers Home Administration. By making deposits at the local banks, the Treasury will receive the funds in less than two calendar days and will save at least \$1 million in annual gross interest. (LaVerne Isenberg: 446-2852.)

The Internal Revenue Service in the DEPARTMENT OF THE TREASURY has accelerated the processing of tax remittances over \$50,000. The deposits of these remittances must be made within 24 hours after they are identified. In addition, the 58 district offices may deposit large tax remittances in local banks instead of mailing them to 10 Service Centers for processing. Both of these improvements have resulted in annual interest savings of approximately \$3.4 million. (Carl Grant: 566-6715 or Richard Hinkemeyer: 566-3708.)

The DEPARTMENT OF COMMERCE monitors the use of letters of credit by grantees in its regional offices and headquarters office. Variance reports that compare the percent of construction completion to percent of financial completion (grant drawdowns-obligations) for each project are

reviewed by the regional offices. Followup action is taken on those projects with variances of more than 20 percent. Quarterly reports on Federal cash transactions, submitted by grantees are reviewed by the headquarters office to determine if the letter of credit is being used properly. (Robert Peden: 377-2631.)

The SECURITY AND EXCHANGE COMMISSION prepared a travel handbook and conducted training courses on travel in conjunction with the distribution of the handbook. This handbook included all aspects of travel including household moves and related expenses. Travel vouchers are paid in 7 workdays instead of 30 to 60 days previously needed under the old system and outstanding advances decreased by \$70,000. This has helped to improve employee morale and cash management within the Commission. (Lawrence Haynes: 755-1515.)

B. ACCOUNTING

The NATIONAL AERONAUTICS AND SPACE ADMINISTRATION developed an automated reporting system that provides information on the status of unliquidated contracts and orders. In addition to showing obligations, accruals, and disbursements, the report is designed to show unobligated commitments and uncosted obligations. NASA also automated the accounting of contract holdbacks at the Ames Research Center. Savings in time and effort have been realized as a result of eliminating manual posting, maintenance, and compilations of holdback data from a card file for general ledger posting. Access to withholding data summarized by year and appropriation is now available upon request. If any out-of-balance conditions occur, discrepancies are easily pinpointed and adjusted. (Pablo Pichardo: FTS 448-5310.)

The NATIONAL SCIENCE FOUNDATION developed and implemented procedures to extract the expenditure information needed for grant closeout from the quarterly Federal Cash Transaction Report. This relieved grantees of the workload of preparing about 10,000 reports annually. (Albert Muhlbauer: 632-4374.)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT implemented an automated accounting system that provides the Regional Accounting Directors and the Central Office of Finance and Accounting with automated control and recording

of reservations of loan, contract, and budget authority for the Assisted Housing Programs of HUD. The year-end reporting for FY 1978 was accomplished through the automated system with final reports available to the Department just two weeks after the close of the fiscal year. (Jim Higgins: 755-5300.)

A modified accounting software system was installed in the EXECUTIVE OFFICE OF THE PRESIDENT to replace six different systems. The new system is administered centrally for 12 appropriations within the Executive Office of the President. The conversion realized cost savings of \$445,000. By utilizing this system comparable financial statements are available, central audit is feasible, and budget preparation can be centralized. (Susan Borkowski: 395-7244.)

The SMALL BUSINESS ADMINISTRATION has implemented the initial requirements for a quarterly guaranteed loan reporting system. This system has eliminated the need to process over 30,000 forms annually by banks making Federally guaranteed loans. The accounting procedures are now simplified, and more accurate outstanding loan balances are available. This system enables all participating financial institutions to uniformly report their portfolio status. Other features of the system are automatic notices to financial institutions of reporting deficiencies and fees due. (Matthew McCroddan: 653-6070.)

The FARM CREDIT ADMINISTRATION implemented an accounting system which provides the agency with information on farm credit security balances at each Federal Reserve Bank. This function was transferred from the U.S. Treasury to the agency and automated with no increase in staff. The Farm Credit Administration also has automated the report preparation process for the statements of condition, income statements and supporting schedules for internal and external use. The result is that bank financial statements are being published five weeks sooner than under the previous manual preparation system. (Paul C. Redmer: 755-4394.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE established a monitoring system that tracks and reports various quantifiable areas of financial management to the Secretary on a quarterly basis. The financial management areas that are presently being tracked are: staffing, payment of bills, closing of grant awards, reconciliation of control

accounts, error rate of transactions, backlog of uncorrected errors and documentation. Very tight departmental standards have been established in these various areas. (Guy F. Linza: 245-9000.)

Significant new enhancements were made to the JUSTICE DEPARTMENT's financial management information system. These changes included a variety of new analytical reports to support on-line, interactive budget review and analysis; a new automated "scratch pad" facility to aid analysts in developing alternative budget proposals; and a budget execution control system that monitors the authorized personnel ceiling and the actual number of people on board. (Charles Neill: 632-4002.)

The INTERIOR DEPARTMENT developed and implemented procedures for the aging of accounts receivables that originate from commercial vendors, other federal agencies, and state cooperators. The system is designed to generate standard collection letters automatically at scheduled intervals and in accordance with requirements of the Federal Claims Collection Act. In addition, the accounting system is used to provide for allowances for uncollectable receivables and for required write-offs. (Posey B. Howell: (703) 860-6181.)

The INTERSTATE COMMERCE COMMISSION implemented a new fiscal accounting system, that provides for the creation of obligation documents and the posting of obligations and disbursements to a control file. This, in turn, is used to create journal entries for updating the general ledger. A video display terminal is used to enter appropriations received, obligations, accounts receivable, cash, property, supply inventories and other control accounts. Automated audit checks, trial balances, management reports and inquiries are provided by the system. (Michael Fontana: 275-7827.) The fiscal accounting system interfaces with the Commission's computerized payroll system through exchange of magnetic tape containing data by object code within organization. Hard copy audit trails are produced in each process from the posting of transactions to posting journal entries. (Alden E. Luke: 275-7538.)

The CIVIL SERVICE COMMISSION (now the Office of Personnel Management) implemented an automated system which produces intragovernmental billings from data coded into the computer. This system creates single, multi-copy, bills for a specific period of time, in lieu of manually

prepared bills. The formats for bills produced replaces Standard Form 1080, Voucher for Transfer Between Appropriation or Fund, Standard Form 1081, Voucher and Schedule of Withdrawals and Credits and Standard Form 1114, Bills for Collection. (Eldon Haymon: 632-4556.)

An automated accounting control system for Federal tax deposit processing was implemented in the DEPARTMENT OF THE TREASURY's Internal Revenue Service. The system provides accounting control, journalization, daily Treasury wire reporting and monthly accountability reporting for the tax deposit system. The implementation of this system has resulted in a savings of 20 staff years. (Lester Garrett: 566-6808.)

The GENERAL SERVICES ADMINISTRATION continues to increase the utilization of the Simplified Intra-governmental Billings and Collections (SIBAC) System with the conversion of billings from the Federal Building Fund Reimbursement Work Authorizations. A total of approximately \$221 million for work performed for minor repairs, installations, and painting for occupied space was charged to the agencies through the SIBAC system in FY 1978. This system eliminates interagency receivables and payables, and reduces the amount of paperwork generated. (Robert Auster: 566-0568.)

C. PAYROLL

The DEPARTMENT OF THE NAVY is consolidating 3,100 personnel offices and 153 pay offices into about 100 field offices to integrate payroll and personnel accounting functions into a single support system. Implementation includes a field-level distributed processing system using minicomputers and terminals to automate, validate, and teleprocess data input from the field offices to the Navy Finance Center in Cleveland. (T. Crellin: 697-5140.)

In April 1978, the Langley Research Center of the NATIONAL AERONAUTICS AND SPACE ADMINISTRATION was selected as a pilot agency by the Treasury Department to implement the use of Electronic Fund Transfer, for all direct deposits of Federal biweekly salary payments. The system was made operational on September 18, 1978, and is a complete success. The Treasury Department used this experience to develop procedures and produce a manual on Federal agency requirements. (Edward A. Howe: 804-2724.)

The DEPARTMENT OF INTERIOR completed system specifications and design requirements for implementing an integrated ADP payroll/personnel system for several bureaus and offices in the Department. The implementation of a redesigned and updated payroll-personnel system is expected to serve as a model for other agencies in the Department of the Interior and other agencies in the Federal Government as well. Adoption of this integrated system should result in a significant savings in terms of money and personnel. (G. Perry Duncan: 343-4733.)

The AIR FORCE Accounting and Finance Center designed, developed and implemented a new, fully automated Air Force Retiree and Annuitant Pay System. This centralized pay system will accommodate the rapidly increasing number of military retirees without increasing personnel at the Center. An estimated \$2.3 million savings in operating costs is expected over the next 6 years. (Mr. Harris: AV 926-7285.)

D. BUDGETING

An automated zero-based budget system fully implemented in May 1978 by the FEDERAL COMMUNICATIONS COMMISSION has eliminated time consuming manual budget preparation. An increased number of staff hours can now be devoted to in-depth budget analyses and evaluation. Among the benefits accrued are a significant reduction in the percentage of mathematical errors, development and utilization of standardized formats, and development and implementation of a ranking algorithm. (Peter Herrick: 632-7194.)

The DEFENSE MAPPING AGENCY has instituted a program/budget data system to automate the input and display of summary level mapping, charting, and program data and the related manpower and dollar resources. The system was implemented to aid in the submission, review, and analysis of budget estimates, and to facilitate record keeping during the internal and external budget development processes. The summary level output displays the new and maintenance production requirements, associated programmed production, the related staff years of effort and dollar costs distributed by object classification. Previously, this summary level output, without object classification detail, was manually prepared. (Tim Bell: 254-4012.)

The Federal Aviation Administration within the DEPARTMENT OF TRANSPORTATION used an automated system for zero-base budgeting. The most significant feature of the

system is its ability to accept reranking of a decision package and adjust the rankings and associated cumulative totals of all lower ranked packages automatically. The use of the automated system reduced response and turnaround time and thus facilitated the timeliness of budget submissions. (Edward W. Godfrey: 426-3735.)

The DEPARTMENT OF THE NAVY fully implemented an automated Appropriation Status, Planning, and Reporting System which produces a number of monthly reports required by the Office of the Secretary of Defense to monitor budget execution. The system collects data and produces monthly reports of obligation plans, flash (advance estimate) obligation reports, subsequent actual obligation reports, and also revises plans as necessary for approximately 65 appropriations/fund accounts and consolidations. The system also provides, on a timely basis, the summary and detail information necessary to monitor program execution in the Department of the Navy. (Anthony Vallone: 697-9719.)

The Alcohol, Drug Abuse, and Mental Health Administration in the DEPARTMENT OF HEALTH, EDUCATION AND WELFARE (HEW) has developed workload data consisting of work units applicable to each Office and Division and standard unit times applicable to these units. Based upon the data collected periodically through agency reporting systems, a comprehensive profile of actual and projected staff demands through FY 1980 was developed in April 1978 for the budget submissions to internal HEW offices, justifying position requests. (Kent L. Augustson: 443-2094.)

The Bureau of Mines in the DEPARTMENT OF THE INTERIOR developed a modified utility model for evaluating and selecting research projects and programs. This is the first known application of utility evaluation to scientific research programs, based on their expected benefits and contributions to Bureau goals, objectives, and other criteria. Research projects were measured against all of the organization's objectives which had themselves been ranked and weighed. The utility or total value for each project was then calculated along with its probability for success. Projects were then ranked, assembled into program work units, and processed into ZBB decision packages. This procedure is currently being evaluated for potential Bureau-wide application next year in the assessment of other research type projects. (Paul B. Needham, Jr.: 632-1143.)

To better manage and control operational costs the AGENCY FOR INTERNATIONAL DEVELOPMENT has implemented a "cost center" system. This system allocates the operating expense budget to those operational units which have direct responsibility for its management. Each Bureau and Office in Washington, and each overseas mission, now has a separate budget which incorporates all support costs, both direct and indirect. This approach will allow close monitoring of each unit and detailed analysis of variances. More importantly, it places responsibility for cost effective management squarely on those who make the day-to-day decisions to incur costs. (Rob L. Berrett: 632-0050.)

Within the Bureau of Public Debt in the DEPARTMENT OF THE TREASURY, a productivity and cost effectiveness system provides computer generated monthly reports on amount of work processed, costs, work-years consumed and productivity factors for each cost center. Monthly reports include a comparison of actual to budgeted figures for the current month, current year to date, and actual figures for the same time period from the previous year. The new system provides more meaningful information to management in a more timely manner. Reports from the system are used regularly and at formal quarterly review sessions to assess productivity and resource utilization. Plans are underway for FY 1979 to develop an exception report generated from this system for use by top management. This report will highlight significant variances for productivity plans. (Eleanor J. Holsopple: 376-0258.)

The DEPARTMENT OF COMMERCE implemented cost-based budgeting procedures for the National Technical Information Service in preparation for the FY 1979 budget. With the use of historical unit cost and trend data, program managers developed monthly detailed cost budgets by project and by cost category. Managers now have a total appreciation of the resources under their control and the relationships of these resources to the task that must be accomplished. Planning for income and cost on a monthly basis has provided a more accurate basis for cash flow projections, resulting in tighter control over the agency's cash resources. (Eleanor M. Clark: 577-4612.)

E. AUTOMATIC DATA PROCESSING

The ENVIRONMENTAL PROTECTION AGENCY developed and implemented an automated cash reporting and reconciliation process. This process provides an effective method of

verifying and accounting for all cash transactions and summarizes data in the SF-224, Statement of Transactions format at month end. The process eliminates the need to manually distribute and account for disbursements and collections by appropriation during the month. It substantially reduces the end of month cash reconciliation with Treasury. (Michael Kaplan: 426-2686.)

Also, in the ENVIRONMENTAL PROTECTION AGENCY a system was developed that enables the accounting offices to selectively obtain information from one year transaction history files on individual grants or contracts through the use of low speed terminals. This system permits the accounting offices to obtain payment data on a single document basis rather than accessing a complete document history file. The technique may be used for periodic reconciliation or to satisfy inquiries concerning a particular award. (Michael Kaplan: 426-2686.)

Prior to FY 1978, the field offices of the ENVIRONMENTAL PROTECTION AGENCY mailed time and attendance data and employee payroll changes to the headquarters office. All time card information is now transmitted through remote terminals directly to the central computer. These improvements have not only reduced errors due to late or lost mail but have improved the overall quality of data due to increased field office involvement. (Michael Kaplan: 426-2686.)

The NATIONAL AERONAUTICS AND SPACE ADMINISTRATION's Marshall Space Flight Center completed the mechanization of accounts receivable. This process provides aging analysis of receivables, listings to be used for journalization and a report of open receivables. This improvement greatly reduces manual recording and processing and saves valuable staff-hours in reconciliation, control and followup. (James O. Mitchum: FTS 872-1440.)

Direct input of all accounting transactions from source documents through interactive terminals was completed for Headquarters in the Office of the National Highway Traffic Safety in the DEPARTMENT OF TRANSPORTATION. Ten regional offices had previously been fully automated in 1977, including direct transmission to headquarters of periodic financial reports via interactive terminals and high speed printers. Annual cost saving of \$21,000 resulted from elimination of a contract for keypunching data. (Donald E. Nelson: 426-2875.)

The INTERNATIONAL COMMUNICATION AGENCY installed a new computer printing system that combines digital technology with the a duplicating process to produce printed financial reports in which all copies are of original quality. Reports are released to users more rapidly and are prepared in a convenient business sized format which is easy to read, mail and file. In addition, this system resulted in reduced paper and storage costs. (Carl Vesper: 724-9558.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE developed an interactive terminal inquiry capability which enables financial and program personnel of the HEW offices to access the most up-to-date data on grant awards from terminals in their offices on a daily basis. The flexibility of the system permits the user to formulate exception management reports, or ask specific questions about the Departmental Federal Assistance Financing System. This system keeps track of the cash flow of \$28 billion for over 200,000 grants and contracts awarded by the Department. In addition, the system accounts for the grant and contract amounts received by recipients, and provides standardized expenditure reporting by recipients to awarding agencies to update their accounting systems.

In order to avoid the significant delays and security risks associated with the use of magnetic tape media, the system now allows direct telecommunications of authorization, expenditure, and related transactions with most offices and agencies in this system. Telecommunication processing increases the speed and accuracy with which data flows to this system and results in significantly more useful financial data base. (William Yancey: 443-1660.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE is electronically transmitting obligational data for grants and purchase orders that are entered into the Health Services Administration accounting system from other automated systems. By automating the input of obligations into the system, the benefits derived include reduced errors, timely update of accounting information, and a better control over the payment process. (Richard Foltz: 442-1579.)

Microform equipment for reporting and storage of financial records was used by the DEPARTMENT OF THE INTERIOR. Cost savings in space, personnel for retrieval and research of documents, and materials have been realized. The net savings for microfilming financial reports is over \$42,000 per year. (Harold Thorne: FTS 234-2354.)

An automated system was designed and implemented within the DEPARTMENT OF THE ARMY to control customer orders under the foreign military sales program. The system, using real-time data processing establishes and maintains controls at the country/case level. All authorizations to obligate the program fund goes through a single Army point of control. The system operation allows rapid response, not only on requests for obligation authority, but also data retrievals. (Rod Mundy: (317) 542-4365.)

The TREASURY DEPARTMENT implemented an automated accounts payable and purchase order system, resulting in more accurate and timely information for management. The system generates purchase orders and accounts payable transactions and automatically reconciles accounts. The system also generates various management reports such as purchasing statistics, giving breakdowns of various types of purchases and amounts. (M.M. Schneider: 447-9845.)

The TREASURY DEPARTMENTS's Bureau of Public Debt has been encouraging issuing agents of savings bonds to submit large volume sales activity on magnetic tape in lieu of registration stubs. In FY 1978, 69 issuing agents reported 64 million bond sales on magnetic tape. It is estimated that for every one million bond sales reported on magnetic tape approximately \$20,000 in savings accrues to the Government annually. Currently a recurring annual savings of approximately \$1,286,000 is being realized. (Martin French: FTS 923-6401.)

The AIR FORCE performs Department of Defense's centralized foreign military sales billing, collecting, and trust fund accounting for all three military services. A nonimpact, laser printing system to support this process was installed to print 291,000 pages of data containing 20 million lines of print. With its high speed capability, this quarterly printing cycle for billing of foreign military sales has been reduced by four days and estimated annual savings are \$25.6 million is expected in imputed interest for the U.S. Treasury. (Mr. Woods: AV 926-7791.)

F. AUDITING

The ENVIRONMENTAL PROTECTION AGENCY implemented an audit tracking and control system to control and monitor its audit performance. The system reduces a substantial amount of auditors' time previously devoted to such reporting. It also provides automatic tracking and control of audits; standard report formats; and control of audits;

standard report formats; and control of personnel and time utilization. Another advantage of the system is its capability to provide statistical information on program areas that have been more vulnerable to fraud, waste, or abuse. This information system serves as an effective means of assigning priorities to audits in areas where frequent irregularities and deficiencies have been identified. (Ernest Bradley: 755-0924.)

The NATIONAL SCIENCE FOUNDATION established a formal system for followup on all audit reports. Each Foundation directorate must designate a representative who will be the focal point for coordinating action that is taken on recommendations in each audit report affecting that directorates activities. The NSF Audit Office maintains a computer file on all audit reports issued. The file contains the type of audit findings, dates that the reports were distributed for action, and dates when all recommendations have been acted upon. Additionally, the Audit Office maintains a file of all followup memorandums concerning the status of audit recommendations and the related replies. (Albert Muhlbauer: 632-4374.)

The DEFENSE CONTRACT AUDIT AGENCY developed guidelines for operations audits in the following areas: Contractors' Reproduction Operations; Maintenance and Calibration of Test Equipment; Industrial Relations; Repair, Rework, and Replacement of Nonconforming Material; Materials Receiving, Inspection, Storage and Issue; Materials Requirements; Computer Aided Design and Manufacturing; Micrographics; Welding Operations; Word Processing; and Telecommunications. Significant savings were realized from initial operations audits in all of these areas.

More than 300 summaries of operations audit findings were disseminated to all field audit offices. These findings were selected because they resulted in significant savings to the Government and illustrated the use of new audit procedures with potential application at other locations. The summaries are issued quarterly with an updated index. A data bank of these findings and a data retrieval program are maintained on a time-shared computer system. Field auditors can use the program to identify all findings related to any audit area, type of finding, industry and/or special audit technique. (James Pierce: 274-7346.)

To make more effective use of the audit process as a management tool, an audit management system was implemented in the DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

The system was designed to (1) clean up within 90 days the backlog of more than 4,500 open audit recommendations, (2) ensure that timely and effective actions are taken on audit recommendations, and (3) provide an effective method for following up on corrective actions taken. During the 90-day period from January 1, 1978 through March 31, 1978, the Department acted upon and closed 99 percent of the backlog of open audit recommendations. (Don Kirkendall: 755-6342 or 755-6406.)

The DEPARTMENT OF JUSTICE established a new tracking/-information retrieval system for the clearance and control of audit reports which provide for the codification of all audit report findings. The system will provide information relating to the contents of the report and the status of their clearance action as well as provide the Office of Audit and Investigation with the ability to determine, and report to management, areas of the common deficiency. The codification should also assist in improving collection controls for amounts due the Government as a result of audit findings. Specifically, the system identifies the questioned cost or recommended refund for each audit finding and shows the status of clearance action on the recovery of such dollars. (Marilyn McDowell: 376-3658.)

Audit planning guidance within the AIR FORCE emphasized that all audits should include consideration of financial management effectiveness and efficient utilization of resources. Audits were focused not only on whether goods and services were being obtained and used efficiently, but also on whether a demonstrated need existed for the expenditure of resources. As a result, Air Force audit reports in FY 1978 identified improved uses of resources representing over \$211 million in validated cost avoidances or reduced costs to the Air Force. (Captain John Flippin: AV 876-4047.)

The Internal Revenue Service of the DEPARTMENT OF THE TREASURY prepares an abstract for each significant audit deficiency reported. The abstract contains a concise description of each element (condition, criteria, cause, and effect) of the finding, as well as a summary of management's response to the finding. These abstracts helped to identify significant trends, communicate particularly significant findings to all regional internal audit staffs, and develop audit activity reports. Utilizing the abstracts in this manner, the Service has significantly

increased the benefits from the internal audit function without increasing the costs. Management actions to correct problems identified by internal audits resulted in better service to taxpayers, increased revenue collections, more efficient operations, and stronger internal controls. Measurable additional revenue and savings totaled over \$157 million for the FY 1978. (Rudy Arena: 566-4520.)

G. SPECIALIZED SYSTEMS AND OTHERS

The DEPARTMENT OF ENERGY implemented the Business Management Information System in 20 program divisions and offices to obtain uniform, accurate and timely data to support outlay programs in budget development, procurement planning and execution, and in program execution. It is now serving three major outlay programs in the Energy Department. Data elements have been included in the common data base to satisfy each division's (lowest level of outlay program) internal needs and to support the financial, procurement and program information requirements of higher management levels. This system provides on-line query, standard reports, and ad hoc reports requested by the users. (Anita Dean: 376-4436.)

The NATIONAL AERONAUTICS AND SPACE ADMINISTRATION has initiated a training and indoctrination program for new employees and those personnel located in project offices whose assigned functions require a knowledge and understanding of fiscal requirements. Training sessions on cost and price analysis, cost accounting standards, contractor cost reporting and analysis cost accruals, and the Federal budget process were conducted. These courses are beneficial to both new employees for indoctrination, and other employees as a means of continually increasing their knowledge of job related activities and responsibilities. (Larry Wilson: 982-4722.)

The NATIONAL LABOR RELATIONS BOARD completed a study of the Agency's policies and practices for procuring carrier services and the methods utilized by the Board in making payments for such services received. Based on the findings and recommendations made by this study and a GAO study on the use of teleticketing and discount airline fares, the Board concluded that it can decrease the use of Government Transportation Requests by at least 80 percent resulting in a minimum savings of \$15,000 annually. (Roy Lincoln: 254-5294.)

The RAILROAD RETIREMENT BOARD implemented a completely redesigned and integrated computer system for Health Insurance (Medicare) Operations for beneficiaries of the Board. The new system has a more complete and comprehensive master file. Microfilm files contain all of the activity processed through the system and provide for a documented audit trail. The new system provides the Board with several intangible savings, specifically facilitated handling of health insurance cases within the Board and improved data exchange with the Social Security Administration. Both benefits ultimately will lead to better service to the public. (H.P. Gibbons: FTS 387-4600.)

The ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS is using word processing equipment for storing income, budget, and reporting data as a cost effective manner for data storage. It fulfilled the agency's needs without any additional costs, and has reduced the time needed to submit most external reports by 50 percent. The system contains the formats of the budget forms on tape cassettes. This enabled the Commission to provide changed budget submissions within 24 hours to the Office of Management and Budget. (Franklin A. Steinko, Jr.: 653-5640.)

A computerized document control system was installed by the DEPARTMENT OF AGRICULTURE'S Farmers Home Administration to control unanswered correspondence, unprocessed assumption agreements and credit sales. The automated document control system provides time analysis reports of cleared and uncleared documents and listings of uncleared items. This system has resulted in a more efficient method of answering correspondence and assures a first-in/first-out type of document control. Reports from the system will provide a method to control the manpower requirements necessary to assure timely replies to correspondence directed to the Finance Office. (Clarence Squellati: FTS 279-4400.)

An automated work measurement system has been implemented by the DEPARTMENT OF AGRICULTURE'S Farmers Home Administration. The system produces various reports which aid management in production analysis and resource planning by:

- a. Establishing staffing requirements for the Finance Office.
- b. Providing a model for future staffing requirements.

- c. Measuring employee and organizational unit (cost center) performance against predetermined standards.
- d. Determining cost (standards and actual) of producing major work functions.
- e. Establishing effective cost centers for budget planning and to measure execution.

(Clarence Squellati: FTS 279-4400.)

The TREASURY DEPARTMENT receives data on Government checks processed by the Federal Reserve Banks on magnetic tape and microfilm, instead of the negotiated checks. This check truncation process allows the flow of negotiated Government checks to stop at the 12 Federal Reserve Banks. The necessary check data for payment and reconciliation are captured on high-speed readers/sorters on magnetic tape and microfilm. The Banks then store the checks and forward the tape and microfilm to Treasury. The primary objective of check truncation is the improvement of service to the public by more expeditious check claims processing and reduction of overpayments. (Lester W. Plumly: 566-2525.)

The DEPARTMENT OF THE TREASURY has been presorting the mail for its repetitive benefits checks that it issues. A bulk presort rate for first class mail provides for the two cent per item discount for qualifying pieces in a mailing of at least 500 items that are in ZIP Code sequence and are sorted, banded and labeled into ZIP Code groups according to the Postal Service's guidelines. By presenting payments for Social Security, Veterans Administration compensation and pension and other benefits, the Treasury Department has saved approximately \$4 million in FY 1978. (Robert B. Burrill: 634-5970.)

CHAPTER V

MAJOR UNDERTAKINGS IN PROCESS TO IMPROVE FINANCIAL MANAGEMENT

Continuing their efforts to improve financial management, agencies are developing and implementing improvements using innovative techniques and new technologies. Some of the new financial systems will be using minicomputers and microcomputers so that both headquarters and regional offices can access updated financial information more quickly. With the use of terminal communication network system capability, agency officials will be able to query the files on the system and receive a more timely response to help them in decisionmaking. Agencies are developing systems that will involve electronic transmission of financial data, which will reduce the time lag between the transaction date and the processing date of the transaction and also will provide more timely reports to financial managers. Other agencies have reported initiatives in automating systems for tracking procurements, inventories, and audit findings. The introduction of computers into the zero-base budgeting process has simplified the development of outlay projections for various decision units and has helped agency officials in the submission of their budgets.

A listing of agencies that reported undertakings to improve cash management, accounting, payroll, budgeting, ADP and auditing is shown in Appendix F. Examples of the major undertakings to improve financial management by operating agencies are described below.

A. CASH MANAGEMENT

The TENNESSEE VALLEY AUTHORITY plans to improve cash management practices by improving the collection of miscellaneous receivables and control costs of collections.

Some of the improvements are to:

- Establish definite payment due dates in any agreement involving future revenue;
- Determine the average cost of collecting a single receivable to be used as a basis for establishing guidelines for collection followup or for terminating collection efforts;

- Establish guidelines for following up on delinquent accounts;
- Screen and categorize accounts to insure that collection efforts are appropriate;
- Follow a strict schedule in contacting debtors and determining when account is delinquent; and
- Provide for charging interest or penalties for late payment.

(Douglas Hulme: FTS 852-2201.)

The Food Nutrition Service of the DEPARTMENT OF AGRICULTURE will be the pilot agency for a six month test involving the use of electronic funds transfers (EFT) for letter-of-credit payments made within the Richmond Federal Reserve District. The major reason for developing the EFT application is to decrease outstanding cash balances related to letter-of-credit advances by establishing a guaranteed payment time. This system will simplify the agency's monitoring responsibility of advance payments and facilitate their accounting and reporting functions. (LeRoy Konz: 446-3990 or William Mothorpe: 447-6990.)

B. ACCOUNTING

The DEPARTMENT OF LABOR is developing a procurement control and accountability system. This system will automate the procurement process, including the generation of requisitions and purchase orders/contracts. It will also create obligation data for direct entry to the Department's accounting system. Similarly, accrual and payment data will also be created. The system identifies and produces renewal orders for subscriptions and leases. It also provides managers as well as procurement officials with an on-line access to the status of requisitions, purchase orders and contracts. The procurement data base will accumulate and store data on vendors, commodities and service for reporting to the Congress and OMB. (Thomas LaBudie: 523-8184.)

The TENNESSEE VALLEY AUTHORITY continued its work on the development and implementation of an automated, centralized materials management system. When fully developed, this integrated system will incorporate the purchase, receipt, and payment of materials. (Douglas Hulme: FTS 852-2201.)

C. PAYROLL

The DEPARTMENT OF TRANSPORTATION began a detailed implementation study and plan to consolidate the Department's 18 existing civilian payroll systems. A preliminary

assessment in FY 1978 estimated the potential savings of a consolidated payroll system to be between \$1.3 and \$1.5 million per year. The Department plans to integrate the payroll system with a consolidated departmental personnel information system. In addition to the annual operation and maintenance savings, the consolidated system is expected to yield a number of benefits including uniformity and consistency in payroll and personnel information, economy of scale, improved overall departmental accountability, greater expertise, and a broader capability and responsiveness will be provided to management. (Gail Young: 426-1306.)

D. BUDGETING

The DEPARTMENT OF THE NAVY is automating its budget system which will interface with other departmental reporting systems. In supporting the budgetary functions, the system will be designed to assist the budget staff in the performance of the following tasks:

- Generation of requirement, including, budget guidance, and budget call;
- Budget formulation and submission, including review of subordinate submissions, budget consolidation, generation and submission to the Secretary of Defense and the Congress, and tracking of changes; and
- Budget execution.

(Ms. Phyllis Smith: 697-1206.)

The implementation of the planning, budgeting, and control process at the Bonneville Power Administration of the DEPARTMENT OF ENERGY was initiated during FY 1978. The process formalizes the manner in which decisions are made regarding policy, budget, allocation of resources, and operation. It consists of four sequential phases: (1) policy planning, (2) program formulation, (3) budget preparation, and (4) operational planning, control, and feedback. The changes enhanced and strengthened existing components to (1) insure consideration of all relevant factors in key planning, budgeting, program, and operating decisions, (2) clearly identify when decisions are to be made, (3) provide a mechanism for following through on decisions, (4) meet the requirements of externally imposed requirements, and (5) meet internal needs. Additional

planned improvements include better policy development, documentation and use in program development, cost control, use of financial evaluation techniques, and use of financial information in program review and decisionmaking. (L. Nielsen: 429-5113.)

The NUCLEAR REGULATORY COMMISSION is developing a performance and resources accountability system to relate planned and actual accomplishments with projected and expended resources. The system is designed to compare and contrast the performance, cost, and scheduled commitments made during budget formulation with the progress made toward accomplishments during a fiscal year as well as the related program support dollars and staffhours expended. Selected decision units dealing with nuclear power, fuel cycle, and materials regulatory activities were selected in FY 1979 on a pilot program basis. (Norman Haller: 492-8054.)

E. AUTOMATIC DATA PROCESSING

The MARINE CORPS is developing a procurement appropriation funding system to improve financial planning and budget execution and to further enhance an automated procurement accounting system. The procurement appropriation system employs source data automation techniques to capture the data needed to prepare or update financial plans for procurement appropriation. The system will prepare funding documents and will automatically translate the data in the financial plan and funding documents into accounting transactions which will update the general ledger and allotment ledger. Full implementation will result in more effective use of resources--personnel and ADP equipment as well as funds; and more accurate and timely accounting records and reports. (John Kohut: 694-8684.)

The DEPARTMENT OF THE TREASURY is utilizing terminals to input revenue collection transactions for the U.S. Customs Service. The editing and validating of all data items allows immediate detection and correction of any errors. The system is already operating in 24 locations and will be placed in 53 other locations nationwide by December 1979. The system provides reports with revenue accounting information within the same week, instead of the 5-10 days delay that currently exists. (James Ryan: 566-8216.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE is planning to revamp its grants accounting and financial systems by developing a standard computerized accounting system, a standard computer module to record grant awards in the financial systems, a grant payment control and cash management system and a modified central registry system. A grant award module will be developed to provide one time computer input of financial data for each grant award issued. The system will automatically edit the data. Upon passing the edits, the grant will automatically be recorded in a new departmental grant payment control and cash management system. All grant accounting records will be housed in the grants payment control and cash management system. The Central Registry System will be modified to provide for one-step registration of new recipients. (Joseph Sclafani: 245-6226.)

The DEPARTMENT OF HEALTH, EDUCATION AND WELFARE is developing specifications to produce a computerized report on the annual distribution of obligations by geographic location (50 states). When completed this report will show projected data from the budget for future years with actual data of the current and past years. This report will assure consistency in the information and reduction in report preparation time. (Mr. Sieber: 496-3417.)

The AIR FORCE is developing a new, simplified status of funds reporting system. This will involve electronic transmission of accounting data from field to major air commands to the Air Force Accounting and Finance Center. This system will transfer only the accounting data that were changed from the previous update from the regional data base to a centralized data base. Use of this exception reporting will significantly reduce the volume of data transmitted. The system will eliminate six recurring status of funds reports, reduce processing time and computer software maintenance with related cost reduction. (Mr. Ellis: AV 926-7774.)

An effort is underway to redesign, develop and implement the automated data system supporting the AIR FORCE Directorate of Budget in developing, justifying and executing the Air Force budget. The annual savings/cost avoidance is estimated at \$750,000. The primary objective is to create a greater analytical capability by:

- Providing an on-line integrated automated data system that will respond to budget cycle requirements and to internal and external inquiries.

- Providing a system that augments, and is based upon, the Office of the Secretary of Defense, Congressional and Executive budget policy and regulations for developing, justifying and executing the Air Force Budget.
- Providing a text processing capability, for integration of text with the summary budget processes.
(Lt. Col. Pedersen: AV 225-1256.)

Procedures are being developed to improve the transmission of monthly and quarterly accounting data from regional ADP organizations to headquarters office for the Federal Aviation Administration in the DEPARTMENT OF TRANSPORTATION. When implemented, the new procedures will reduce the time lag between the date the information is due and received, provide more timely consolidated financial reports, and reduce the current cost of transmitting data by \$34,000 a year. (Elroy Nieweg: 424-3138.)

F. AUDITING

The DEPARTMENT OF COMMERCE plans to implement an inventory and report information system. The system will serve as a repository and index to all reports issued or processed by the Office of Audits. The system will be capable of indexing reports by budget activity, organization, and subject matter covered in the report. It will provide each program manager with the information necessary to plan and to develop a complete picture of program trends or problem areas as well as providing data regarding recommended solutions that have worked in other Commerce bureaus. The system will also provide the Office of Audits with an automated audit finding and recommendations follow-up capability, thus enabling staff members to more closely monitor the implementation of recommended corrective actions. (Joseph Sickon: 376-7678.)

To improve controls over follow-up and to ensure that the DEPARTMENT OF COMMERCE officials promptly resolve audit findings, an overall system of administrative controls and records for all pending audit recommendations will be implemented. Under new procedures, the Office of Audits will continue to monitor the status of all audit recommendations. Moreover, the Controller will ensure that the Department's accounting procedures and systems provide for establishment of accounts receivable for all those audit recommendations where a recovery of funds is involved, and will ensure that timely action is taken in resolving such recommendations. Periodic reports on the status of action

taken on audit recommendations will be issued, as appropriate, to the Inspector General, the Controller, and the Secretary. The Office of Audits will act as the focal point for this reporting and will coordinate with the Controller as required. (Joseph Sickon: 376-7678.)

JFMIP AGENCY LIAISON REPRESENTATIVES

ACTION.Tom Friedkin
AGENCY FOR INTERNATIONAL DEVELOPMENT.John W. Finn
AGRICULTURE, DEPARTMENT OFJim Brown
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NATIONAL MEDIATION BOARD.Rowland K. Quinn, Jr.
NATIONAL SCIENCE FOUNDATION.Burl Valentine
NATIONAL TRANSPORTATION SAFETY BOARD.Dennis W. Boyd
NUCLEAR REGULATORY COMMISSION, U.S.Angelo S. Puglise
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NOTE: To obtain the above publications, contact JFMIP:
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<u>Name</u>	<u>Organization</u>
W.A. Broadus (Project Director)	General Accounting Office
Curt Alexander	Department of Agriculture
John Justis	Office of the Comptroller, Tennessee
Dale Knowles	Department of Health, Education and Welfare
Gary Lawson	General Accounting Office
Violet Lidinsky	Office of Auditor General, Illinois
William Logan	Department of Health, Education and Welfare
Sam McGeorge	Department of the Treasury
Richard Pectol	Office of Personnel Management
James Rinaldi	General Accounting Office
Jack Sheehan	Office of Management and Budget
Thomas Sheets	Office of Auditor General, Pennsylvania
Gary Whittington	Department of the Treasury
James Wu	Department of the Treasury

JFMIP WORKSHOP SPEAKERS

Cash Management Workshop

Bruce Budlong	Department of the Treasury
Richard Cavanagh	Office of Management and Budget
John Crehan	Department of Defense
John Cronin	General Accounting Office
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Philip Fitzpatrick	Department of the Treasury
Daniel McGrath	Department of the Treasury
Gerald Murphy	Department of the Treasury
Charles Schwan	Department of the Treasury
Joseph Zimmer	Office of Federal Procurement Policy

Letter of Credit Workshops

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Paul Gist	Department of the Treasury
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Anne Reed	Department of the Treasury
Hazel Strothers	Department of Health, Education and Welfare
Rolf Wold	Department of the Treasury
Stan Wolicki	Department of the Treasury

Workshop on Cost Principles for Grants and Contracts with
State and Local Governments.

John Garraty	Department of Health, Education and Welfare
Joseph Handzo	Department of Labor
George Wolff	Department of Health, Education and Welfare

Workshop on Intergovernmental Relations

Thomas Hadd	Office of Management and Budget
Alvin Kitchen	Joint Financial Management Improvement Program
Palmer Marcantonio	Office of Management and Budget
Alan Siegal	Department of Housing and Urban Development
Thomas Snyder	Office of Management and Budget
Bill Thurman	General Accounting Office
Susumu Uyeda	Joint Financial Management Improvement Program

APPENDIX E

MAJOR ACCOMPLISHMENTS TO IMPROVE FINANCIAL MANAGEMENT

	ACCOUNTING	AUDITING	BUDGETING	MANAGEMENT	CASH	PAYROLL	SPECIALIZED SYSTEMS
Agency for International Development	X	X	X	X	X		
Agriculture, Department of	X		X	X			X
Air Force, Department of the		X		X	X	X	X
Arms Control & Disarmament Agency	X	X					
Army, Department of the		X	X				
Commerce, Department of	X	X	X	X	X		X
Commodity Futures Trading Commission	X		X			X	X
Community Services Administration					X		
Consumer Product Safety Commission							X
Cost Accounting Standards Board	X						
Defense Contract Audit Agency		X					
Defense Mapping Agency				X			
Energy, Department of	X	X	X	X	X		X
Environmental Protection Agency		X	X		X		
Executive Office of the President	X						
Export-Import Bank of the U.S.				X	X		
Farm Credit Administration	X						
Federal Communications Commission	X		X	X		X	
Federal Home Loan Bank Board		X	X	X			
Federal Maritime Commission				X			
Federal Mediation and Conciliation Service	X		X	X			
Federal Trade Commission	X	X		X		X	X
General Services Administration	X						
Health, Education and Welfare, Department of	X		X	X	X		X
Housing and Urban Development, Department of	X	X	X	X	X		
Interior, Department of the	X		X	X	X		X
International Communications Agency			X				X
International Trade Commission				X			
Interstate Commerce Commission	X		X				
Justice, Department of	X	X	X	X	X		X
Labor, Department of	X	X	X	X	X		
National Aeronautics & Space Administration	X		X	X		X	X
National Credit Union Administration	X				X		
National Endowment for the Arts						X	
National Labor Relations Board	X				X		
National Science Foundation	X	X		X			
National Security Agency			X	X	X		
Navy, Department of the	X	X		X	X	X	X
Nuclear Regulatory Commission	X						
Office of Personnel Management	X	X		X	X		
Panama Canal Company				X			
Railroad Retirement Board	X		X				X
Renegotiation Board		X					
Securities and Exchange Commission	X		X	X	X		
Small Business Administration	X		X				
State, Department of	X		X	X			
Tennessee Valley Authority	X	X			X	X	
Transportation, Department of		X	X	X	X	X	
Treasury, Department of the	X	X	X	X	X	X	X
Veterans Administration	X			X	X	X	X

AGENCY ACCOMPLISHMENTS IN OPERATING AGENCIES

A. ACCOUNTING

1. Accounting or Financial Management Systems: Department of Commerce, Consumer Product Safety Commission, Department of Energy, Executive Office of the President, Federal Trade Commission, General Services Administration, Department of the Interior, Department of Justice, National Science Foundation, Department of the Navy, Nuclear Regulatory Commission, Securities and Exchange Commission, and the Tennessee Valley Authority.
2. Account Receivable and Loan Accounting Systems: Department of Agriculture, Department of Energy, Department of Health, Education and Welfare, Department of Housing and Urban Development, National Aeronautics and Space Administration, Small Business Administration, and the Department of State.
3. Charging Systems for Goods/Services and Cost Recovery Systems: Department of the Interior, National Aeronautics and Space Administration, and the Office of Personnel Management.
4. Interagency Payments by Journal Voucher and SIBAC: General Services Administration and the Office of Personnel Management.
5. Billing Documents Automated: Office of Personnel Management and the Small Business Administration.
6. General Ledger/Cash Reporting and Reconciliation Systems: Environmental Protection Agency, Farm Credit Administration, and the Railroad Retirement Board.
7. Obligations or Payment System: Department of the Interior, Interstate Commerce Commission, National Aeronautics and Space Administration, Department of the Navy, and the Department of the Treasury.

B. AUDITING

1. Planning Systems for Audit Work: Agency for International Development, Department of the Air Force, and the Defense Contract Audit Agency.
2. Training: Agency for International Development, Department of the Air Force, Defense Contract Audit Agency, Department of Energy, and the Department of Justice.
3. Guidelines for Operational Audits: Defense Contract Audit Agency.
4. Data Retrieval Programs and use of Statistical Sampling Methods: Defense Contract Audit Agency and the Department of Energy.
5. Tracking and Control System for Auditing: Environmental Protection Agency and the Department of Justice.
6. Audit Followup: Department of Health, Education and Welfare, Department of Housing and Urban Development, National Science Foundation, Department of the Navy, and the Department of the Treasury.

C. AUTOMATIC DATA PROCESSING

1. Microfilm/Microfiche: Agency for International Development, Department of Health, Education and Welfare, Department of the Interior, Small Business Administration, Department of Transportation, and the Department of the Treasury.
2. Automated Input and Communications Network via Terminals: Environmental Protection Agency, Federal Communications Commission, Department of Health, Education and Welfare, Department of Justice, Department of Labor, National Aeronautics and Space Administration, Securities and Exchange Commission, Tennessee Valley Authority, Department of Transportation, and the Department of the Treasury.
3. Data Base Management System/Centralized Computer System: Department of Agriculture, Department of Commerce, and the Federal Home Loan Bank Board.
4. Minicomputer/Microcomputer Applications: Department of Commerce, Department of Energy, Department of Justice, and the Department of the Treasury.
5. Report Generators: Department of Energy, and the International Communications Agency.
6. System Inquiry via Terminal: Department of Health, Education and Welfare, Department of the Interior, Department of Justice, Department of Labor, National Aeronautics and Space Administration, and the Department of the Treasury.
7. Use of Word Processing System for Accounting/Budgeting Applications: Department of Housing and Urban Development, and the Advisory Commission on Intergovernmental Relations.

D. BUDGETING

1. Zero-Based Budgeting System: Department of Agriculture, Department of the Air Force, Department of Commerce, Federal Communications Commission, Federal Home Loan Bank Board, Department of Health, Education and Welfare, Department of Justice, Department of the Navy, Department of Transportation, and the Department of the Treasury.
2. Cost-Based Budgeting and Operating Expense Budget: Agency for International Development, Department of Commerce, and the Department of Energy.
3. Budget Plans Automated: Department of the Air Force, Commodity Futures Trading Commission, Department of Energy, and the National Aeronautics and Space Administration.
4. Improved Administrative Control of Funds System: Department of Commerce and the Office of Personnel Management.
5. Budget Handbook: Department of Commerce and the National Science Foundation.
6. Program and Budget Data System: Defense Mapping Agency, Federal Maritime Commission, Department of Health, Education and Welfare, Department of the Interior, and the Department of Justice.
7. Evaluation of Budget Planning Process: Federal Trade Commission and the International Trade Commission.
8. Position Control System: Department of Health, Education and Welfare, Department of Justice, Department of Labor, Securities and Exchange Commission, and the Department of Transportation.

E. CASH MANAGEMENT

1. Use of Electronic Funds Transfer System: Agency for International Development, Department of Agriculture, Department of Commerce, Department of Transportation, and the Department of the Treasury.
2. Completed Cash Management Review: Department of Agriculture, Department of Energy, Department of the Interior, Department of Labor, Department of the Navy, and the Tennessee Valley Authority.
3. Use of Regional Banks to Accelerate Receipt Deposits: Department of Agriculture, Department of Housing and Urban Development, and the Department of the Interior.
4. More Timely Billings and Accelerated Collection: Department of the Air Force, Department of Commerce, and the Department of the Interior.
5. Streamlining Procedures to Make Timely Disbursement: National Security Agency and the Office of Personnel Management.
6. Better Monitoring of Advances made Through Letters of Credit: Department of Commerce, Community Services Administration, Environmental Protection Agency, Department of Health, Education and Welfare, Department of the Interior, Department of Justice, Department of Labor, Department of Transportation, and the Department of the Treasury.
7. Monitoring Travel Advances: Department of Commerce and the Department of Justice.

F. PAYROLL

1. Integrated Payroll/Personnel System: Federal Mediation and Conciliation Service, Federal Trade Commission, Department of the Interior, Department of Labor, and the Department of the Treasury.
2. Payroll System Development and Modification: Commodity Futures Trading Commission, Federal Communications Commission, Department of the Interior, National Endowment for the Humanities, and the Department of the Navy.
3. Consolidation of Payroll Offices: Department of Energy and the Department of the Navy.
4. Use of Electronic Funds Transfer System to Deposit Pay Directly to Bank Accounts: Department of the Air Force, National Aeronautics and Space Administration, Department of the Navy, Tennessee Valley Authority, and the Department of the Treasury.
5. Automated Retiree and Annuitant Pay System: Department of the Air Force.

G. SPECIALIZED SYSTEMS AND OTHER ACCOMPLISHMENTS

1. Financial Management Training: Agency for International Development, Department of Commerce, Federal Communications Commission, Federal Home Loan Bank Board, Department of Health, Education and Welfare, Department of Justice, National Aeronautics and Space Administration, National Security Agency, Department of the Navy, Department of Transportation, and the Department of the Treasury.
2. Work Measurement Systems: Department of Agriculture, Railroad Retirement Board, and the Department of the Treasury.
3. Travel/Teleticketing System: Agency for International Development, International Communications Agency, Department of Labor, National Credit Union Administration, National Labor Relations Board, National Security Agency, Security Exchange Commission, and the Department of the Treasury.
4. Financial Management Controls on Foreign Military Sales: Department of the Air Force and Department of the Army.

APPENDIX F

MAJOR UNDERTAKINGS TO IMPROVE FINANCIAL MANAGEMENT

	ACCOUNTING	AUDITING	BUDGETING ADP	MANAGEMENT	CASH PAYROLL	SPECIALIZED SYSTEMS
Agency for International Development	X		X	X	X	
Agriculture, Department of	X		X	X	X	X
Air Force, Department of the	X		X	X		X
Arms Control & Disarmament Agency	X					
Army, Department of the						X
Commerce, Department of	X	X	X		X	X
Commodity Futures Trading Commission	X					
Community Services Administration	X					
Consumer Product Safety Commission						X
Cost Accounting Standards Board	X					
Defense Contract Audit Agency		X				
Energy, Department of	X		X			X
Environmental Protection Agency			X		X	
Executive Office of the President	X				X	X
Export-Import Bank of the U.S.	X					
Farm Credit Administration						X
Federal Communications Commission	X					X
Federal Home Loan Bank Board		X				
Federal Maritime Commission				X		
Federal Mediation and Conciliation Service		X			X	
Federal Trade Commission	X	X		X		X
General Services Administration	X					
Health, Education and Welfare, Department of	X		X	X		X
Housing and Urban Development, Department of	X	X	X	X		
Interior, Department of the	X		X	X		X
International Boundary and Water Commission	X		X			
International Trade Commission				X		
Interstate Commerce Commission					X	X
Justice, Department of	X		X	X		
Labor, Department of	X		X	X		X
National Aeronautics & Space Administration	X		X			X
National Credit Union Administration	X					
National Endowment for the Arts			X			
National Labor Relations Board	X					X
National Science Foundation	X			X		
National Security Agency	X		X			
Navy, Department of the	X	X	X	X	X	X
Nuclear Regulatory Commission	X					
Office of Personnel Management		X	X		X	X
Panama Canal Company						X
Railroad Retirement Board	X					
Renegotiation Board						X
Securities and Exchange Commission						X
Small Business Administration	X				X	
State, Department of	X		X	X		
Tennessee Valley Authority	X		X		X	X
Transportation, Department of			X	X		X
Treasury, Department of the	X	X	X	X	X	X
Veterans Administration	X			X	X	X

MAJOR UNDERTAKINGS OF OPERATING AGENCIES

A. ACCOUNTING

1. Development of Accounting or Financial Management Systems: Agency for International Development, Department of Agriculture, Department of the Air Force, Environmental Protection Agency, Farm Credit Administration, Federal Maritime Commission, General Services Administration, Department of Health, Education and Welfare, Department of Housing and Urban Development, Department of the Interior, Department of Justice, National Aeronautics and Space Administration, National Endowment for the Humanities, National Science Foundation, National Security Agency, Department of the Navy, Security and Exchange Commission, Small Business Administration, Department of State, Department of Transportation, and the Veterans Administration.
2. Data Base Transfer/Update Accounting Data Base from One Computer System to Another: Department of the Air Force.
3. Report Design and Report Requirements: Department of Commerce and the Federal Home Loan Bank Board.
4. Review of Accounting System/Financial Information Needs: Department of Commerce, Department of Energy, and the Department of the Treasury.
5. Centralization of Financial/Accounting Functions: Department of Energy and the Veterans Administration.
6. Development of Cost Accounting Procedures System: Department of Energy, National Aeronautics and Space Administration, Department of the Navy, and the Department of the Treasury.
7. Refund Fee Accounting System: Federal Communications Commission and the Department of the Treasury.
8. Interagency Billing and Collection: General Services Administration.
9. Procurement Tracking and Accounting System: Federal Trade Commission, Department of Health, Education and Welfare, Interstate Commerce Commission, Department of Labor, and the Department of the Navy.

10. Intergration of Planning, Budgeting, and Accounting in Management Information Systems: Consumer Product Safety Commission.
11. Distinction Between Direct/Indirect Costs: Cost Accounting Standards Board.

B. AUDITING

1. Centralized Audit Report: Agency for International Development and the Department of the Treasury.
2. Audit Followup System: Agency for International Development, Department of Commerce, Federal Home Loan Bank Board, and the Department of Housing and Urban Development.
3. Comparison of Files Within Agency to Others in Government: Office of Personnel Management.
4. Use of ADP for Planning and Managing Audits: Department of Commerce.
5. Automated Publication of Audit Manual: Defense Contract Audit Agency.
6. Questionnaire for ADP Audit: Federal Home Loan Bank Board.
7. New Audit Guidelines: Federal Home Loan Bank Board.
8. Audit Plan Formalized: Federal Mediation and Conciliation Service.
9. More Cooperation/Coordination with State and Local Auditors: Department of Justice.
10. Audit Inventory System: Department of the Navy.
11. Cost Tracking System for Audit Work: Department of the Treasury.

C. AUTOMATIC DATA PROCESSING

1. Large Centralized Computer System Installation: Department of Agriculture.
2. Submission of Information on Magnetic Tape/Disk to Other Agencies: National Science Foundation, Office of Personnel Management, and the Department of the Treasury.
3. Intelligent Terminal Systems (Field Office Input Data): Department of Commerce, Department of Energy, Department of Justice, Department of Labor, National Aeronautics and Space Administration, Tennessee Valley Authority, Department of Transportation.
4. On-line Inquiry Capability: Department of Commerce, Federal Trade Commission, and the Department of Health, Education and Welfare.
5. Microfilm/Microfiche: Department of Health, Education and Welfare, Small Business Administration, Department of the Treasury, and the Veterans Administration.
6. Cost Accounting for ADP: Department of Labor, Department of Transportation, and the Department of the Treasury.
7. Automated Input via Terminals: National Security Agency, Executive Office of the President, and the Department of the Treasury.

D. BUDGETING

1. Report System for Operating Expenses: Agency for International Development.
2. Alternative Budget Proposals--Input to System from Field Offices: Department of the Agriculture.
3. Analysis of Current Projects and Projected Achievements: Department of Agriculture, and the Department of Health, Education and Welfare.
4. Provide On-Line Budget System: Department of the Air Force, National Science Foundation, and the Department of the Treasury.
5. Control of Administrative Funds: Department of Commerce, Department of Health, Education and Welfare, Department of State. Department of Transportation, and the Department of the Treasury.
6. Funds Control and Obligation System (Account Payable): Department of Energy, Department of Health, Education and Welfare, Department of the Interior, Department of Labor, National Labor Relations Board, and the Department of the Treasury.
7. Formal Process for Budget Development and Authorization and Monitoring: Department of Energy, and the Department of Justice.
8. Automated Budget Formulation System: Federal Trade Commission, Department of the Navy, and the Veterans Administration.
9. Position Management System: Federal Trade Commission, National Aeronautics and Space Administration, Department of the Navy, and the Department of the Treasury.
10. Streamline Budget Formulation and Program Funding Authorization Procedures: Department of Justice and the Department of State.
11. Indirect Cost Allocation: Department of Labor.

E. CASH MANAGEMENT

1. Cash Management System Development: Agency for International Development, Federal Maritime Commission, National Credit Union Administration, and the Executive Office of the President.
2. Use of Regional Banks: Department of Agriculture and the Department of the Treasury.
3. Use of Electronic Funds Transfer for Receipts and Payments: Department of Agriculture, Department of Commerce, Tennessee Valley Authority, and the Department of the Treasury.
4. Check Cancellation Control System: Office of Personnel Management.
5. Letter of Credit: Department of Commerce, Department of Justice, Small Business Administration, Tennessee Valley Authority, and the Department of the Treasury.
6. Cash Management Review/Study: Environmental Protection Agency, Department of Health, Education and Welfare, Department of the Treasury, and the Veterans Administration.
7. Accounts Receivable System: Railroad Retirement Board and the Tennessee Valley Authority.

F. PAYROLL

1. Redesign and Enhancement of Central Payroll and Personnel System: Department of Agriculture, Department of the Air Force, Department of Commerce, Department of the Interior, Office of Personnel Management, Department of Transportation, and the Department of the Treasury.
2. Use of On-Line Equipment for Automated Input for Payroll: Department of the Army, Department of the Interior, Department of the Navy, Tennessee Valley Authority, and the Department of the Treasury.
3. Automation of Payroll from Field Offices: Department of Commerce.
4. Development of Payroll System: Federal Communications Commission, Nuclear Regulatory Commission, Renegotiation Board and the Department of Transportation.
5. Promotion of Direct Credit to Financial Institutions: Department of Health, Education and Welfare, Tennessee Valley Authority, and the Department of the Treasury.
6. Consolidation of Payroll Systems: Department of the Navy and the Department of Transportation.

G. SPECIALIZED SYSTEMS AND OTHER ACCOMPLISHMENTS

1. Real Property/Personal Property and Motor Vehicle Inventory Control System: Department of Agriculture and Department of Justice.
2. Life Cycle Costing: Department of the Army.
3. Computation of Annuity Rate Automated: Office of Personnel Management.
4. Self Study Course on Cost Accounting Standards Board Rules: Defense Contract Audit Agency.
5. Travel Costs Reduction and Travel Advance System: Federal Mediation and Conciliation Service, Federal Trade Commission, Department of the Interior, National Aeronautics and Space Administration, National Security Agency, and the Department of the Treasury.
6. Leased Space Requirements/Space Management: Federal Mediation and Conciliation Service and the Department of Labor.
7. Automated Document Control System: Federal Trade Commission.
8. Material Management System--Requisition, Procurement, Receipt, and Payment Process: Department of Health, Education and Welfare and the Tennessee Valley Authority.
9. Work Measurement: Department of Health, Education and Welfare (voucher examining), and the Department of the Treasury.
10. Case Tracking System: Department of Health, Education and Welfare and the Department of Labor.
11. Standardize and Consolidate Financial Documents: Department of the Navy.