

JFMIP

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Program

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WHAT IS JFMIP?

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout Government. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, joined JFMIP in 1966.

The overall objective of the Joint Program is to make improvements that contribute significantly to the effective and efficient operation of governmental programs. Activities aimed at achieving this objective include:

- Developing general objectives in those areas of common interest to the central agencies for guiding the improvement of financial management across government and promoting strategies for achieving those objectives.
- Reviewing and coordinating central agencies' activities and policy promulgations affecting financial management to avoid possible conflict, inconsistency, duplication, and confusion.
- Undertaking projects and special reviews of significant problems and new technologies in financial management and publishing the findings and conclusions, often in the form of "best practices," as guidance to the operating agencies and with recommendations, if appropriate, to the central agencies.
- Acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
- Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and relies on the active participation of Federal agencies to be successful. The Joint Program is guided by a Steering Committee consisting of key policy officials from each of the central agencies. A key official from a program agency, currently the Department of Agriculture, also serves on the Steering Committee. A small staff headed by an Executive Director provides support to the Committee.

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THE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

FOREWORD

This report highlights the financial management improvement activities during fiscal year 1985 by the Joint Financial Management Improvement Program (JFMIP), its central agencies, and other Federal agencies. We believe that by exchanging information, agencies will be able to make improvements within their operations and learn from the efforts of others. We welcome and encourage requests for additional information concerning reported accomplishments, either through the JFMIP staff or the agency liaison representatives.

With this report, we are introducing two new sections. First, we have included in Chapter 3 a section on agencies' uses of microcomputer applications for enhancing financial management activities. And, second, we are devoting a new chapter to highlight the initiatives of inspectors general and other auditing organizations which contributed to the improvement of auditing.

On behalf of JFMIP, we would like to thank all of the agency officials who contributed to this report and look forward to hearing of new and significant accomplishments in the future. Also, we would like to congratulate those managers who have dedicated significant time and effort to improving financial management in their agencies.

David V. Dukes
Executive Director

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CHAPTER 1

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

BACKGROUND

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission became a part of the Joint Program in 1966 and was replaced by the Office of Personnel Management in 1979.

The overall objective of JFMIP is to improve and coordinate financial management policies and practices throughout the Government so that they will contribute significantly to the efficient and effective planning and operation of governmental programs. Leadership and guidance are provided by the four Principals of the Program--the Secretary of the Treasury, the Director of the Office of Management and Budget, the Comptroller General of the United States, and the Director of the Office of Personnel Management. The program is administered by a Steering Committee, which is composed of representatives of the Principals and the Executive Director of the JFMIP. Under the guidance of the Steering Committee, the Executive Director and his staff develop, direct, and undertake improvement programs and projects for JFMIP on a day-to-day basis in cooperation with the central agencies and the operating agencies. Appendix B is a listing of key officials and Appendix C lists the JFMIP staff members during 1985.

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the central and operating agencies. The JFMIP Steering Committee and staff play a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices. To fully achieve the necessary coordination and cooperation, the head of each Federal agency has designated a liaison official to serve as a point of contact on matters relating to the JFMIP. Agency liaison representatives are identified in JFMIP's annual Financial Management Directory.

The JFMIP agencies and staff perform a variety of activities aimed at achieving the objective of financial management improvement. The Steering Committee and staff develop general objectives in those areas of common interest to the central agencies for the improvement of financial management across government and promote strategies for achieving those objectives. JFMIP staff assists the Steering Committee to review and coordinate central agencies'

activities and policy promulgations to preclude possible conflict, inconsistency, duplication, and confusion. The JFMIP office acts as a clearinghouse for sharing and disseminating information about good financial management techniques and technologies. In this respect, JFMIP sponsors conferences and workshops, publishes a quarterly bulletin, and prepares informative documents on good financial management practices. Working closely with agency liaison representatives, JFMIP staff reviews the financial management efforts of the operating agencies and serves as a catalyst for further improvements.

In addition, JFMIP agencies and staff undertake special studies and research projects of a governmentwide nature to resolve specific problems. Such projects are often carried out through interagency project teams involving both the central and operating agencies. Sometimes, project teams include representatives of State and local governments, depending on the nature of the projects. JFMIP staff also provides advisory services in dealing with specific financial management problems. These problems may be dealt with by referral to a source of expertise, by assignment to the central agencies, or by informal consultation.

During the past year, the JFMIP Steering Committee and staff and the central agencies have undertaken various activities to improve financial management. In the balance of this chapter, some of their major initiatives and accomplishments are highlighted.

Special Projects Completed in 1985

a. Major Agencies Accounting Systems Profiles. The JFMIP completed a reference document on major Federal departments and agencies' accounting systems. This document is used to advise Federal officials on inquiries regarding accounting systems improvements.

The systems profiles are organized by department or agency. Each profile contains a short overview of each organization's financial structure and a section on the system description, including: types of transactions, financial functions, type of computer, and a brief narrative of the system. The information for the profiles was derived from existing sources. We will be expanding the profiles to include data on other financial management systems operated by the agencies. These profiles will be updated annually.

b. Performance Plans and Senior Executive Service Contractual Provisions for Financial Management. A study of performance plans and Senior Executive Service contracts was made to find out whether contractual provisions relating to financial matters were included in both financial and nonfinancial managers performance plans. A survey was conducted at four organizations: Departments of Interior and Commerce, the National Science Foundation, and the Veterans Administration. The study results showed that financial

managers performance plans included provisions relating to financial management, while nonfinancial managers' plans contain provisions only for internal controls, as required by the Federal Managers' Financial Integrity Act. Recommendations were made for agencies to apply applicable financial elements in performance plans of program managers based on annual reviews. Elements, such as internal control, cash management, and debt collection should be used.

Special Projects Underway

Accounting Systems Profiles were developed for 16 small independent agencies. Those profiles contain over 50 pieces of information for each agency reviewed. The data were gathered in meetings at agency sites with top financial management personnel. The profiles are to be entered into a microcomputer data base for easy update and flexibility of inquiry and retrieval.

Each profile includes general information about the agency (size, budget) and its financial management environment (fund type, key transaction types). System descriptions cover hardware configuration, software packages, and transaction volume per year. Upon completion, all the agency information will be printed from the data base and distributed to the agencies for their verification and correction. After that, the data base information will be available to Federal agencies for research on operating systems to facilitate off-the-shelf transfers and adaptations. Agency contacts have all volunteered to help prospective users. Their phone numbers will be provided to interested parties.

Annual Financial Management Conference

The JFMIP sponsors an annual financial management conference to disseminate information on current financial management issues and recent developments on financial management improvements. Over 650 people attended JFMIP's 14th Annual Financial Conference held on March 20, 1985, at the Omni Shoreham in Washington, D.C.

The two keynote speakers were Donald Moran, Executive Assistant Director, Office of Management and Budget, and Charles Bowsher, Comptroller General of the United States. Both speakers highlighted the importance of properly "Managing the Government's Financial Resources," which was the theme of the Conference. Mr. Moran stated that financial managers have a fundamental responsibility for the stewardship of the Government's money that is crucial to the development of the public's trust. He reminded financial managers that they were the most capable people in making concrete policies.

The Comptroller General discussed the accomplishments the Government has made in managing its resources during the past year. Looking ahead, he emphasized that financial systems of the future need to be modernized, consolidated, and integrated. To

restore the public's confidence in the Government, he reaffirmed his commitments in these areas:

- accounting systems with adequate controls;
- full disclosure in financial reporting; and
- efficient, timely, and modern operations of Federal programs.

One of the highlights of the Conference was the presentation of the 1984 Donald L. Scantlebury Awards to Clyde E. Jeffcoat, Principal Deputy Commander of the U.S. Army Finance and Accounting Center, and Earle E. Morris, Jr., Comptroller General for the State of South Carolina.

Four workshops were held on various aspects of financial management, including:

- Single Audit Act: Where We're Headed;
- Improving Accounting Systems;
- Improving Efficiency in Financial Management; and
- General Management Initiatives.

JFMIP Workshops

Workshops on current issues are periodically sponsored by JFMIP and Federal Executive Boards in various cities. The Federal Executive Board at Baltimore and JFMIP sponsored a workshop on "Current Management Issues" in January 1985. In April, the Federal Executive Board of Dallas/Fort Worth and JFMIP co-sponsored a one-day "Management Improvement Symposium." These workshops covered a wide range of topics, such as Reform '88, Internal Controls, Microcomputer technology and training, and OMB Circular A-76.

Agency Meetings

The JFMIP meets with senior financial management executives from major departments and agencies to learn about their concerns, problems, and initiatives in financial management. These visitations assist the JFMIP staff to bring together agencies that are working, or have worked on similar undertakings for the purpose of sharing and exchanging knowledge and lessons learned. Through this cross-fertilization effort, JFMIP hopes to minimize developmental costs, and prevent "reinventing the wheel." Meetings were held with the following agencies in 1985: Department of Agriculture, Department of Justice, Veterans Administration, National Aeronautics and Space Administration, and the Federal Trade Commission.

The JFMIP also participated in meetings with the Financial Managers' Council, which consists of controllers or senior financial management executives from the 17 largest Federal departments and agencies, and the Small Agencies Financial Managers' Council, which represents top financial officials from 16 small Federal agencies.

CHAPTER 2

CENTRAL AGENCIES' INITIATIVES TO IMPROVE GOVERNMENTWIDE FINANCIAL MANAGEMENT

OFFICE OF MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) implemented numerous initiatives that affected financial management governmentwide. These initiatives include some of the Reform '88 efforts of two interagency groups: the President's Council on Management Improvement and the President's Council on Integrity and Efficiency. Reform '88 is the President's program to modernize the Government and improve the management process and systems. Major initiatives include:

- Development of financial management policy (OMB Circular A-127), which requires agencies to establish integrated financial management systems and implement standards required by the Federal Managers' Financial Integrity Act;
- Implementation of the Prompt Payment Act (OMB Circular A-125);
- Development of credit management policies and standards (OMB Circular A-129) covering every aspect of credit management; and
- More detailed and improved presentation of budget information underlying the 1987 budget proposals.

A brief explanation of each initiative is described below.

FINANCIAL MANAGEMENT SYSTEMS

Financial management systems are the backbone of agencies' planning, budgeting, accounting, review, and control functions. OMB Circular A-127 established financial management policy and standards for implementing the Federal Managers' Financial Integrity Act. This policy requires:

- Each agency to develop a single integrated, efficient financial management system which will meet specified objectives.
- Consolidation, streamlining, and standardization of systems.
- Interagency development of new systems.

- Use of off-the-shelf systems rather than custom-building new systems.
- Annual review of agency financial systems.
- A 5-year plan from each agency, coordinated with the information technology plan, updated annually, and submitted with the agency's budget.
- Conformity of the accounting system with appropriate accounting principles and standards.

Under the lead agency concept, two generic financial systems projects have been established to demonstrate the capabilities of modern systems. The Department of State is developing the international agencies' model system to also serve the U.S. Information Agency, the Peace Corps, and the Agency for International Development. The Department of Transportation (DOT) led an interagency effort which developed a standard general ledger for domestic agencies. Other key agencies working with DOT included: Agriculture, Commerce, Defense, Health and Human Services, Justice, Treasury, and the JFMIP office. Many other agencies also contributed. DOT plans to incorporate the standard general ledger in its development of generic accounting requirements which other agencies could adopt.

Another financial management system initiative is the reduction of the total number of Federal payroll/personnel systems to one system per agency, with the end objective being only 12 Government systems by 1992. Use of cross-servicing is an important alternative to help reduce the number of systems. During 1985, 10 payroll and 10 personnel systems were removed from the Federal inventory, leaving 101 systems in the current inventory.

PROMPT PAYMENT

OMB Circular A-125 implemented the Prompt Payment Act and requires that Federal agencies 1) pay their bills on time; 2) pay interest penalties when payments are late; and 3) take discounts when payments are made within the discount period. During 1985, Federal agencies continued to implement the Prompt Payment Act successfully. Federal agencies reported that more than 99 percent of their bills were paid on time.

OMB has continued to promote and encourage better performance under Circular A-125. After an Inspector General audit report disclosed that millions of dollars had been paid using "fast payment" procedures for materials that were never received, OMB issued additional guidance limiting the use of the fast track procedures to circumstances where prior documentation of receipt for timely payment is infeasible.

Automated systems have been refined, personnel have been trained, and prompt payment has become uniform. Also, many

agencies have instituted prompt payment performance standards for rating their personnel.

CREDIT MANAGEMENT/DEBT COLLECTION

By the end of fiscal year 1985, the Government either directly or indirectly allocated credit worth about a trillion dollars. OMB issued two credit policy circulars which focus on the preventive, "front-end," aspects of credit management. First, Circular A-70, Policies and Guidelines for Federal Credit Programs requires that 1) risk sharing with the private sector be promoted by offering less than 100 percent Federal guarantees; 2) double or hidden subsidies, through direct or indirect Federal guarantees, not be provided for Federal tax-exempt obligations; 3) interest rates on new loans be related to market rates; and 4) legislative credit proposals contain an explicit valuation of subsidies provided to program beneficiaries, and that beneficiaries pay for part of the Federal default liability through administrative fees.

OMB Circular A-129, Managing Federal Credit Programs, provides comprehensive guidance on servicing and collecting receivables. This guidance helps ensure that financial assistance programs are administered according to consistent credit and management standards and the result will be improved collections and reduced delinquencies. Since the Debt Collection Act of 1982, agencies report their delinquencies to credit bureaus, prescreen applicants' credit history before awarding a loan, loan guarantee or contract, and refer delinquent accounts to credit bureaus and private collection agencies. Specific debt collection initiatives include:

- Agreements developed between 20 agencies and credit bureaus which resulted in the referral of 2.2 million delinquent accounts with unpaid balances of \$76.6 billion.
- The groundwork for the first Federal income tax refund offsets from severely delinquent debtors of five of the largest domestic credit agencies (HUD, VA, Education, SBA, and USDA).
- The use of automated collection systems by SBA, HUD, and Treasury that increased collections significantly.
- The automated/paperless collection system of the IRS that increased collections by \$800 million annually and reduced staff.

BUDGETING

Documents Related To The 1987 Budget. OMB has continued to make budget information more accessible by issuing documents that provide information on the details underlying the 1987 Budget proposals. These documents are:

- Major Policy Initiatives. This volume provides brief descriptions of major policy initiatives in the 1987 Budget, grouped by major themes underlying the Administration's proposals.
- Historical Tables. This volume, Historical Tables, Budget of the United States Government, 1987, provides budget data covering extended periods of time--in many cases from 1940-1991. The data have been restructured to be consistent with the concepts and presentation used in the 1987 budget, so that data series are comparable over time.
- Management Report. The second annual report, Management of the United States Government, 1987, describes efforts to improve the management of Federal agencies.

Improved Presentations In The Regular Budget Documents. OMB has continued to make budget information more useful by adding information to the 1987 Budget, Special Analyses, and the Appendix. Some of the improvements are as follows:

- Changes in presentation due to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). Throughout the budget documents, budget data for fiscal year 1986 reflect the effects of the sequestration of budgetary resources required to meet the 1986 maximum deficit target. In addition, the effects of sequestration are shown in separate schedules in the Budget Appendix and as separate line entries in Part 6d of the main volume.
- Reorganization of Federal credit budget information. Discussion of Federal credit has been consolidated in Part 6c of the main budget volume. This new part consists of an overview of Federal credit; a discussion of credit policies; and an explanation of the purposes of, the subsidies involved in, and the major beneficiaries of, both direct and guaranteed loan programs.

Improvement Due To Automation. Improvements have been made in photocomposition of text and tables in the budget documents. All of the text in Parts 1 through 5 of the budget, the Budget in Brief, and several special analyses, is now photocomposed, i.e., transferred via computer tape from OMB's word processing system to the Government Printing Office (GPO) computers for printing without manual intervention. The savings in time and dollars are quite substantial.

The Central Budget Management System, an automated data base management, reporting, and analysis system, was used heavily to meet new reporting requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). In accordance with this legislation, a report on sequestration of 1986 budgetary resources was prepared jointly by the Congressional Budget Office

(CBO) and OMB and transmitted to the General Accounting Office (GAO).

PRESIDENT'S COUNCIL ON MANAGEMENT IMPROVEMENT

The President's Council on Management Improvement, which oversees and coordinates management improvement projects, completed the following financial management projects:

- Coordinated the development of comprehensive guidance on servicing and collecting Government direct loans and accounts receivable.
- Reviewed the implementation of the Federal Managers' Financial Integrity Act to identify ways to improve management controls and streamline the processes used to evaluate internal control systems. As a result of this review, the Council recommended alternatives to the current procedures used to conduct internal control reviews that will provide the same assurances, but reduce the paperwork associated with implementation in many agencies.
- Completed a study, under contract, for development of a strategy for improving Federal financial management activities, including clarified organizational responsibilities, financial management systems, and the quality of financial management personnel.

DEPARTMENT OF THE TREASURY

GOVERNMENTWIDE ACCOUNTING INITIATIVES

Government Online Accounting Link System (GOALS)

The objectives of GOALS are: to establish a governmentwide telecommunications network; implement and/or improve current automated processes directly related to the payment, collection, and accounting and reporting functions; and provide financial information to financial management and other Government entities that is accurate, timely, and responsive to user needs. During 1985 the following System components were implemented.

- The telecommunication of SF-224, Statement of Transactions, to Treasury from Federal agencies.
- The telecommunication of Undisbursed/Receipt Account reports (TFS-6653, 6654, and 6655) to Federal agencies from Treasury.
- The telecommunication of interagency billing data via a computer-to-computer link.

- The Regional Financial Center/Agency Link which allows agencies access to paid disbursement data.
- The Management Improvement Plan Tracking System updates estimated savings in the President's budget and allows OMB to monitor progress against milestones. (Della Gottesman, 376-0704)

Consolidated Financial Statements (CFS)

The CFS of the United States Government for FY 1984 was reformatted to improve its readability and to more closely approximate corporate annual reports to stockholders. More graphic presentations were presented in the Financial Highlights section as well as in the Supplemental Tables. However, the Financial Statements, and the Notes to Financial Statements, the core of CFS, retained its traditional form. Several of the supplemental tables containing data available in other publications will be eliminated from the FY 1985 CFS and an extensive reformatting effort will make the report even more appealing and user oriented. (Judith Graf, 566-4663).

Federal Agencies' Financial Reports

In August 1985, the Financial Management Service (FMS), formerly the Bureau of Government Financial Operations, released an exposure draft of agencies' financial reporting requirements. Many comments on this exposure draft were received from all major departments and agencies, many of the smaller agencies, and the private sector. After analyzing the comments, several modifications will be made. These modifications include extending the due date from 15 to 45 days, and requiring annual reporting, with the exception of the Report on Status of Accounts and Loans Receivable Due from the Public (Schedule 220.9). The reporting requirements will be clarified and condensed, and an expanded glossary will be developed to augment the reports and to provide for common terminology. (James Sturgill, 566-2651)

Financial Analysis Program

A program to promote the analysis of financial data and the development of financial models was established by the FMS. This program will help agencies to assess better their financial performance through the application of financial models to a governmentwide data base. The data base consists of information submitted by agencies to Treasury on the Report of Financial Position (TFS-220), Report on Operations (TFS-221), Report on Changes in Financial Position (TFS-222), and related schedules, including the Report on Status of Accounts and Loans Receivable Due from the Public (Schedule 220.9). Agencies will be able to scrutinize how effectively their resources are used in comparison to previous performance, to other comparable programs, and with governmentwide standards. An interagency task group has been convened to develop prototype analytical models that will include

financial ratios, indicators, norms, and standards. Once developed, a methodology will be formulated to guide agencies in taking corrective action when problems are identified. The program will be fully implemented governmentwide in FY 1989. (William Holcombe, 535-9693)

Financial Management Data Base Terminal Access System

Recognizing the need to provide governmental accounting and financial regulatory information in a timely manner, the FMS developed this telecommunications system. The system's data base can be accessed via terminal by departments, agencies, financial institutions, stockbrokers, and the public. The data base presently includes the Treasury Financial Manual (TFM), the Federal Account Symbols and Titles (FAST) book, GAO Title 2 (other titles will be added later), and the Daily Treasury Statement. In fiscal year 1986, the data base will be expanded to include the Monthly Treasury Statement, the Treasury Bulletin, the percentage rate used for debt collection, OMB circulars, OPM payroll regulations, the Monthly Public Debt Statement, and quarterly Treasury Reporting Rates of Exchange. (Mozelle Jones, 566-9419)

Central Financial System

FMS has identified the need to make major changes in its governmentwide central accounting and reporting system. A project, known as the Governmentwide Accounting Project, has a two-faceted approach for developing and implementing enhancements to the existing central system: building a central core data base for the collection, aggregation, and dissemination of financial information; and establishing the accounting and control processes to support the operational functions of the central system.

The Requirement Analysis Phase of this project, now in process, will provide the general requirements needed to develop and implement a performance data base system for operationally improving the processing, aggregating, and formatting of data to facilitate multiple end-user needs. The principal focus will be on developing a prototype system for a major central accounting and reporting function that will provide significant improvements in data processing efficiency and operational effectiveness. (Bill McMillen, 566-3087)

CASH MANAGEMENT INITIATIVES

Agency Cash Management Reviews

Treasury was designated lead agency in the area of cash management in 1983. In this lead agency role, the FMS has focused on monitoring cash management review plans for the 20 major departments and agencies identified by Reform '88. Treasury works with agencies to establish fiscal year savings goals, track accomplishments according to specified timetables,

and identify governmentwide cash management issues which have significant financial impact on agency operations.

These initiatives have resulted in 1) some 50 agency accounts, representing \$35 million in daily collections, being converted to the nationwide lockbox system, and 2) electronic collection of funds owed to the Government being increased to \$110 billion annually. Also, over 400 individual initiatives have been identified by the cash management program.

In FY 85, 20 agencies achieved overall interest savings of \$660 million; 16 of these agencies exceeded their interest savings goals by \$249 million. These agencies were:

<u>Agency</u>	<u>\$ Over Goal (In Thousands)</u>
Agriculture	4,590
AID	3,048
Commerce	330
Defense	31,959
Education	4,074
Energy	3,845
EPA	583
GSA	163
HHS	135,527
HUD	2,464
Interior	651
Justice	4,974
Labor	33,835
NASA	2,258
RRB	16,113
State	4,627

(Fernando Bren, 634-5700)

New Treasury Checks

During 1985, FMS was in the process of converting the U.S. Treasury punched-card check to a paper check document. A pilot test was successfully completed in the Philadelphia Regional Financial Center and included the preparation and issuance of over five million IRS tax refund checks and Social Security Administration Title II checks to beneficiaries in the city of Philadelphia. Treasury Regional Financial Centers will issue all IRS tax refunds on paper checks after February 1986 and convert all other types of checks to paper by April 1, 1986. This conversion effort will enhance productivity, improve security, reduce storage costs and eventually reduce cost of check stock by about \$5 million annually. (Josi Hillary, 535-6400).

Federal/State Equity Program

Treasury continued its leadership role in the State/Federal Equity Program, a joint project designed to achieve equity in the intergovernmental transfer of funds by recovering interest that either party may have lost. While members of the Joint State/Federal Task Force were drafting changes to pertinent laws and regulations to make it possible for the new funding techniques to be implemented, the FMS was preparing a multi-faceted approach for implementation of the Program. Plans include an extensive educational effort at both the State and Federal levels, and States will have an opportunity to test funding techniques they select.

Implementation of the Deficit Reduction Act

This Act gave Treasury the responsibility to prescribe methods and timeframes for collecting and depositing monies; assess charges against Federal agencies for noncompliance; and credit the collection of imposed charges to the Cash Management Improvements Fund. The legislation and its implementing regulations will allow Treasury to promote and institutionalize cash management in all Federal agencies.

FMS first established a governmentwide task force to develop regulations and procedures to implement the Act. From this task force, the following products were developed:

- regulations governing the management of Federal Agency Receipts and Operation of the Cash Management Improvements Fund effective October 3, 1985;
- revisions to incorporate the cash management requirements of the legislation into the Treasury Financial Manual (I TFM 6-8000), published and distributed to over 4,300 locations in October 1985;
- procedures for monitoring agency cash management compliance with the legislation; and
- procedures for payment applications into and out of the Cash Management Improvements Fund.

A Governmentwide Cash Management Seminar was held on November 8, 1985, to brief agencies on the new legislation and to discuss the various cash management mechanisms available for agency use. Additional training on the legislation is planned for 1986. (Fernando Bren, 634-5700)

CREDIT MANAGEMENT AND DEBT COLLECTION

Financial Management Service Initiatives

FMS established a Credit Administration Division to work with the Office of Management and Budget (OMB) in improving credit

management and debt collection governmentwide. This Division is participating with OMB in the development and issuance of credit policy, standards, and guidance in the identification, development, and implementation of initiatives and systems to improve credit management and debt collection practices. This year's accomplishments included:

- The development of guidelines for agencies to follow in reporting information to credit reporting bureaus. Formats were also developed for the automated reporting of commercial debt;
- Participation in the joint White House/OMB/Treasury reviews of the credit operations of the four agencies with the largest loan programs;
- Participation with OMB and the General Services Administration (GSA) in the development of the statement of work for the Governmentwide debt collection contracts. FMS provided technical assistance to GSA in writing the procedures for the debt collection contractors to collect, process, and credit receipts representing delinquent debt to the agencies' accounts;
- The development of revisions to Standard Form-220, Schedule 9, Report on the Status of Accounts and Loans Receivable, to provide more timely, accurate, and relevant financial data to OMB and the agencies; and
- Providing assistance and technical advice to the Federal departments and agencies on various credit related subjects and issues.

In addition, there are a number of projects underway in support of the Administration's program initiative for improving credit management. A credit information system is being developed to collect, analyze, and disseminate information on agency credit and loan programs and on agency receivables. A users' guide for managing Federal credit programs is being developed. (Ken Carfine or Richard Green, 634-2313)

OFFICE OF PERSONNEL MANAGEMENT

As a central management agency, the Office of Personnel Management (OPM) implemented many projects that affected governmentwide operations. Specific initiatives in financial management training projects are described in the following paragraphs.

OPM introduced many financial management courses, desk guides, and other training mediums during 1985. Several examples are highlighted below.

- OMB Circular A-76 - (Performance of Commercial Activities). OPM's Office of Training & Development issued a government-wide training needs assessment on A-76 training. Four courses were developed to ensure that necessary training needs were met. They are: OMB Circular A-76/Cost Handbook Workshop; Writing Statements of Work for A-76 Reviews; A-76 Implementation Seminar; and Measuring Efficiency in Government. (Robert Grossman, 632-5600)
- Productivity Improvement - Two interagency training courses were developed in response to the President's government-wide Productivity Improvement Program. They were: Productivity Measures in Budget Justification, and Productivity Enhancement Through Capital Investment. (Tom Uttley, 632-5600)
- Treasury Automation Initiatives - A joint OPM/Treasury effort resulted in a special program to orient the departments and agencies to Treasury's new Automated Reporting System. OPM is seeking other opportunities to help agencies in financial management initiatives. (Tom Uttley, 632-5600)
- Computer Based Instructions - Several training courses that allow the student to use a personal computer were developed. Following the instructions on the screen, they allow the student to learn at their own pace. The new courses are: Fund Accounting for Managers and Supervisors, Preparation of Financial Reports, and Orientation to OMB Circular A-11.

These courses were provided to the Regional Training Centers together with an OPM video training package on Training the Trainer: Computer Classroom Teaching. (Ed Murphy, 632-5600)

- Desk Guides - Desk guides are the basic textbooks used in respective courses and serve a more broadly based purpose in that they can answer the day-to-day questions which arise in these subjects and occupations. Working with representatives of agencies, the following three desk guides were completed:

Imprest Fund Desk Guide, for all imprest fund cashiers.

Examining and Certifying Government Payments, for use by voucher examiners and certifying officers.

Government Payroll - Recordkeeping and Procedures, for payroll technicians, specialists, and supervisors.

(Tom Uttley, 632-5600)

--Performance Management and Recognition System (PMRS) Model - As part of the governmentwide implementation of PMRS, several computer models were developed and made available to agencies for use as analytical tools to develop and evaluate plans for performance award funding and distribution, and/or to determine individual pay increases and awards for GM employees. Some versions of the model are explained below:

- o A Fortran program can be used to compute individual merit and general increases, the estimated amount of a performance award fund, and individual performance awards in addition to average increases and awards and total spending. Performance awards are computed based on inputs of the desired funding level and an award matrix. The model will reconcile the award matrix so that funds are neither over nor under spent.
- o Two other versions of the model, one in BASIC and another, a LOTUS 1-2-3 spread sheet program, are available for simulation and estimation of performance award plans. (Paul Brown, 632-6092)

--Budget Template for Preparation and Submission of Budget Estimates - As part of the documentation for the Budgeting with Microcomputer courses, OPM developed a budget template. The template, programmed on an IBM (or compatible) diskette, enables the agencies to prepare various budget schedules required by OMB Circular A-11, and thereby make changes simultaneously and instantaneously to all interrelated schedules. It was distributed to all departments and agencies during a half-day demonstration session conducted by OPM in May 1985. (Tom Uttley, 632-5600)

Current Initiatives

OPM's Office of Training and Development is presently updating and upgrading the quality of manuals for high attendance Financial Management Training Institute courses. Plans include the introduction of computers in course curriculum when and where appropriate, and the development of quality desk-guides to be used by students and others when they return to work sites. Implementation of these plans was included in FY 1986 project plans and has been completed. (Ed Murphy, 632-5600)

GENERAL ACCOUNTING OFFICE

FEDERAL GOVERNMENT ACTIVITIES REVIEWED

In Fiscal year 1985, the General Accounting Office (GAO) issued 586 reports resulting from audits and special studies. About 78 percent of these reports were submitted to the Congress,

its committees and members. The remaining 22 percent of the reports were addressed to Federal agency officials but were also provided to interested congressional committees and members. GAO's audit work is performed under the authority in its basic statutes, as a result of specific legislative mandates, or in response to specific requests by committees or members of Congress. The table below shows the number of reports issued during fiscal year 1985 categorized by major audit area.

GAO REPORTS ISSUED DURING FISCAL YEAR 1985

	<u>Number of Reports</u>
Administration of Justice	19
Agriculture	25
Automatic Data Processing	6
Commerce and Housing Credit	12
Community and Regional Development	2
Congressional Information Services	1
Education, Training, Employment and Social Services	28
Energy	49
Financial Management and Information Systems	29
General Government	85
General Purpose Fiscal Assistance	1
General Science, Space, and Technology	4
Health	25
Impoundment Control Act of 1974	16
Income Security	36
International Affairs	43
Multiple Functions	3
National Defense	123
Natural Resources and Environment	41
Nondiscrimination and Equal Opportunity	1
Transportation	24
Veterans Benefits and Services	<u>13</u>
Total	<u>586</u>

In fiscal year 1985, GAO identified about \$11 billion in measurable financial benefits attributable to its work. Some of these are based on discrete one-time financial benefits, while others resulted in both first-year benefits as well as continuing benefits in later years. Of the total \$11 billion in accomplishments, \$6.27 billion represents first-year benefits and \$4.73 billion represents the average annual future benefits of those accomplishments which have recurring effects.

Most of GAO's measurable financial accomplishments fall into two general categories--budgetary savings and better use of funds. Budgetary savings are produced when actions taken in response to GAO's work result in decreases in Federal spending or increases in Federal revenue for a particular budget function and appropriation

or receipt account. In fiscal year 1985, GAO identified about \$8.21 billion in budgetary savings resulting from its work.

Many of GAO's measurable financial accomplishments fall into the second category--better use of funds. These are usually estimates of costs that will be avoided because the Congress or agencies implemented needed changes identified during GAO's audit activities. It should be noted, however, that better fund use does not necessarily reduce budgetary outlays or represent budgetary savings since the dollar amounts of the accomplishments may relate to future years or may be made available for other, more effective and efficient uses.

In addition to the benefits which can be measured in dollars, GAO's work often results in financial benefits which cannot be fully or readily measured or in benefits which cannot be measured in financial terms. For example, GAO's work often leads to improved program operations, elimination of duplicative efforts, better cooperation among government entities, and improved government services to program beneficiaries and citizens in general. Further details on the results of GAO's work are included in the United States General Accounting Office Annual Report for 1985.

Enabling legislation requires GAO to establish accounting principles, standards, and related requirements for Federal executive agencies. In fiscal year 1985, GAO continued to guide Federal agencies in establishing and maintaining internal controls, accounting systems, financial reports, and audit requirements, including the single audit concept that calls for streamlined audit requirements for Federally financed State and local government programs.

Financial management assignments undertaken during the year in response to specific congressional requests and still underway at the end of the year, include: 1) reviewing selected agencies' efforts to implement the Debt Collection Act of 1982 and the reliability of their systems of accounting for debt collection activities; and 2) assessing agency performance in meeting the criteria established in the Prompt Payment Act of 1982. GAO's work in this latter area will provide a governmentwide perspective of whether agencies pay on time--not early or late, take discounts only as appropriate, and pay interest penalties on excessively late payments.

CONCEPTUAL FRAMEWORK ISSUED FOR IMPROVING GOVERNMENT FINANCIAL MANAGEMENT

In February 1985, GAO published a report entitled Managing the Cost of Government: Building an Effective Financial Management Structure. The two volume report identifies the following five problems which demonstrate dramatically the need to build a more modern and effective financial management structure for the Federal Government -- 1) antiquated financial management systems; 2) lack of cost information; 3) lack of reliable information on

weapons systems; 4) inadequate disclosure of costs and liabilities; and 5) unstructured planning for capital investment.

It further identifies four key elements of reform: 1) strengthened accounting, auditing, and financial reporting; 2) improved planning and programming; 3) streamlined budget process; and 4) systematic measurement of performance. Taken together, these elements form the conceptual foundation of a new financial management structure. Implementation of such a structure will require investments in systems, organizations, and people.

GAO's participation in conceptualizing, planning, designing, and implementing a new structure complements GAO's role of working with agencies to improve financial management. (John Cherbini, 275-9487)

REVISED ACCOUNTING PRINCIPLES AND STANDARDS ISSUED

In November 1984, GAO issued the revised accounting principles and standards, Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies.

The requirements contained in Title 2 are the "generally accepted accounting principles for the Federal Government" and are the criteria for determining whether agency accounting systems comply with Federal accounting principles and standards.

Title 2 includes three major appendices sections covering 1) accounting principles and standards; 2) internal control standards (based on the standards issued in June 1983); and 3) accounting system standards (planned for issuance as an exposure draft in the latter part of fiscal year 1986). (Virginia Robinson, 275-9513, or Bruce Michelson, 275-9423)

CARE BASED AUDIT METHODOLOGY ISSUED

In July 1985, after incorporating various refinements based on comments received from the audit community on the exposure draft, GAO issued the CARE Based Audit Methodology to Review and Evaluate Agency Accounting and Financial Management Systems. The Control and Risk Evaluation (CARE) based audit methodology was developed to help identify and evaluate the adequacy of controls in agency accounting systems and to determine the degree of conformance of these systems with the Comptroller General's accounting principles, standards, and other requirements, as required under the Federal Managers' Financial Integrity Act. The CARE methodology is intended to help GAO auditors, Inspectors General staffs, and others in conducting reviews of agency internal controls and accounting systems. It is also used by GAO in carrying out selected aspects of general management studies of Federal departments and agencies.

CARE provides a flexible approach for reviewing an agency's accounting and financial management systems and is adaptable to any organizational level--an entire agency, a major component, an operational unit, or an individual system.

The CARE methodology emphasizes risk assessment, which greatly optimizes audit staff effectiveness. The methodology is organized in four segments: general risk analysis, transaction flow analysis, compliance testing, and substantive testing. The work performed in each segment is dependent upon the results obtained from each preceding segment. This methodology provides a flexible approach as it requires the use of professional judgment. (Virginia Robinson, 275-9513)

IMPLEMENTATION OF THE FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT MONITORED

Strengthening government internal control and accounting systems remains one of GAO's top priorities. As a result, GAO continued to monitor 23 agencies' progress and problems in implementing the Federal Managers' Financial Integrity Act of 1982. The goal of this legislation is to reduce fraud, waste, and abuse, and improve management of Federal operations through strengthened internal control and accounting systems. GAO issued a second overall report on the Act summarizing GAO's views on the internal control and accounting systems problems facing the Government (see GAO/AFMD-86-14, December 23, 1985).

In the summary report, GAO states that agency reports under the Act, Inspectors General audits, and GAO reviews continue to show that weaknesses and breakdowns in agency systems of internal control frequently result in wasteful spending, poor management, and losses totaling billions of dollars. In some cases, outright fraud has occurred and, in others, the government's ability to carry out crucial public services has been hampered. Serious internal control problems continue in a wide range of areas, such as weapons systems procurement, social security, debt collection, property management, and automated data processing (ADP). For example, agencies disclosed weaknesses that resulted in:

- overpricing of spare parts and cost growth in government procurement programs;
- increased vulnerability to failure and fraud in systems which processed over \$174 billion in benefit payments;
- over \$17 billion in delinquent debts, or 92 percent of the government's nontax delinquencies, being handled by collection systems which agencies acknowledge to have serious problems;
- inadequate accountability for billions of dollars of government property; and

--increased vulnerability to fraud, waste, and abuse in ADP systems which make payments to millions of beneficiaries and process billions of dollars.

GAO concluded that the overall poor condition of agency accounting and financial management systems added to the government's dilemma. Agencies reported that 53 percent of the government's 427 accounting systems could not provide assurance that they conformed to the Comptroller General's requirements as mandated 35 years ago.

Agencies' programs to evaluate their internal control and accounting systems have improved since 1983. However, their improvement efforts need further strengthening to ensure that existing weaknesses are corrected, and that additional weaknesses are identified. (John Simonette or Jeffrey Steinhoff, 275-9490)

GSA FINANCIAL STATEMENT AUDITED

In the past year, GAO began an audit of the General Services Administration's (GSA) fiscal year 1985 financial statements. Over the years, GAO has conducted numerous financial statement audits of government corporations, such as the Federal Deposit Insurance Corporation and the Export-Import Bank of the United States. However, this was GAO's first audit of the financial statements of a major Federal agency; GAO issued its opinion on GSA's financial statements early in April 1986.

The financial audit of GSA has proven to be of significant value. It provided unique auditing challenges. GSA is large, complex, and multi-regional. The time invested in understanding GSA's operations and systems enabled GAO to make useful recommendations for improving GSA's financial operations.

Drawing on the experiences gained in applying financial auditing methods developed in audits of government corporations, the GSA project provided a prototype for GAO to evolve effective approaches that will be used in conducting financial audits of other Federal agencies. For example, staff members involved in the GSA audit used computerized auditing techniques to extract data from GSA's computer mainframes for analyzing, selecting samples, testing, and matching. Microcomputers were used extensively for workpaper preparation and other special analyses. These would not have been as critical for a financial statement audit of the typical, smaller, less complex government corporation.

In addition, the GSA audit has given GAO valuable experience in managing a large, multi-regional financial statement audit team. A peak of 45 GAO staff worked full-time on auditing financial operations at GSA Headquarters and in its regional offices. This is about 10 times the size of the typical financial statement audit team.

The GSA financial statement audit also proved to be a mutually beneficial effort between GAO and GSA. GSA's financial management, data processing, and operations personnel performed a great deal of work to provide the GAO auditors with information needed to do the audit. GSA's financial managers also became aware of opportunities to improve financial operations through the strengthening of accounting and internal controls that would not have come to their attention during the agency's day-to-day activities. Further, GAO believes the financial statement audit helped instill greater discipline and control in GSA's accounting and report preparation processes than would have existed heretofore. GAO is confident that financial audits of Federal agencies can be done efficiently, and that they will produce worthwhile benefits. (Dave Connor, 634-5215)

DUPLICATE PAYMENTS REPORTS ISSUED

During August 1985, GAO released three reports (GAO/AFMD-85-70, 71, and 72, August 20, 1985) identifying internal control weaknesses in three agencies' systems for preventing duplicate payments. Although GAO attributed some responsibility for duplicate payments to companies who sent duplicate invoices without marking them appropriately, it concluded that the fundamental solution was for agencies to improve their control features to minimize the risks of paying for the same item twice.

GAO review, done at the request of Congressman Jack Brooks, Chairman of the Subcommittee on Legislation and National Security, House Committee on Government Operations, showed that private companies were in most cases identifying and voluntarily refunding duplicate payments--some of which involved substantial amounts. However, there was little agency management recognition that the number or dollar values of the returned checks might indicate poor internal controls. GAO noted that analyses of the reasons for these identifiable duplicates would offer valuable insights for agency action to correct payment systems and administrative weaknesses.

Based on its work, GAO recommended several automated system and administrative improvements to payment center operations at the GSA, the Defense Logistics Agency (DLA), and the Department of Justice. These included expediting the recording of disbursement data, eliminating gaps in automated edits to detect potential duplicate payments, ensuring completion of manual processing steps, and requiring explicit authority for intentional overriding of automated system control features.

GAO also pointed out that user offices have an important role. Specifically, any resubmission of acknowledgements of receipt of goods or services to payment centers should be annotated accordingly, and summary records of agency disbursements for items received should be carefully reviewed to ensure against paying more than once for the same goods or services.

GAO recognizes that identifying, and especially investigating potential duplicate payments, is staff-intensive. Also, most of the duplicate payments that GAO confirmed through analysis of transaction data had already been refunded by the companies involved. However, it is convinced that such follow-up work can have significant payback. For example, using the list of about 700 potential duplicate payments identified but not analyzed by GAO at one of the DLA's payment centers, agency officials confirmed 37 duplicate payments, 16 of which had not been found during daily operations, and collected about \$1 million. (John Simonette, 275-9490)

REPORT CARD ISSUED ON COMMERCE INSPECTOR GENERAL OFFICE

The Department of Commerce's Office of Inspector General (OIG) was the first Federal internal audit organization to undergo a GAO "quality assessment review." GAO's report, Compliance with Professional Standards by the Commerce Inspector General (GAO/AFMD-85-57), was issued on August 12, 1985.

The review of the Commerce unit is the first of a series of reviews of the statutory Inspector General offices and other Federal internal audit organizations. During the next 5-6 years, GAO plans to conduct about 20 quality assessment reviews of major statutory OIGs and other Federal internal audit organizations.

The quality assessment projects review the quality of work of the Inspectors General, since these organizations are accountable to the Congress, Federal officials, and the citizenry. GAO's quality assessment reviews focus on whether a unit is satisfactorily complying with generally accepted government auditing standards and other professional standards. This involves evaluating the organization's quality control policies and procedures; reviewing and testing a sample of recently completed assignment reports and workpaper files; and reviewing, testing, and evaluating other available evidence. The reviews are compliance evaluations. They do not evaluate the economy, efficiency, and effectiveness of OIGs or other Federal internal audit organizations' activities. GAO chose the Department of Commerce for the pilot review because it was a medium-size office which conducted audits, investigations, and inspections--the three major functions most OIGs perform. (Charles Culkin, 275-9355)

REPORT ISSUED ON AUDIT QUALITY OF CPA PROFESSION

In October 1984, at the request of Congressman Jack Brooks, GAO undertook a comprehensive review to determine the quality of audits of recipients of Federal funds. The first phase of the work was aimed at evaluating the OIGs' audit quality review systems; and reporting on the results of the OIGs' reviews of audits performed by non-Federal auditors. The second phase of the review is aimed at determining the extent to which certified public accountants comply with professional auditing standards in

their audits of recipients of Federal assistance and at evaluating the overall quality of their audits.

The basic question addressed in these two phases is whether those audits provide reasonable assurance that any problems which exist will be identified and properly reported. In the first phase, GAO looked at what the OIGs do to answer this question. In the second phase, GAO is making its own review and assessment of a sample of those audits, and also is looking at the results of other studies that have been performed in this area.

In November 1985, GAO testified before Congressman Brooks' Legislation and National Security Subcommittee on the results of the first phase efforts. Also, on December 5 GAO issued its first report, CPA Audit Quality - Inspectors General Find Significant Problems (GAO/AFMD-86-20). To enable an overall assessment, the scope of the work was considerable. It encompassed a review of the systems at 46 regional offices of 7 agencies' Inspectors General. In fiscal year 1984, these 7 agencies administered programs that accounted for 95 percent of all domestic Federal assistance.

GAO also reviewed a statistical sample of 328 audit reports prepared mostly by CPAs to determine what deviations from professional standards the IGs identified. In addition to examining the results of the IGs reviews of audit reports, GAO evaluated a sample of 223 audits in which the regional IGs extended their review to the supporting working papers to identify problems with general, field work, and reporting standards.

Many recommendations were made to the IGs for improving the audit quality review process. These recommendations made to the IGs include: 1) revise policies for taking actions against CPAs on unacceptable audits; 2) work with the American Institute of Certified Public Accountants and State Boards of Accountancy to expedite referrals to these bodies; and 3) compile, analyze, and use the results of desk reviews and quality control reviews to identify and correct the underlying causes of audit quality problems. If these recommendations are followed, GAO believes the Federal Government will be able to place greater reliance on CPA audits of governmental entities to ensure that Federal funds are spent for authorized purposes. (Jack Adair or John Cronin, (275-9359))

CHAPTER 3

AGENCIES' INITIATIVES TO IMPROVE INTERNAL FINANCIAL MANAGEMENT

INTRODUCTION

Agency submissions of information on improvements to their financial management practices and systems reflect significant achievements and major undertakings. The agency reports reflect a strong commitment to develop integrated financial management systems (OMB Circular A-127), to improve budget and accounting systems and procedures, and to enhance financial management through the use of microcomputers and off-the-shelf software.

Descriptions of the more significant or unique management actions in areas of integrated financial management systems, budgeting, accounting procedures and systems, cash management, debt collection and credit management, payroll and personnel systems, productivity, auditing, microcomputer applications, and other improvements are presented in the following sections. Publication of all reported improvements is impractical. However, the JFMIP staff, upon request, will provide assistance to agencies in identifying additional financial management improvement activities. (See appendix A for a summary of agency submissions by functional area.)

Agency contact persons and their telephone numbers are provided in parentheses following the project descriptions so that the readers can obtain additional information about any of the improvement activities. The area code for the telephone numbers is "202" unless otherwise designated.

INTEGRATED FINANCIAL MANAGEMENT SYSTEMS

OMB Circular A-127, "Financial Management Systems," establishes policies and procedures for executive branch agencies in developing, operating, evaluating, and reporting on financial management systems. Circular A-127 requires each agency to (1) make an annual review of agency systems; (2) establish and maintain a single, integrated financial management system, and (3) develop and maintain a 5-year plan for implementing an integrated system. In March 1985, OMB issued "Financial Management and Accounting Objectives" which provides additional details on the objectives to be achieved in designing new systems and in operating existing ones. It also calls for increased standardization of financial systems and information.

During 1985, GAO issued the revised accounting principles and standards, Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies. Title 2 includes standards on accounting, internal controls, and accounting systems. In February 1985, GAO published a report entitled Managing the Cost

of Government: Building An Effective Financial Management Structure which identified (1) problems which demonstrated the need to build a more modern and effective financial management structure for the Federal Government; and (2) key elements of reform. These initiatives complement GAO's role of working with agencies to improve financial management.

Agency actions to achieve a single, integrated financial management system were highly varied. A sample of reported activities is presented in the following paragraphs.

The **DEPARTMENT OF AGRICULTURE** has begun implementing plans for its single, integrated financial management system. The USDA Financial Information System will be put into operation in three phases:

1. Financial Data Base Development

The financial data base is composed of data elements comprising USDA general ledger accounts and other information needed for producing financial reports for the central agencies. Data is received from the program accounting systems maintained by various offices or the Department's Central Accounting System. The first phase will be completed in May 1986.

2. Electronic Reporting

This phase, to be completed in May 1987, will allow USDA users and central agencies online access to USDA financial information using personal computers and off-the-shelf software.

3. Full Decision Support System

This system will link other Departmental and external data bases to the USDA Financial Information System and provide managers with complete, accurate, useful, and timely financial data and information.

(Larry Wilson, 447-8345)

The **DEPARTMENT OF COMMERCE's** initiative calls for the development of a modern Financial and Management Information System (FMIS) designed to:

- Integrate the various systems efforts undertaken since FY 1981 to form a modern system capable of meeting the administrative and program management requirements of the Department and Bureaus;
- Strengthen the information base of the Office of the Secretary and to support effective management oversight; and

--Reduce system development, maintenance, and operation costs through reliance on common systems and structure.

Development of a model accounting system, interfaced with Department administrative or feeder systems, to replace over time the eight accounting systems presently operated will be a major step toward development of a single, integrated system. The requirements planning and analysis will be completed during FY 1986. (Sonya Stewart, 377-4299)

The **DEPARTMENT OF ENERGY (DOE)** made significant progress toward establishing a single, integrated financial management system. During fiscal year 1985, DOE completed the implementation of a Departmental Integrated Standardized Core Accounting System (DISCAS) at its Headquarters and eight field locations. Two additional locations will be brought into the DISCAS environment during fiscal year 1986. The Department's integrated payroll/personnel system has also been expanded to include additional Department elements with conversion of all Departmental elements scheduled by the end of fiscal year 1986. (David Tyler, 252-4499)

The **GENERAL SERVICES ADMINISTRATION (GSA)** completed its efforts to implement a single, integrated accounting system, the National Electronic Accounting and Reporting (NEAR) System. The last fund to be converted, the General Supply Fund (GSF), was implemented on October 1, 1985. Also, GSA is in the process of consolidating all operating accounting services in Kansas City and Fort Worth. Currently, the accounting services are done at six locations. The consolidation will reduce staffing by 70 positions (\$1.75 million annually) and save \$800,000 per year in rent expenses.

With the implementation of the NEAR System, GSA now has a single accounting system capable of providing all GSA program areas with the following:

1. Extensive classification structure which enables users to classify and summarize obligation and cost transactions according to their needs.
2. Common general ledger.
3. Common appropriation reporting.
4. Tailored cost reporting for revolving funds.

(Larry Eisenhart, 566-0560)

The **DEPARTMENT OF TRANSPORTATION (DOT)** is the lead agency on an Interagency Task Force to develop a model generic accounting and financial management system to be used by domestic agencies of the Federal Government. The system will be designed in accordance with requirements of OMB Circular A-127, Financial Management

Systems. To this end, DOT has approached this initiative utilizing two integrated efforts: 1) development of a governmentwide standard general ledger chart of accounts; and 2) development of a model of generic accounting and financial management requirements for use governmentwide.

The DOT System, the Departmental Accounting and Financial Information System (DAFIS), will contain generic program, budgeting, and accounting requirements. Once developed and implemented, DAFIS will replace all existing accounting systems in DOT and may be used by other Federal agencies.

The effort to date has concentrated on documenting the accounting and financial management generic requirements, determining the technology most appropriate for the implementation of DAFIS, resolving several pre-implementation organizational issues prior to system design, and developing a standard governmentwide general ledger. The effort to develop generic requirements was done in concert with the Departments of Commerce and Justice. (George Henderson, 426-1306).

The **DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)** is in the process of implementing two Departmental systems -- the Financial and Administrative Integrated Management System (FAIMS) and the Payment Management System (PMS). FAIMS is intended to standardize the Department's administrative, financial, and accounting processes through automation, and to achieve economies of scale by eliminating multiple and incompatible systems and reducing redundancies in entering common data. FAIMS will utilize off-the-shelf software packages customized to meet HHS needs and consist of a common data base management system. (Andrew Kapfer, 245-7084)

PMS is the largest and most sophisticated grantee payment and cash management system in the Federal Government. The System is fully integrated with HHS's current eight accounting systems and the Department of the Treasury, and will also integrate with FAIMS when FAIMS becomes the Department's accounting system. Full implementation of PMS is expected to result in about \$137 million in HHS outlay deferrals and savings of \$13.7 million in Treasury borrowing costs. (Tony Alascio, 443-1438)

Continuing in 1985, the **DEPARTMENT OF JUSTICE's** plan for a single, integrated financial management system calls for using two data centers, one for the Federal Bureau of Investigation (FBI) and the other managed by the Justice Management Division (JMD) which will service the balance of Justice's activities. The two systems will operate different data bases but will employ standard data definitions, policies, and procedures to ensure compatibility of data.

The **FBI** implemented an integrated off-the-shelf financial software package consisting of three modules -- a general ledger, budgetary control system, and accounts payable. (Other modules

will be implemented.) The FBI's FMS integrates all financial activity into a single system utilizing a common data base.

The FBI's FMS allows an original requisition once key-stroked into the system to be converted to a purchase order, matched to receiving documentation and to an invoice; and then to be paid through a magnetic tape interface with Treasury, all without duplicate key stroking. At the same time, the FMS automatically posts and adjusts the basic available funds equation to properly affect the commitment, obligation, and expenditure of funds. The system provides the FBI online, real-time fund control and accounting recordkeeping. (Ted Ping, 324-3440)

The JUSTICE MANAGEMENT DIVISION (JMD) is evaluating the use of off-the-shelf financial software packages for its integrated financial management system. This system will provide for the use of contemporary technology (e.g., the use of fourth generation programming language).

A planning structure has been established to ensure user involvement in the system development process. All six bureaus and the JMD have been designated as system segments. Segment managers form an oversight committee to ensure local coordination among financial and administrative staffs.

Within the Department, each central staff hosts a working group to coordinate Departmentwide issues. For example, an accounting group meets monthly and addresses such matters as financial policies and general ledger standardization. The software functions of the system are classified for management purposes into three sets or tiers:

--Tier I, Core Functions, such as a general ledger, budget (formulation and execution), property management, and procurement, are functions common to all segments. These core functions will be fully integrated for all Department components and managed centrally.

--Tier II, Shared Functions, such as grant accounting, are those functions that are performed by more than one, but not all components. For example, the three grant components of Justice will use the same grant system. One of the three components will have lead responsibility for the grants module.

--Tier III, Unique Functions, such as Prison Industries (an intragovernmental trust fund), are functions performed by only one organization in the Department and operated decentrally.

The estimated implementation date for the Department's prototype system is October 30, 1988. (James Williams, 633-5538)

The OFFICE OF THE SECRETARY OF DEFENSE (OSD) issued a Department of Defense-wide (DOD) directive and update of its Accounting Manual incorporating the requirements of Circular A-127. OSD developed an inventory of planning, programming, budgeting, and accounting systems throughout DOD and made substantial progress in planning the upgrade of these systems. Inventorying and evaluation was continuing for other financial systems. These other systems are to be incorporated by the DOD agencies into their systems whenever practical.

Several DOD agencies provided information on their efforts to modernize financial systems to meet A-127's requirements. The DEPARTMENT OF THE ARMY is continuing a major redesign of its accounting system. The goal is to achieve a highly automated financial management system that maintains adequate internal control, complies with the prescribed accounting standards, and better serves the Army's needs. Major projects include new department and installation-level accounting subsystems as well as pay subsystems for both military and civilian personnel. Using structured analysis and design methodologies, as well as standardized data elements and data base design, the new subsystems will be highly automated, easy to change, and save resources. In addition, the present standard retail stock fund subsystem is being expanded in scope to provide improved coverage and accounting services for inventories. Implementation and deployment of the new accounting subsystems are being done on an incremental basis Army-wide through the 1980s. (Thomas Gajda, 697-6147)

The DEPARTMENT OF THE NAVY completed its initial 10-year Strategic Financial Management Master Plan. The plan which is very comprehensive, is oriented towards accounting systems; however, future updates will address other financial management improvement initiatives. Under its plan, Navy seeks to reduce the number of accounting support systems by over 60 percent by the end of 1990, to further standardize Navy's financial system, to further integrate Navy's financial systems, programs and support operations, and to streamline the financial management processing environment. (Arnold R. Weiss (703) 697-9460)

The DEFENSE NUCLEAR AGENCY (DNA) is developing a centralized accounting and financial resource management system. The system is designed with a central data base which provides increased control over accuracy and integrity of data; independence of application programs from physical storage data consideration; comprehensive access controls and security features; and standard recovery procedures. Also, the system integrates planning, programming, and budgeting with finance and accounting as well as integrates all DNA facilities. (LTC. Brenda Formo, 325-9575)

The DEPARTMENT OF STATE initiated a major effort to revamp financial management and accounting activities. During Fiscal Year 1985, the Department made progress in the multi-year effort to implement a major integrated financial management

system. This effort is segmented into general accounting and budgeting, real estate management, cost accounting for the Foreign Service Institute, and non-expendable personal property management.

During 1985, the Department installed all parts of the new FMS in four foreign cities. Other cities are in various stages of implementing the FMS. Also, during 1985 work began to implement the FMS at Regional Administrative Management Centers and in Washington. The project progressed in three major areas: identification of additional functions required, design of batch data entry for obligations and vouchers, and collection of statistical data about the current regional operation.

Design and development of the Domestic Accounting and Consolidated Release (Central FMS) system continued in 1985. The Central FMS will support the Department's management objectives by providing improved financial management information, strong financial controls, standardization of procedures, and technical control over financial functions. The Central FMS will support Departmental organizations in the processing of domestic financial transactions and in the consolidation of domestic and overseas accounting, budgeting, and disbursing data. Also, the System will meet the domestic financial management requirements of the U.S. Information Agency and the Peace Corps. In an effort to minimize development costs, existing software packages will be used where appropriate in lieu of full-scale inhouse development. (Howard Renman, 524-1188)

The PEACE CORPS is revising its payroll and accounting systems to make them consistent with OMB Circular A-127. The new systems will be integrated with the Department of State's Financial Management System and Consolidated Payroll Processing System (CAPPS). The Peace Corps plans to begin operating under the CAPPS system by April 1986. (George Northway, 254-7960)

The PANAMA CANAL COMMISSION's financial management system is made up of eight component systems. At the beginning of FY 1985, the Commission replaced three of those component systems - general ledger, budgetary control, and accounts payable - with a completely integrated modular system. The significant direct benefits of the changes were improvements in budgetary control through the replacement of interim procedures by online fund status reporting and maintenance; improved interfaces with accounting source data systems; and the elimination of the manual accounts payable system and its replacement by an automated system, resulting in improved and more current payment data and more efficient compliance with the Prompt Payment Act. (Barton Mead, APO Miami 34011)

The RAILROAD RETIREMENT BOARD began developing a modern, integrated, and automated financial management system when it established a long-range agency-wide automation plan in April 1983. The plan provides for a core Administrative Management

Information System (AMIS) that will include budget formulation and execution, funds control, general ledger accounting, revenue accounting, administrative accounts receivable, accounts payable, procurement, payroll, personnel, and inventory control. The core AMIS system, except for the budget preparation, payroll, personnel, and inventory control components, began operation in October 1985. The remaining components will be operational in 1986. The system makes extensive use of off-the-shelf software, but considerable modification was necessary to accommodate agency requirements. (Thomas Roraff, FTS 387-4946)

The **FARM CREDIT ADMINISTRATION** is in the process of establishing a single, integrated financial management system. The target date for implementation is 1986. The procurement, accounts payable, general ledger, and budgetary functions will produce internal and external reports for FY 1986.

The system uses an off-the-shelf accounting, budgeting, and report-writing package that was adopted for integration with a procurement program written especially for this purpose. The programs are resident on a Digital VAX 750 that is accessed through a customized telephone system by employees using microcomputers and word processors as interactive terminals. Use of individually assigned passwords will allow entry of data by authorized individuals only and will limit access to internal reports to appropriate levels of management. (Mary K. Mathews, (703) 883-4148)

The **FEDERAL HOME LOAN BANK BOARD** has a single integrated financial management system. This automated system includes all agency accounting data including the issuance of purchase orders (obligations), receipt and entry of invoices (expenses), and disbursements to liquidate the invoices on due dates. Also, the system includes accounting for income, accounts receivable, cash receipts, and payroll and provides all required financial reports. On June 1, 1985, the Bank Board began providing accounting services, except payroll activities, for the National Capital Planning Commission (NCPC). (Robert Thomas, 377-6168)

The **NUCLEAR REGULATORY COMMISSION** developed the Integrated Financial Management Information System (IFMIS) to replace five accounting systems. IFMIS will operate on a mini-computer. The system is designed to include the following interactive modules: Budget, Funds Control, General Ledger, Travel, Payments, Plant and Equipment, Government and Commercial Payments, Cashier, and Billings and Collections. A core system was implemented in the beginning of FY 1986. The core system does not include Government and Commercial Payments, Cashier, and Billings and Collections. These modules are in the development stage with implementation planned for FY 1988. During FY 1986, other financial systems will be reviewed to determine how they can be integrated to form a single, agency-wide financial management system. (Graham D. Johnson, 492-7535)

ACCOUNTING PROCEDURES AND SYSTEMS

Initiatives in this area cover agencies' interests in providing more accurate, useful, and timely financial management information for increasing program economy and efficiency. Generally, procedures and systems are being reinforced and upgraded with improved data collection and data integration. A sampling of improvement activities are presented in the following paragraphs.

The **DEPARTMENT OF AGRICULTURE** completed several enhancements to the Central Accounting System (CAS) in an effort to increase organizational efficiency and productivity. These enhancements include the new Central Accounting Data Base Inquiry System which provides USDA's agencies online access to CAS budgetary reports, and Treasury's Government Online Accounting Link System which will provide financial data electronically to other Government entities. The CAS is a complete and uniform reporting system that consolidates reporting for agency unique program accounts.

During 1985, the Property Management Information System (PMIS) was implemented online to integrate fiscal accounting with property accounting and provide uniform data for management and control of capitalized, leased, loaned, excess, expendable, and sensitive property. PMIS provides a comprehensive accurate, and accessible system of inventory management. Agencies will be able to update property records in a real-time environment. (Larry Wilson, 447-8748)

The Supply/Property Inventory System (SPIN) provides online inventory and control of excess property. Through this system, users have complete control over the update of information and over report generation. Through cross-servicing, the Merit Systems Protection Board will be the first non-USDA agency to use SPIN, with implementation scheduled for January 1986. (Larry Wilson, 447-8748)

The USDA's **COMMODITY CREDIT CORPORATION** has installed an off-the-shelf accounting system with an interfacing budget preparation module. The system operates in a real-time environment and processes transactions online or in an overnight batch mode. A multi-level fund control mechanism prevents the over-obligation of funds. Users may access budget and accounting data for online inquiry. (Winton Warner, 447-3943)

Also, the Commodity Credit Corporation's Accounting Application for the State and County Automation Project (SCOAP) will provide the following automated features for over 2,800 State and county offices:

- debt registers and setoff information;
- daily transaction logs;

- check writing and cash receipts functions; and
- balancing controls for program applications and financial reports.

Projected savings for all applications for FY 1984 through FY 1992 total \$301 million. (Dwight Tayman, 447-3553)

The **DEPARTMENT OF EDUCATION** implemented a new management information system called the Financial/Administrative Management Information System (FAMIS). The Department used OMB's data element inventory and expanded it to lower reporting levels useful to internal managers. The system includes data on 1) budget authority; 2) operating plans by organization; 3) obligations incurred by program, object class and organization; 4) FTE usage and on-board strength by organization; 5) grant and contract awards by Catalog of Federal Domestic Assistance program and organization; and 6) travel expenditures by purpose code. The system is designed to accept data through terminals or from feeder tapes from the payroll and accounting systems. The system enables users to input their operating plans directly into the system and retrieve plan/obligation information in a variety of formats. A particularly useful feature of the system is the ability to readily compare prior period data with current information. The system also provides average daily rates and average costs per FTE for each object class.

The system was developed primarily with inhouse resources and is currently maintained with inhouse resources. Future plans are to expand the data base to provide more data on program funds and contract and grant awards. (Molly Hockman, 245-8814)

The **FEDERAL EMERGENCY MANAGEMENT AGENCY** signed inter-agency agreements to provide financial system services to the Federal Labor Relations Authority and the Selective Service System. These services include: 1) an integrated financial system with fund controls at all levels; 2) a double-entry accounting batch system; 3) an online travel payment processing system, including automated payments, and an online system to comply with the Prompt Payment Act; 4) automated internal and external financial reports, including bulk transfer of SF-224 data through a computer-to-computer link; and 5) automated conversion of payroll data from the agency payroll system into the accounting system. (John Hoban, 646-3711)

The **NATIONAL INSTITUTES OF HEALTH**, Public Health Service, Department of Health and Human Services, accomplished the following improvements to its accounting procedures and systems during FY 1985:

1. The accounts payable module of the administrative data base was enhanced to help the accounting technicians and strengthen internal controls.

2. A new system was implemented to track travel advances and follow-up on delinquent accounts.
3. A billing process was automated to enable the Travel Management Center to submit data to the accounts payable section via magnetic tape.
4. An automated cashier disbursement tracking system was implemented for vouchers.
5. Cost allocation formulas were computerized to better match the payment for goods and services with their use.

(Penelope Strong, 496-3368)

The **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)** has implemented three systems that improve the administration of their single family and multi-family mortgages. First, the Department developed for its single family home mortgages an automated examination and payment system which provides better service to the mortgagees with less staff.

Also, HUD implemented two systems for multi-family mortgages. One system was an automated online mortgage note accounting service which improves debt collection and mortgage servicing. Specifically, the automated service provides 1) accounting records to manage delinquent servicing and collection; 2) billings and collections via the lockbox; 3) computation and analysis of escrow accounts; and 4) interface with the general ledger. The second system was a new automated system to provide annual Mortgage Insurance Premium billings for its inventory of insured multi-family projects. The new system has improved control over the premium billing process and resulted in more accurate and timely billings and collections. It is estimated that savings of \$1.2 million will be realized annually as a result of more timely collections. (John Stahl, 755-5163; Chris Rossello, 426-7223; Neil Haynes, 426-8980)

In fiscal year 1985, the **U.S. INFORMATION AGENCY** designed and implemented a new automated monthly report, generated from the accounting system, that tracks interest penalties resulting from the late payment of vouchers subject to the Prompt Payment Act. This report provides management and the operating elements with timely information on interest penalties and allows elements more time to plan and implement appropriate corrective actions to resolve the cause of these penalties. (Don Haines, 485-2324)

During fiscal year 1985, the **DEPARTMENT OF THE INTERIOR** continued its program of enhancing the Advanced Budget/Accounting Control and Information System (ABACIS) with the completion of several of the previously planned and documented subsystems. Among these was the automated aged travel advance subsystem. This system ages advances according to the type of travel involved:

relocation, limited or unlimited, and open or temporary duty (TDY) travel.

Also, the Department continued to make progress on the integrated Property Accounting and Control System. The functional requirements and systems specifications have been completed. Final development of programming specifications for purchase order and receiving report processing throughout the entire integrated system is nearing completion. The completely integrated system will assure that all purchase orders are posted to the fiscal system, that property and financial records are completely reconciled at all times, and that management receives consistent, accurate, and timely data from all components. (Terry L. Garrett, 343-5027)

The **BUREAU OF MINES**, Department of the Interior, converted two major components of the Bureau's automated accounting system from a sequential to a data base file structure. The conversion of the transaction master file has provided Bureau-wide flexibility in extracting financial management data and reduced the maintenance costs and computer time necessary to update financial data. Also, with the conversion of the accounts and fund files, the entire automated accounting system is on data base. (Gary Dragseth, (FTS) 776-0355)

The Department of Labor's **EMPLOYMENT STANDARDS ADMINISTRATION** (ESA) automated the Federal Employees Compensation Fund internal accounting system. This system tracks disbursements and receipts, automates the Federal entities accounts receivable subsystem of the Fund, and creates the capacity to produce daily Status of Fund reports. Other benefits include the capability to produce routine accounting reports more timely, frequently, and accurately; the creation of numerous reports to assist in reconciliation of accounts; and the allowance of professional staff to devote more time to analytical and fund management activity. (Dan Coulopoulos, 523-7417)

ESA is in the process of implementing the Contract Monitoring System which is an automated system of controlling, accounting for, and monitoring financial commitments, obligations, and expenditures made against contracts in the ESA. (James Gantt, 523-7078)

The **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION's** headquarters and centers have in-process various initiatives to improve accounting systems and procedures. Headquarter's Office of Space Flight, continued the implementation of the Cost/Obligations, Budget and Resources Analysis (COBRA) system. COBRA is a data base management system that collects and manipulates large volumes of research and development, budgeting, and operating plan data. (Gerald Smith, 453-2492)

The **LEWIS RESEARCH CENTER** is developing an online interactive computerized travel system which will run on an IBM

compatible mainframe and provide terminal access for personnel at the Center. (Larry Andrews, FTS 297-2572)

The **AMES RESEARCH CENTER** completed the first phase of the Financial Management Information System - Transaction Validation. The system validates fund availability at the resource authority level for travel and purchase requests and provides limited edits for input data. (C. H. McClinton, FTS 464-5302)

The **JOHNSON SPACE CENTER** developed a data base for the Resources Information Management System providing the capability to produce the property accounting subsidiary ledger which consists of approximately 750 accounts. In addition, this application allows the center to obtain data to reconcile the property accounts to: 1) approximately 400 "Reports of Government-Owned/Contractor-Held Property;" 2) intra-installation transfer reports; 3) real property accountable officer reports; 4) equipment management reports; and 5) property disposal officer reports.

The **OFFICE OF PERSONNEL MANAGEMENT (OPM)** converted the Civil Service Disability and Retirement fund general ledger from a manual posting process to an automated online process that improved OPM's ability to prepare timely and accurate financial statements. OPM plans to interface the automated general ledger system with other systems so that fund transactions will be posted and reports generated automatically. (Robert A. Yuran, 632-7450)

Most accounting processes in the **U.S. POSTAL SERVICE'S** Management Sectional Centers are currently performed manually. The Postal Service is testing the possibility of automating certain field accounting functions using "off-the-shelf" software and micro/mini computer hardware. The accounting functions in the Management Sectional Centers are divided into the following areas: accounts payable; accounts receivable; general ledger (consolidated reporting); money and cash management; stamp inventory; and revenue collection. (James Stanford, 268-3250)

The **DEPARTMENT OF THE TREASURY** has undertaken the development of an automated Departmentwide financial reporting system. The objective of the project is to provide timely and consistent financial status reporting for the Department's bureaus which currently have their own unique accounting systems supporting their mission or functions. The system is designed to collect financial planning data, actual obligations data, outlays, onboard staffing, FTE utilization, and other budget execution data. These data are entered by either magnetic tapes supplied from bureau systems, or telecommunication of data keyed into microcomputer-based entry forms. The next step will be to provide the system with the capability to collect commitment and projection data. These new data elements when combined with the funds obligated will provide an overall status of funds report. (Charles Pistole, 566-2431)

Treasury's **FINANCIAL MANAGEMENT SERVICE (FMS)** implemented a new administrative Financial Management System which resulted from FMS's modifications to an accounting system owned and developed by HHS's Health Care Financing Administration. The system includes the following features: online, real-time interactive transaction entry, edit, and fund availability certification; fully integrated functions; multiple period processing; full batch capabilities to include interfaces with external systems (payroll, budget, etc.); table-driven edit and validation procedures; transaction-driven journal entry posting; online error and suspense correction; detail audit trails; multiple levels of security; integrated data bases; easy-to-use query and reporting procedures; and total user-controlled system operations. (Sherman Eisner, 535-6215)

During 1985, Treasury's **BUREAU OF PUBLIC DEBT** initiated several accounting and systems improvements which included: 1) a financial wire system where Federal Reserve Banks report daily various data such as cash collection and disbursements and provide same day credit for receipts remitted through issuing agent reserve accounts -- this action is expected to save about \$639,000 annually (John Wesley, 447-0297); 2) implementation of the redesigned Cash Accounting System which has reduced the number of employees required to operate the system, made reconciliation more timely, increased efficiency and effectiveness of reporting, and reduced the amount of paper produced and stored (Arthur Carr, 447-9829); 3) implementation of an administrative accounting system that provides online full allotment accounting by tracking commitments, obligations, and disbursements (Taylor Jones, 376-4186); and 4) developing a Public Debt Accounting and Reporting System which will be a fully automated and integrated accounting and reporting system that will control all financial and security transactions related to the Public Debt of the U.S. Government (John Beaton, 447-9829).

Other system improvements within Treasury include the **INTERNAL REVENUE SERVICE's** ongoing project to modernize its financial management system by using state-of-the-art electronic data processing and automation enhancements which integrate budget preparation, plan formulation and execution, and accounting and reporting into one system (Barbara Edler, 566-6851); the **BUREAU OF ENGRAVING AND PRINTING's** development of a financial information system with an integrated data base (Richard Lair, 447-1343); and the **SECRET SERVICE's** initiatives in accounting and budgeting which include: 1) the issuance of an RFP for an off-the-shelf financial management accounting system with financial applications to include general ledger, accounts payable, procurement tracking and Federal Fund accounting, and 2) the automation of the budget process (Frank Palmer, 535-5937).

During FY 1985, the **VETERANS ADMINISTRATION** accomplished the first "paperless" transaction with a hospital supply firm. A computer assisted payment processing system matched an invoice and receiving report and then held the transaction until the due date.

The underlying concept is to incorporate paperless ordering, accounting, and payment systems passing the data from system to system via electronic transmission. Currently, seven vendors are participating in paperless transactions. (Conrad Hoffman, 389-3045)

The **NATIONAL SECURITY AGENCY** has developed and implemented an automated tracking system to improve control of and accountability for Government Furnished Property (GFP) provided to contractors. The GFP tracking system provides a centralized system of internal controls to track all GFP from the time of shipment to a contractor until the property is returned or otherwise disposed of as directed by a contracting officer. (Wayne Jones, (301) 688-7168)

BUDGET DEVELOPMENT AND EXECUTION

Automation continued in 1985 to be used extensively in budgeting. The use of microcomputers and off-the-shelf software has made possible significant time and dollar savings.

The reporting of civilian manpower data in the **DEPARTMENT OF THE ARMY** is primarily a manual operation requiring thousands of work-hours annually. Army is in the process of developing procedures to report obligation data (including number of employees, work-years, and dollars actually obligated) through established automated financial systems. These procedures will provide more timely and accurate data, reduce the work-years required for report preparation, and improve the timeliness and accuracy of budget documents. (Jean Rogers, 697-5722)

Also, the Department of the Army established a standard methodology for two budget processes and implemented several automation initiatives to integrate the Command Operating Budget and the Program Analysis and Resource Review data collections through the use of microcomputers and electronic spreadsheet software. The use of a standard methodology allows a more accurate estimate of dollars and manpower requirements for the various mission and base operation functions. (Eric Wickman, 274-8980)

The **LEWIS RESEARCH CENTER**, National Aeronautics and Space Administration (NASA), plans to implement an automated Budget Planning System to further enhance the Center's management information system. The System is designed to satisfy some of the major information processing requirements for R&D programs and internal needs. It provides for the capture, storage, and retrieval of program status data, compares requested funds and manpower with actual approvals, and compares commitment and obligation plans against actuals in a variety of reports. The data are used as the basis for the preparation of Program Operating Plans.

Since the Center is implementing a system that was developed at another NASA installation, considerable cost savings should result from reduced programming requirements in addition to the savings that will result from the better management of financial resources. (George Kanya, FTS 297-2567)

The **NUCLEAR REGULATORY COMMISSION** implemented the first phase of a microcomputer-based automated budget system which links microcomputers and a mainframe data base. The microcomputer system uses off-the-shelf software and customized programs written in BASIC. Budget examiners use the microcomputers to store data, perform "what if" analyses, formulate resource recommendations, produce customized reports, and prepare briefing documents. Data can be uploaded to a timesharing data base as needed. The system provides direct user access to data and reduces the lead time required for manipulation of data and report generation. (J. Silber, 492-8081)

The **NATIONAL CAPITAL SERVICE CENTER**, Department of Labor, developed a model to automate the production of current services and policy reports. The model takes the base data displayed by object class and applies economic deflators to each category. It then sums that information to determine the next fiscal year's level and then applies the next set of deflators. The automation of these reports has saved staff time and made possible many types of analyses and projections. The software package used to run these reports is the "Interactive Financial Planning System." (John Gondek, 523-7383)

The **TENNESSEE VALLEY AUTHORITY** added outstanding commitment data to the financial reports being generated by the mainframe computer. This eliminated the costly procedure of comparing monthly commitment activity from lists provided by the central accounting organization to determine the status of obligations and the effect on available funds. Software was developed to provide biweekly payroll data to organizations for use in monitoring and controlling expenses. Also, indirect expense distributions are recalculated more frequently. (David B. Collins, FTS 858-3667)

The Office Of The Secretary, **DEPARTMENT OF THE TREASURY**, has a new cost center structure that allows for tracking of direct and reimbursable obligations. The new structure also allows multiple reporting capabilities through the use of a software package. Reports combining appropriations by object class, office, and by sub-object class are now possible. Currently in process is the development of an automated onboard and FTE employment report by appropriation and office. (John Benton, 566-3563)

During 1985, the **NATIONAL SCIENCE FOUNDATION (NSF)** developed an interface between the budget and accounting functions that allows the budget system to pass "operating plan" allocation data to the funds control portion of the accounting system. This interface enables the budget system to control allocations while automatically passing the adjustment to the accounting system.

Also, NSF plans to implement a system where each major organization is allocated funds for payroll and other operating expenses, and managers will have online procedures which will allow them to reallocate funds within their organization for obligation purposes. The manager, therefore, is more responsible for using available resources in the best way possible to accomplish objectives. (Martin Engle, 357-7757)

CASH MANAGEMENT, DEBT COLLECTION, AND CREDIT MANAGEMENT

Significant progress was made in 1985 to improve the management of Federal dollars because agency officials developed and implemented new and unique initiatives. The agencies' pursuit of timely collection of dollars owed the Federal Government, the prompt payment of bills and the taking of discounts, and the application of new technologies, all contributed to an improved Federal cash flow and interest savings.

The **DEPARTMENT OF AGRICULTURE** made significant progress in achieving more efficient and effective credit management and debt collection. For example, enhancements to the Administrative Billings and Collections System include the computer generation of bills with interest and penalties, an interfacing with the payroll system for garnishments, and the automation of reimbursable agreements. These enhancements to the System resulted in a substantial increase in bills issued: over 149,000 bills were processed accounting for \$130 million; and the collection of late payment penalties against delinquent accounts amounted to about \$217,000. Also, a lockbox system, established to expedite the deposit of funds, provided additional interest totaling \$150,000.

Also, the Department processed over 2.2 million administrative payments with a value of over \$2 billion. By targeting payments when due, interest savings in excess of \$1.7 million have been realized through reduced Treasury borrowing. (Larry Wilson, 447-8748)

Some specific accomplishments of Departmental agencies are as follows:

--The **FOOD SAFETY AND INSPECTION SERVICE** converted one of its letter-of-credit programs from funding by mail via the Treasury Regional Disbursing Offices to electronic fund transfers through Treasury's Financial Communications System. This improved the States' access to funds by giving credit to each State's bank on the same day as requested. The changeover also provided a cost saving to Treasury through reduced paperwork and administrative costs. (Chuck Carroll, 382-9853)

--The **FOOD AND NUTRITION SERVICE (FNS)** reviewed grantees to determine if Federal funds were being drawn down before

needed and found some grantees were holding excess funds. FNS took action to reduce these funds by \$15 million. (David Hamer, 765-3850)

--During 1985 the FNS designed and tested a new accounts receivable system. The input will originate from seven regional finance offices and will update the accounting system. The system automatically calculates interest for delinquent accounts. Other benefits to FNS include: 1) cost savings through elimination of local micro systems and manual reports; 2) better utilization of ADP resources; 3) maintenance of only one national data base of accounts receivable information; and 4) more accurate and timely accounts receivable reporting. (Larry Petersen, 756-3870)

--The ANIMAL AND PLANT HEALTH INSPECTION SERVICE studied its reimbursable overtime inspection billings and collections system and will make improvements by increasing the use of cash collections, use of credit checks, and transmitting data electronically -- estimated annual savings total \$300,000. (Bill Wallace, 436-8014)

--The AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, Commodity Credit Corporation, plans to establish a fully automated, centralized debt management office and integrated supporting system. Under this plan, all claims data will be maintained and controlled by one system and a central management group. (Dwight Tayman, 447-3553)

The U.S. ARMY TROOP SUPPORT AGENCY awarded a contract for processing manufacturer coupons in order to speed up reimbursement to the Government. Coupons from all Army commissaries around the world are sent to the contractor. The contractor sorts, validates, and sends coupons to the appropriate manufacturers. The contract is unique not only because it represents the first of its kind used by the military, but also because the contractor provides a service only and is removed from the financial process. Previously, manufacturers paid the contractor who in turn paid the Army. This enhancement has significantly increased the cash flow rate resulting in funds being deposited more quickly to the Treasury. (Ann Andrews, 804-687-3348)

The DEPARTMENT OF THE ARMY is using travelers checks instead of cash or Treasury checks for all types of disbursements except payrolls and commercial accounts. Estimated annual savings for FY '85 amounted to \$2.1 million. These savings result from 1) reduced cash holdings in finance and accounting offices; 2) reduced cash acquisition costs such as armored car service and currency handling; 3) delayed disbursement benefits since payment to the contractor is after travelers checks are issued for payment; and 4) reduction in reimbursable expenses by travelers who would otherwise purchase travelers checks. Military and civilian personnel have accepted travelers checks and believe the security of funds and ability to receive replacements for

lost, stolen, or destroyed travelers checks are worth the extra effort it takes to negotiate them. (CPT. Charles Kacsur, (317) 542-3280)

The **DEPARTMENT OF EDUCATION** offered a loan discounting program to colleges and universities that prepaid their debt obligations under the College Housing Loan Program. The discount offered to postsecondary institutions that prepaid their loans was based on the yield on outstanding marketable obligations of the United States with maturities comparable to the remaining repayment schedule of the loans. The regulations governing the loan discounting program, including the formula that was used to calculate the discounted amount, were published in the Federal Register on July 17, 1984.

From July 1984 through September 1985, the Department collected \$298.6 million on 684 loans that were prepaid by various colleges and universities. During that same time, the size of the College Housing Loan Program portfolio was reduced by almost three-quarters of a billion dollars, from more than \$3.2 billion to \$2.4 billion.

The Department found loan discounting to be an extremely effective credit management tool for dramatically increasing cash collections and for significantly reducing the amount of receivables owed to the Department. (Barry Bontemps, 245-8360)

The **FEDERAL AVIATION ADMINISTRATION**, Department of Transportation, implemented a fully automated cash management/prompt payment module as an enhancement to its Uniform Accounting System. The process provides for warehousing of payments for up to 90 days -- a transaction may be entered into the system for payment at some future date with no manual intervention. The system automatically computes early payment discounts and interest penalties, as applicable. Also, in accordance with Treasury directives, the system compares the effective rate of early payment discounts offered with the Treasury rate of the cost of borrowings. If the Treasury rate is greater than the effective discount rate, then the system will forego the discount and hold the payment the full term, which is normally 30 days.

Each time a discount is lost or an interest penalty paid, the system requires input of a predefined reason code. Examples of reasons include: "No Receiving Report," "Certified Invoice Submitted Late," and "Delayed in Paying Office." A management report is produced showing the amounts of lost discounts and interest penalties paid by reason. This report provides management with indicators of areas needing possible improvement. (Stephen Newborn, 426-8154)

The **FEDERAL HOME LOAN BANK BOARD** improved cash management by having the Federal Home Loan Banks (FHLB) debit members accounts for insurance fees as of September 30, 1985. The agency bills insurance premiums due from the savings and loan members

either annually, quarterly, or semi-annually. Over 9,000 invoices are sent out yearly. A computer listing of the savings and loan institutions and amounts due is forwarded to each FHLB for the institutions in its region. The FHLB debits the member institutions' accounts and wires the total amount of the insurance premiums to the Bank Board on the due date appearing on the bill. This process eliminated the need to mail individual invoices out to over 3,000 institutions and the costly process of collecting delinquent receivables. Additionally, the funds derived from the premiums are deposited in the Bank Board's cash account instantaneously. The cost savings from interest gained on the timely deposit of funds has been estimated to be between \$4.5 to \$6 million a year, depending on interest rates. The process also frees staff for other duties. (Robert Thomas, 377-6168)

The **ENVIRONMENTAL PROTECTION AGENCY (EPA)** has developed an automated system for creating Treasury payment tapes directly from terminal input of payment data. Through this highly automated process, in use by all EPA offices, payments valued at \$200 million per month are made through telecommunications links with the Treasury Finance Centers. This system allows EPA to transmit payment authorizations so that they reach the appropriate Treasury service center the day they are due. Annual savings of \$1.8 million in U.S. Treasury interest costs were achieved and important productivity increases were realized by both EPA and Treasury through less paperwork and higher quality of payment data.

During 1985, all 12 of the EPA regional and field locations servicing letter-of-credit began using Treasury's Financial Communications System Letter-of-Credit. The system operates through a mini-computer, eliminates manual rekeying of payment data by offices, and allows online preaudit of recipient's funding requests. Also, the system provides more timely information and significant cash management savings through the real-time monitoring of payment requests. As a result, EPA has rejected over \$1 million in drawdown requests that would have been paid under previous procedures, and recipients would have had this excess cash-in-hand for over 2 months. Overall, the system has saved Treasury about \$266,000 in interest costs during Fiscal Year 1985. (Alan Lewis, FTS 545-2485)

The **GENERAL SERVICES ADMINISTRATION (GSA)**, through its Federal Supply and Services, negotiated four contracts for Professional Debt Collection Services. While the contractor collection fees negotiated ranged from only 4 percent to 24 percent, based on age and category of debts, additional cost savings will be derived from the contract provision which authorizes the recovery of the collection fee from the debtor. If legal action is warranted, the contracts also provided for the preparation of the Claims Collection Litigation Report.

Other significant improvements completed in 1985 were the GSA Federal Supply and Services governmentwide awards to private sector consumer and commercial credit reporting agencies. The quality of credit reports which GSA and other agencies will request as a prescreening requirement under OMB Circular A-129, "Managing Federal Credit Programs," will continue to improve as Federal agencies input consumer and commercial account information and expand the data bases of the credit bureaus. (Linda Vandenberg, 566-0560)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) has achieved significant success in developing and implementing cash management improvements in Fiscal Year 1985. Specific accomplishments in this area include:

- Development of systems to improve the timing of Section 8, operating subsidy, and modernization and development payments (\$22.5 million saving).
- Imposition and collection of late charges and returned check fees (\$6 million additional income).
- Implementation of Post Office boxes to receive claim applications (savings 5 days of debenture interest per claim - \$1 million annually).
- Revision of the method of computing interest on expenses for single family claims from date of default to date that expense was paid (\$40 million savings) and automatic curtailment of interest if time requirements are not met (\$3 million savings).
- Automation of single family claims process (\$9 million savings).
- Implementation of lockbox cash operations for Property Management System, collection of excess rental income receipts, notes, and other collections.
- Relocation of the single family premiums lockbox to accelerate processing and check clearance.
- Wire transfer of multi-family FHA project payments and wire transfer of Community Planning and Development collections to Treasury.

The net benefit of these and similar actions is cash savings and additional income to the Department totals \$55 million annually.

Also, HUD has completed the necessary steps to begin reporting delinquent accounts to credit bureaus. The Department has contracted with a private firm to develop and operate automated systems for servicing and accounting for single family,

multi-family, and Title I notes, and handle foreclosures for single family notes. (Jim Overbay, 755-5256)

The **DEPARTMENT OF THE INTERIOR** implemented various cash management initiatives which saved the Treasury about \$6.5 million. These initiatives included 1) implementation of Treasury's Financial Communications System for receipts and disbursements; 2) use of lockboxes for cash receipts; 3) use of credit cards which reduced outstanding travel advances; and 4) increased use of Direct Deposit/Electronic Funds Transfer for payroll. (Robert Cavanaugh, 343-5223)

During 1985, the **BUREAU OF INDIAN AFFAIRS**, Department of the Interior, was implementing a computerized method of reviewing vouchers scheduled for payment (Automated Voucher Examination, Payment, and Information System. The System is designed to ensure that all vendor payments are properly documented and remitted on a timely basis without incurring interest penalties. Through screen edits, voucher examiners can ensure that all voucher documents match as to vendor name, address, etc., that proper discount credits have been taken, and that other required conditions have been met. The System also stores transaction history information on each order document for management and internal control purposes. (Donald Gray, FTS 474-3496)

The **BUREAU OF PRISONS**, Department of Justice, established a draft payment system which permits the Bureau to issue drafts for selected cash transactions as well as other types of payments for which the issuance of a government check is not feasible. The system provides improved internal control and more accurate and timely accounting and management information. In addition, it has significantly reduced outstanding cash balances and virtually eliminates cash outages of the imprest funds. Projected annual savings are about \$20,000. (Bob Spray, 724-3052)

The **NATIONAL INSTITUTES OF HEALTH**, Public Health Service, made several cash management improvements to its accounting system. A few of these initiatives include:

--Enhancements to the accounts payable system to alert accounting technicians to conditions such as: applicable cash discount or interest to be paid on an invoice, and automatic scheduling of payments in accordance with the Prompt Payment Act; and

--A new system for tracking travel advances and follow-up on delinquent advances. The system also automatically generates agency reports weekly and follow-up letters to the travelers. (Penelope Strong, 496-3368)

The **OFFICE OF PERSONNEL MANAGEMENT** (OPM) implemented an Automated Voucher Control Log (AVCL) that tracks a payment voucher through its life cycle (i.e., preparation, certification, and payment). The AVCL system improves service to civil service

annuitants by providing OPM employees online access to the status of a payment voucher, and allowing them to respond more quickly to inquiries. The AVCL system also shares data with other OPM automated systems which rely on voucher information for recertification of payments not received by annuitants. Finally, the system improves OPM's control over the vouchering process by eliminating the possibility of duplicate vouchers and generating management information reports to monitor the process. The former manual voucher log was inaccessible to the majority of OPM employees and did not provide the level of controls that the new automated system affords. (Robert Yuran, 632-7450)

The Prompt Pay System for the **DEPARTMENT OF STATE's** Headquarters Office was accomplished by using computer programs which determine the due dates, match invoices to receiving reports, and check fund availability. The System also produces payment schedules and tapes for Treasury and the Department's Accounting System. For the first eight months the System operated, it processed 6,801 invoices for payments totaling \$8.2 million with only 123 late payments totaling \$1,411.

The payments processed in 1985 were primarily personal services contractors so that the programs for automated IRS Form-1099s could be generated and be in compliance with IRS's requirement for tape reporting. (Ray Evon, 235-9320)

The **TENNESSEE VALLEY AUTHORITY** is expanding its involvement with electronic funds transfer payments. About 42 percent of all employees receive their net pay electronically and payments have been made on schedule without major problems or loss of security or control. Also, a pilot program of electronic payments to one of its vendors was successful and the number of vendors using electronic payments increased. Both types of electronic payments are made directly to the recipient's financial institution account using the automated clearinghouse system of the Federal Reserve Banks. (Kathy White, FTS 856-8133)

The **URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA)**, Department of Transportation (DOT), operates the central processing site within DOT for Treasury's Financial Communications System Letter-of-Credit (TFCS-LOC). During 1985 UMTA converted Regional Disbursing Office LOCs to TFCS-LOC and developed a system to support LOC processing requirements. These actions resulted in interest savings of \$5,765,000 -- \$5,132,000 from UMTA payments and \$633,000 from payments made by UMTA for other agencies. (Charles Christovich, 426-2918)

The **INTERNAL REVENUE SERVICE** and the **U.S. MINT**, Department of Treasury, are expanding the use of "lockboxes" to improve cash management. The IRS has several projects which will test the efficiency of depositing individual income tax payments. IRS sees the potential for a nationwide lockbox expansion with projected annual savings of \$53 million. (Richard Smith, 566-3214)

The Mint expanded its use of the Treasury lockbox network for processing orders and depositing receipts from the various coin programs. During 1985, the accelerated deposits to the Treasury saved about \$125,000. (Don Vogt, 376-0415)

MOST FEDERAL AGENCIES have provided their employees with GSA contractor-issued charge cards. These cards are being used for procurement of passenger transportation services and payment to commercial facilities for subsistence and miscellaneous travel performed on official business. As an adjunct to this improvement, the **DEPARTMENT OF JUSTICE** began a program of issuing travelers checks in lieu of cash advances. Since January 1985, 16 authorized issuing agents have been designated at headquarters and field locations. Travelers who possess a contractor-issued charge card may present the card, along with an approved travel authorization, to an authorized issuing agency to receive travelers checks. This procedure has:

- Reduced administrative costs to the Government in processing and collecting delinquent travel accounts.
- Improved the level of service for employee travel on official business.
- Reduced cash travel advance requirements by 45 percent; eliminated use of continuing travel advances and the need to carry cash. Estimated annual savings, including effects of contractor-issued charge cards and travelers checks, total \$169,000.

(James Williams, 633-5538)

PAYROLL AND PERSONNEL SYSTEMS

Agencies efforts to improve payroll and personnel systems include obtaining services from other agencies, centralization of the payroll/personnel functions, and automation of operations. Emphasis is being placed on reducing the number of systems, reducing costs, and obtaining more accurate and timely information. Several examples of agency initiatives are presented below.

The **DEPARTMENT OF COMMERCE**, through a cross-servicing agreement, will have Agriculture handle personnel and payroll processing. Commerce operated two payroll systems and four personnel systems that were fragmented, not integrated, had technical problems, and were generally not efficient. After considering various options, Commerce decided to have another agency provide the services. Agriculture was chosen because its system was proven efficient, fully integrated, and based on state-of-the-art automation. The conversion began in 1985 and will occur in phases. (Sonya G. Stewart, 377-4299)

During 1985, the **U.S. DEPARTMENT OF AGRICULTURE (USDA)** successfully provided payroll/personnel services to an average of

125,000 employees biweekly. Electronic input and access to this system were substantially expanded during the year and now 20 agencies submit time and attendance data electronically. Also, 10 agencies have capability to enter and correct over 30 different types of personnel and payroll documents in order to update the data base. Through the Direct Deposit/Electronic Funds Transfer program, approximately 44,200 employees received their net salary payments by electronic transmission -- this represents a 37.5 percent increase over 1984.

Agriculture provided personal statements of benefits to employees of USDA and the Merit Systems Protection Board. In-house production of these documents on a laser page printer saved USDA \$125,000 in contract costs. For the first time, the 1984 W-2 forms were also processed in-house on this type of printer. This method of production represented a \$23,000 annual saving to USDA over the cost of using preprinted snap-out forms, as well as a reduction of 45 percent in computer usage as compared to the 1983 W-2 processing.

To meet the goals of Reform '88, USDA has made significant progress in cross-servicing non-USDA agencies. In July 1985, 4,000 Commerce Department employees were initially converted to the USDA Payroll/Personnel System. Commerce estimates it will save about \$500,000 annually once all of its 36,000 employees are on the system. Also, by using Agriculture's system, Commerce avoided about \$10 million of development costs. (Larry Wilson, 447-8748)

The **DEPARTMENT OF THE ARMY** obtained congressional approval to require all soldiers entering active duty to receive their net pay via the direct deposit/electronic funds transfer system. Effective October 1, 1985, this requirement called, SURE-PAY, was implemented. As SURE-PAY use increases, the number of individual Treasury checks being prepared will diminish. This will generate savings to the U.S. Government in reduced production costs and inquiry resolution costs since fewer Treasury checks will be lost, stolen, or spoiled as they pass through postal channels. (Ron Cox, (317) 542-3204)

During Fiscal Year 1985, the **ENVIRONMENTAL PROTECTION AGENCY (EPA)** implemented its new automated data entry system for Time, Attendance, Payroll and Personnel (TAPP). The system is the EPA-wide standard for processing information into the Payroll Subsystem. The objectives of the system are: standard data entry processes, online editing, extensive backup capability, user friendly operation, mass change capability, and central social security number file for verification and data integrity.

EPA also provided to all permanent employees a personalized employee benefit statement summarizing personal fringe benefits and entitlements. The cost to produce these statements was about \$3 per employee. (Sandra Martin, 382-5147)

The DEPARTMENT OF STATE completed the conversion of 21,000 American employees to the Consolidated American Payroll Processing System (CAPPS). These employees are assigned to over 260 locations worldwide and are employed by 35 different agencies. The overseas centers are linked to a single Washington payroll office via high-speed communication lines. The payroll checks are written by Treasury, or where available, payments are electronically transferred to financial institutions.

The implementation of this new system eliminates numerous areas of payroll error while reducing turnaround time for submission of payroll data into the Department's accounting system. (Charles Massie, 235-1951)

The U.S. INFORMATION AGENCY (USIA) plans to convert its present payroll system to the Department of State's Consolidated American Payroll Processing System (CAPPS). The conversion to CAPPS will merge USIA's domestic payroll data base with the Agency's overseas payroll data which is currently processed separately by the Department of State. Upon completion of the conversion, all of USIA's American salaried employees will be in one data base, which will significantly improve the control of payroll authority involving overseas transfers. Based on the progress made during 1985, USIA's conversion to CAPPS should be implemented and operational by the end of fiscal year 1986. (Len Domyan, 485-2320)

The DEPARTMENT OF THE INTERIOR is in the process of standardizing all payroll processing functions in a Consolidated Payroll Office (CPO). The CPO will combine 10 bureau payroll offices under the general supervision and operational control of the Bureau of Reclamation by the end of FY 1986. The new payroll processing will operate from offices located in Denver, Colorado, and Washington, D.C.

The CPO is expected to achieve cost savings through standardization and automation of the payroll process. The increase in operational and management efficiency is expected to make possible a 25 percent reduction of payroll related FTEs in the Department, with annual savings of approximately \$1 million. (James T. Carter, 343-8425)

In 1985, the DEPARTMENT OF LABOR implemented a new personnel system (PERMIS) operating on software provided by the Air Force and hardware provided by the Navy. The Air Force personnel system, modified slightly for Departmental requirements, is essentially the same system that has also been implemented by General Services Administration, Small Business Administration, Navy, and other governmental agencies.

The Departmental payroll system, which had been modified significantly to allow for online full screen input, operates in a different hardware and software environment. For these systems to

be able to pass data between themselves, a complex interface was designed and implemented. (Mike Griffin, 523-8184)

The **RAILROAD RETIREMENT BOARD's** Administrative Management Information System, which will be operational in 1986, extensively automates the payroll and personnel systems and integrates them with the core accounting and financial components. The system makes extensive use of off-the-shelf software and provides online time and attendance reporting. This eliminates precertification and adjustment problems inherent in a manual nationwide reporting system. (Thomas Roraff, FTS 387-4946)

The **SECURITIES AND EXCHANGE COMMISSION (SEC)** developed a highly automated payroll calculation and time and attendance input system suitable for use by external user agencies. The system accepts distributed input from both terminals and personal computers, and output is available through the same equipment and attached printers. Since January, 1985, the SEC has been performing payroll services for the Federal Mediation and Conciliation Service. (Henry Hoffman, 272-2639)

The **SMALL BUSINESS ADMINISTRATION (SBA)** implemented a new automated payroll system. This is a user-friendly system which involves the interaction of people, hardware, software, and data transmission supported by state-of-the-art computer technology and techniques. It is a more efficient payroll operation through immediate update by field offices of payroll records, reduced mailings of payroll documents, more timely processing of separation and retirement actions, more timely processing of year-end tax data, and a reduction of the need for supplemental payrolls. (Clyde Peters, 653-6559)

PRODUCTIVITY

Agencies reported initiatives in efficiency reviews, agency-wide productivity plans, cross-servicing, and learning from private sector experiences in specific financial management areas. A few of these projects are summarized in the following paragraphs.

The **DEPARTMENT OF THE ARMY** performs efficiency reviews of its contractable functions (i.e., commercial activities) and noncontractable functions. The contractable portion, governed by OMB Circular A-76, measures the costs of in-house operations and compares these costs with performance of the same functions by the private sector. Over the 8-year history of the Program, significant savings have been realized based on the necessity to formulate the in-house "bid" on the most efficient organization (MEO). Regardless of the outcome of the cost comparison, savings to the Government are realized through either a more efficient in-house operation or a cost-effective conversion to contract. During 1985, 39 cost studies were completed covering 2,477 military and civilian positions. Of this, 1,837 positions were redirected to higher priority Army missions because the final decision resulted in a conversion to performance by a private sector contractor.

The success of the contracting out program led to the decision to require similar studies on noncontractable elements. Just as for commercial activities, a performance work statement, management study, and quality assurance plan are prepared. These products validate the work being performed, identify needed improvements, determine the most efficient organization, and provide a means by which the quality of the work can be assured and monitored after the MEO is implemented. Even though these noncontractable functions do not compete with the private sector, they are made more efficient as the result of an intensive efficiency review. In 1986, the Army expects to complete studies covering over 26,000 positions. (Sylvia Hackbarth, 694-4371)

The Army has successfully applied productivity, efficiency, and management improvement tools in other activities as well. The Army's Master Productivity Plan identifies specific productivity objectives, spotlights tasks, and assigns Army-wide responsibility for certain tasks. The basic concept of the plan is to build on already successful productivity/efficiency initiatives at installations. Initiatives include the following programs:

- The Productivity Capital Investment Program provides seed-money for fast payback tools, equipment, and facilities that save manpower, reduce costs, increase productivity, and improve readiness. Examples of equipment are training weaponer simulators that enhance marksmanship feedback and also save live ammunition; asphalt reclaimers that repair roads destroyed by heavy equipment during training exercises; and other labor saving equipment that enable soldiers to better perform their combat mission.

The programs historically have a return on investment of \$17 for every \$1 invested.

- The Value Engineering (VE) Program is an efficient tool for controlling and reducing costs. It is designed to lower the cost of functions while achieving equivalent or better performance and reliability. Examples of in-house VEs are a proposal at a depot that resulted in savings of \$6 million on helicopter overhaul, and a study of a firing range that resulted in \$9 million savings. VE produces an average return on investment of \$15 for each \$1 invested. (LTC Thompson, 697-1812)

In 1985, the **DEPARTMENT OF AGRICULTURE** saved Federal dollars and improved the productivity of other Federal agencies through expanded cross-servicing. The agencies and services provided included:

- expanding processing services for the Department of Education to include billings and collections;

--processing administrative payments, payroll/personnel, and accounting transactions for the Merit Systems Protection Board; and

--the initial conversion of the Department of Commerce to the USDA Payroll/Personnel System.

Also, the Federal Mine Safety and Health Review Commission is scheduled to join the Payroll/Personnel System in 1986 and the U.S. Information Agency will begin to use the Property Management Information System in 1986. (Larry Wilson, 447-8748)

In 1985, the DEPARTMENT OF THE NAVY entered into an agreement with the Private Sector Council, a non-profit corporation, for the purpose of sharing private sector expertise with the public sector, at no cost to the Government. The objective is to assist the Navy in carrying out financial management improvement initiatives in a more timely and efficient manner. In July 1985, the Navy defined five projects for Council assistance. By the end of 1985, the Navy was actively working with private corporations on two projects -- planning techniques and methods for financial management systems development, and management and control of exporting design activity software to ADP operating sites. (Fred Wyant, 697-3262)

The FEDERAL HOME LOAN BANK BOARD plans to share its Financial Accounts Reporting system with the Federal Maritime Commission in 1986. Services to be provided include all accounting services currently performed for itself. While the Bank Board plans to increase staff by one, Maritime will realize increased productivity, more effective financial reporting, and possible staff reductions, and other cost savings. (Robert Thomas, 377-6168)

The DEPARTMENT OF LABOR's San Francisco Region, reported the establishment of and the first annual conference in September 1985 of a local Federal Financial Managers' Council to promote productivity improvements in Federal financial management practices. Tangible savings are expected through information sharing and training. The Council's initial efforts will focus on improving travel management services and microcomputer applications. (David Roy, FTS 556-6798)

MICROCOMPUTER APPLICATIONS

Agencies reported many financial management applications of microcomputers and commercially available software packages that save time, produce more accurate products, and save dollars. Many of these applications eliminated manual processes that were repetitive and labor intensive. Some examples of agency initiatives are presented below.

During 1985, the U.S. DEPARTMENT OF AGRICULTURE (USDA) implemented and was developing microcomputer applications in many

financial management areas. Most of their reported initiatives related to budgeting, accounting systems, and fund status/control. Some of the USDA projects are as follows:

- The **FOOD AND NUTRITION SERVICE** implemented a funds tracking system to inform the Administrator of pending apportionment issues. The system, which consists of a microcomputer and off-the-shelf software, provides monthly program data on budget projections and obligations. (William Boling, 756-3189)
- The **ECONOMICS MANAGEMENT STAFF** (budget analysts and assistants) are using a microcomputer and spreadsheet and data base management system software packages to develop recurring and ad hoc status reports on staff year use, reimbursable income, outlays, and historical spending patterns. (Arthur Sauer, 447-8646)
- The **OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT** automated the process for entering, tracking, and reconciling obligations with expenditures and for recording, tracking, and monitoring invoice payments. These changes increased the accuracy of fiscal data and improved staff productivity. (Jeanne Stanek, 475-5249)
- The **ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)**, Budget and Accounting Division, is in the process of automating its status of funds process which provides program and financial information to agency managers throughout the year. The project uses spreadsheet, data base management system, and communications software and involves the downloading of data from USDA's National Finance Center mainframe computer into a data base on microcomputers at APHIS. Once the data is loaded, analysts and managers have the option of querying the data base for specific information, calling upon reports, or transferring the data directly into an electronic spreadsheet for analysis. The project plan also calls for telecommunicating the data to field offices throughout the organization later in 1986. The procedure has the potential to cut 2 weeks off the agency status of funds process each month. Future plans call for incorporation of this system into the total budget formulation and execution cycle of APHIS. (Michael Hart, 436-8635)

The **DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)**, plans to improve cash management and eventually achieve a paperless payment system for grants. The strategy is to use micro computers in linkage with a communications network to interactively accept payment requests directly from recipients, to respond back to recipients with the success or failure of their requests, and to pass successful requests via a communications link to Treasury for payment. Under this method, the recipient would dial into a cluster of microcomputers at the Department using a terminal or

personal computer. The microcomputers would perform preprocessing to screen out unauthorized users. Residing on the cluster of microcomputers would be user-friendly screens, which will allow the entry of payment requests. At the conclusion of each interactive session, the recipient would be informed if payment could be made or if the request was in error. (Tony Alascio, 443-1438)

During 1985, HHS was developing a microcomputer-to-microcomputer transmission application of Prompt Pay Report data from Departmental organizations. The Department uses the data for monitoring, consolidating, and reporting to OMB. (John Rieman, 245-8085)

The Finance Office, NATIONAL INSTITUTES OF HEALTH (NIH), Public Health Service, uses microcomputers with spreadsheet and data base software to accomplish various accounting operations. They include: 1) tracking and aging of outstanding receivables and their collection; 2) tracking foreign currency payments; 3) contract invoice tracking and reporting; 4) distribution of program assessments and charges to NIH components; 5) preparation of consolidated financial statements; and 6) monitoring cash accounts. (Jack Rigsby, 496-3368)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) implemented the Journal Voucher Entry and Edit System (JVEES). This is a menu-driven microcomputer application which records general ledger posting entries onto floppy diskettes for HUD's mortgage insurance accounting programs, and telecommunicates the data to the general ledger system. Prior to this System, the posting entries were recorded onto coding sheets which were then keyed onto a magnetic tape by a keying contractor. The turnaround time between the preparation of the coding sheets, data edit, update of the general ledger, and receipt of accounting reports was up to 4 days. Reports can now be delivered within hours after telecommunicating the data to the general ledger system.

The JVEES process saved 30 workdays (3 workdays for each reporting organization) per month in processing time. The time gained enabled reporting offices to spend more time in improving the accuracy of their general ledger postings and external accounting reports. (Ronnie Davis, 755-5154)

The U.S GEOLOGICAL SURVEY, Department of the Interior, uses microcomputers and commercially available software to prepare and reconcile three reports to Treasury -- SF-225, Report of Obligations; SF-13, Statement of Transactions with Foreign Governments; and SF-220, Schedule 9, Report on Status of Accounts and Loans Receivable Due from the Public. The required data is downloaded from the accounting system and reformatted as necessary to prepare the reports. Hard copies of the SF-225 and SF-220, Schedule 9 reports are also generated in final form for submission to Treasury. Also, during 1985 the Geological Survey was developing an accounts receivable tracking system which will maintain an accounts receivable customer file for online query, generation of

demand notices, and statistical information on debt management performance. (Robert Edwards, 860-6121)

The **IMMIGRATION AND NATURALIZATION SERVICE**, Department of Justice, has eliminated manual preparation of various financial reports by using microcomputer applications. The reports automated include: SF-133, "Report on Budget Execution"; SF-225; TFS-2108, "Year-end Closing Statement"; SF-220; and SF-220 Schedule 9. The microcomputer applications will save an estimated \$10,000 annually and reduce the time to prepare, type, and mail the reports. (Wayne Judkins, 633-3400)

The **DEPARTMENT OF LABOR** computerized the annual \$200,000 imprest fund for one of its headquarters buildings. The new operation records each transaction by name of recipient, organization, date, description or purpose of transaction, and amount. Funds are reconciled each day with the information processed through the system, and agencies of the Department are provided a biweekly report in order that a composite profile of petty cash disbursements can be monitored by name. Cost savings are estimated to be at least \$25,000 per year plus the value of instant recordation and presentation of all information. (Earl Thorpe, 523-7801)

The **NUCLEAR REGULATORY COMMISSION** implemented during 1985 the first phase of a microcomputer based automated budget system which links microcomputers and a mainframe data base. The microcomputer system uses commercially available software and customized programs written in BASIC. Budget examiners use the microcomputers to store data, perform "what if" analyses, formulate resource recommendations, produce customized reports, and prepare briefing documents. Also, data can be uploaded to the timesharing data base as needed. The system provides direct user access to data and reduces the lead time required for manipulation of data and report generation. (J. Silber, 492-8081)

The **TENNESSEE VALLEY AUTHORITY** uses microcomputers and commercially available software for the following applications:

- Daily forecasts of cash balances;
- Monthly, quarterly, and annual forecasts of receipts and disbursements;
- Amortization schedules of principal and interest due on notes receivable;
- Employee participation in U.S. Savings Bond Program; and
- The accumulation and analysis of balances maintained in various bank accounts with the cost of banking services.

(Kathy White, FTS 856-8133)

The DEPARTMENT OF TRANSPORTATION has developed a cash management data base using a microcomputer and off-the-shelf software. The data base tracks Departmental cash flows by 1) cash management delivery mechanism; 2) operating administration; and 3) agency location code.

The cash management data base improved the Department's financial management by:

- tracking cash management progress as a percentage utilization of the various cash management delivery systems;
- using the information to report quarterly cash management savings; and
- using historical data in formulating future goals and priorities.

(Rich Polhamus, 426- 3504)

Several reported accomplishments of the DEPARTMENT OF THE ARMY are as follows:

- An Automated Travel System, developed by the Office of the Comptroller, that uses application software that will 1) process travel claims for per diem, actual expense, and overseas per diem or any combination thereof for both civilian and military; 2) process permanent change-of-station settlements for military personnel; 3) create a travel suspense file, to include automated collection letters at proper intervals; 4) write checks; and 5) prepare numerous reports. The system will also provide data for U.S. Treasury check-issue reports and pass travel accounting data to the accounting office. (Kent Miller, (317) 542-3243)
- A Conference Cost Model developed by the Army Training and Doctrine Command. Using a microcomputer and off-the-shelf software, the model considers location, billet type, transportation, per diem, and miscellaneous expenses, and computes the cost of a conference for a given number of military/ civilian attendees. (Ken Stuart, (804) 727-4451)

The DEPARTMENT OF THE NAVY reported many microcomputer applications using commercially available software, for financial management functions. Some of these initiatives are as follows:

- To track the status of outstanding findings and recommendations from the Naval Audit Service, Inspector General, and the General Accounting Office. (Charles Matthews, 697-2080)

- To input, audit, and track all outstanding requisitions for the Naval Accounting and Financial Center. (Ellis Kalmeyer, 697-9462)
- To assist in the evaluation of Prompt Payment Act data and to analyze performance trends among the various Navy paying offices. (Dick Galloway, 695-4815)
- To assist in the compilation and documentation of accounts receivable data throughout the Navy and to prepare financial reports for management. (Williams Hair, 697-6630)
- To provide a current inventory of outstanding financial management systems for Navy, and to improve the accuracy and timeliness of Systems information. (Jean Lewis, 695-7954)

During 1985, the Office of Finance and Administrative Services, **OFFICE OF PERSONNEL MANAGEMENT (OPM)**, implemented several microcomputer applications using commercially available software packages. They include:

Administrative Budgeting - Using commercially available software, OPM produces budget projections, tracks obligations and expenditures by fund, and accumulates staff usage by organization.

Administrative Tracking - To improve the monitoring of administrative expenditures, OPM tracks travel expenditures by individual travel order and travel voucher. Additional tracking systems are being developed for acquisitions and personnel actions.

Management Information - Using graphic and spreadsheet software packages, OPM has designed various graphs showing workload trends and productivity.

(Debbie Groh, 632-6040)

CHAPTER 4

INITIATIVES TO IMPROVE AUDITING

Initiatives of the Inspectors General (IGs) and agencies' internal audit organizations to improve auditing reflect a significant use of automation technology, staff specialization in the financial issues area, and cooperative efforts. Prior annual reports have included audit accomplishments; however, this year was the first year that JFMIP requested improvement submissions directly from the IG community.

The IGs were formally united in 1981 when Executive Order 12301 established the President's Council on Integrity and Efficiency. Both as a community and individually, the IGs have been very successful in projects that prevent or eliminate fraud, waste, and inefficiency in Government and its private contractors.

A brief summary of significant initiatives to improve auditing are presented in the following paragraphs.

The Office of Inspector General (OIG), **DEPARTMENT OF AGRICULTURE** (USDA), completed a procurement of more than 100 microcomputers to automate various audit processes. The procurement concluded a 2-year evaluation to determine the adaptability of microtechnology to the Agriculture audit environment. The testing proved that the OIG could reap substantial and immediate benefits in improving the accuracy and consistency of audit products, expanding or redirecting audit efforts to obtain maximum benefits, allowing prompt evaluation of gathered data, and increasing the level of ADP expertise. (Richard Davis, 447-6805)

During 1985, the Inspectors General at **AGRICULTURE** and **LABOR** reorganized to emphasize and more effectively review financial management issues. Agriculture's IG established a Financial Management Staff as a separate regional office to handle the audits of all USDA financial and computer centers. It was determined that a centralized highly technical staff would more effectively conduct these complex and specialized audits. The reorganization was carried out without additional personnel -- staff was obtained by restructuring the staffs of regional offices and headquarters. (Edwin Lenderman, (816) 926-7657)

Labor's IG established within the Office of Audit, a new Financial Management Audit Division. The Division will serve as the primary focal point for financial management audit activities. Activities will include financial systems reviews, financial statement development and audit, and oversight of the Department's FMFIA process. (Robert McGregor, 523-8190)

The **DEPARTMENT OF COMMERCE's** IG implemented a special program to combat fraud and waste in Commerce's programs. This

program, the Integrity Assistance Program, provides for close liaison with agency officials to increase their awareness of conditions suggesting the possibility of fraudulent, wasteful, or abusive acts. The program also provides for systematically ranking Department programs to identify those with the greatest potential for irregularities. The vulnerable programs are reviewed at selected locations with specifically designed tests to determine whether any fraudulent, wasteful, or abusive acts have occurred. The initial work is done primarily by the investigators and any resulting reviews necessary to successfully complete work are staffed by auditors and investigators. In one Departmental program, 25 percent of the tests led to criminal investigations of irregularities such as misuse of funds, conflict of interest, and embezzlement. The net effect has been a steadily reduced potential for fraud and waste in Commerce's programs. (Oral Butcher, 377-3254)

The DEPARTMENT OF EDUCATION's IG published a brief document entitled "Audit Readiness for Recipients of Federal Education Funds." It was developed to further cooperation between Federal education officials and Federal education fund recipients by expanding the communication of information about audits and how to prepare for them.

It describes 1) ongoing activities that will help recipients work toward audit readiness while carrying out overall management responsibilities; 2) common pitfalls experienced by recipients audited in the past; and 3) steps to be taken by recipients notified of an impending audit.

This document could be useful either in its present form, or with minimal revisions, to recipients who administer other Federal assistance funds. Copies of "Audit Readiness for Recipients of Federal Education Funds" are available upon request. (Robert Raspen, 472-3047)

The ENVIRONMENTAL PROTECTION AGENCY's (EPA) OIG is implementing a three-pronged initiative involving computers and computer systems. First, the use of newly acquired microcomputers and mainframe equipment will improve auditors' and investigators' efficiency by: increasing their ability to perform trend and comparative analyses of multimillion dollar contract services; facilitating access to centrally stored case data by all field divisions; and decreasing time expended on repetitive tasks or multiple analysis of the same data. Second, the OIG is expanding its review of computer-based systems and computer activities. In three recent investigations, the OIG documented significant misuse of EPA computers involving hundreds of thousands of dollars. To date, one employee has been charged with theft of Government property and other cases have been referred for civil recovery. Last, the OIG is devoting more effort to assist the Agency with up-front systems development. Auditors recently received EPA's Bronze Medal for their participation in instituting proper systems

controls for the Asbestos Abatement Program. Since then, additional requests for assistance have been received involving payroll and other accounting computer systems.

The IG is developing a computer-compatible audit universe which identifies over 1,100 agency programs, organizational units, activities, cycles, and systems. Through the application of certain criteria such as vulnerability assessments, budgetary information, and prior audit experience, the universe is summarized into an inventory of all areas which should at some point be audited. Each inventory item will then be ranked again to determine which areas would receive priority in the audit process. The methodology, designed in accordance with PCIE guidelines, should become a valuable instrument for annual and strategic planning by improving the selection process for internal audits. (Steven McNamara, 382-4916)

HEALTH AND HUMAN SERVICES' (HHS) OIG has improved audit effectiveness and efficiency through the use of microcomputers. Areas of audit interest as well as audit techniques have been substantially influenced by computer technology. Several improvements in audit effectiveness are as follows:

- Reviews are being conducted that could not or would not have been undertaken prior to the acquisition of microcomputers;
- Utilization of audit staff has been more efficient in that decisions of whether to 'go' or 'no-go' on a potential audit area can be made in a relatively short time using computerized data; and
- Staff efficiency has been improved through the use of electronic spreadsheets, word processors, and data base management systems. (Lynn Hensely, FTS 758-3591)

During 1985, the OIGs of VA and HHS made a joint review of reimbursements made on behalf of veterans placed in community nursing homes to determine whether duplicate payments were made to contract nursing homes or affiliated health care providers. They performed a joint computer match for the purpose of determining the extent of the duplicate billings (Medicare/VA) in one State. It was estimated that as much as \$3 million a year may have been inappropriately paid to community nursing home facilities and affiliated health care providers. Implementation of the recommendation will save Medicare \$40 million annually on a nationwide basis. (Neal Gunther, FTS 353-2618)

The OIG, **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** (HUD), conducted several internal and external audits of HUD's Single Family Insurance Programs and concluded that program abuse was widespread. Certain lenders, investors, borrowers, and real estate agencies have misused the programs. During 1985, the OIG was instrumental in convincing the Secretary of HUD to establish a

task force of top HUD officials to review the Program. The OIG believes the Task Force can significantly improve the policies, procedures, and management controls governing the Programs. (Steven Switzer, 755-6364)

The OIG, DEPARTMENT OF THE INTERIOR, developed a computerized history file of 261 audit reports, issued between 1967 and 1985, containing over a thousand audit findings relating to the Bureau of Indian Affairs and tribal operations. The findings were broken down by activity and subactivity, by function, and by type of problem. Types of problems include deficient ADP planning, poor contracting practices, inaccurate financial statements, and incomplete program or participant data. The system allows for the access of data by either activity, subactivity, function, or type of problem. The system is used by the OIG in planning audits, identifying continuing problems, and in allocating scarce audit resources to problem areas. (Marvin Pierce, 343-4252)

Under the auspices of the President's Council on Integrity and Efficiency (PCIE), DEPARTMENT OF THE TREASURY's OIG coordinated an audit to determine whether the collection and deposit of funds by Federal agencies could be accelerated. The audit covered the collection and deposit processes of six agencies -- Treasury's U.S. Customs Service, Health and Human Services' Social Security Administration, Housing and Urban Development, Interior, Labor, and the Small Business Administration. Auditors in these agencies evaluated cash management action plans, systems for monitoring agency initiatives, and current deposit procedures.

The auditors concluded that implementing existing cash management initiatives would increase cash flow by \$1.2 billion and result in annual savings of \$115 million; and they reported on opportunities to increase cash flow by an additional \$2 billion saving an estimated \$104 million. In addition to the individual reports on each agency, a consolidated report was issued to the PCIE for use by OMB. (Robert Biancucci, 376-4190)

In recent years, there has been a marked increase in major ADP system design and development efforts in the bureaus serviced by TREASURY's OIG. About 20 percent of internal audit resources are being spent each year on front-end reviews of design projects such as those for the Treasury General Accounts, Treasury Direct Access Book-Entry Securities (Direct Entry), Check Payment and Reconciliation, Public Debt Accounting and Reporting, and Cash Management Information Systems. These systems will process billions of dollars in Government receipts, payments, and securities. Other system design efforts being reviewed include those for the payroll application of the Treasury Unified Management System, which has been designated by OMB as a generic model for governmentwide use, and the Financial Management and Product Accountability Management Information System, which will provide essential information for managing the Bureau of Engraving and Printing.

These audits have contributed to ensuring that the design projects are well managed and that sufficient attention is given to internal controls, security, and auditability. Treasury and Federal Reserve auditors, for example, are working with the project team to develop questionable transaction profiles to permit the Direct Entry System to flag potentially fraudulent Treasury security transactions for investigative follow-up. (Robert Cesca, 535-6160)

VETERANS ADMINISTRATION's OIG established a cooperative earned income audit project with VA's Department of Veterans Benefits, which computer matches income reported by VA pension recipients with wage data supplied by employers to State departments of employment security. VA's Regional Office staff are developing match information through confirmation with employers and pensioners and adjudicating overpayments where appropriate. OIG staff are conducting the matches, investigating fraud referrals, and maintaining liaison with participating States and United States Attorneys. As of December 1985, "state wage" matching projects for three States had identified about 2,900 cases (including 2,100 potential fraud cases) with \$18 million in verified overpayments created when pension recipients inaccurately reported their annual income.

To improve the matching process, OIG staff recently automated the screening, so that the selection of cases warranting management review is now mostly performed by computer processing. This improved process will allow the OIG staff to furnish two States per quarter for management's review, compared to approximately one State per year previously. (Michael Slachta, 389-3110)

The **RAILROAD RETIREMENT BOARD's** (RRB) Bureau of Audit and Investigation developed and uses computer matching techniques for detecting fraud, waste, and abuse. Recent audits include matching State records of unemployment benefits with RRB retirement, unemployment, or sickness insurance benefits. As a result of this work, the auditors have identified over \$500,000 in payments that can be recovered from Railroad Retirement Board beneficiaries. (Robert Seaberg, FTS 387-4542)

The **AIR FORCE AUDIT AGENCY** has acquired microcomputers to enhance the auditors' skills. Auditing skills are being improved through the use of software packages such as electronic spreadsheets, data base management systems, and word processing. At least one microcomputer has been placed in each of 80 area audit offices with the remainder being utilized by the headquarters staff and the two directorates responsible for management of centrally directed audits. By the end of 1985, 120 microcomputers had been received and installed.

Air Force Audit has developed a 5-year information system plan to implement new technology. These projects include: 1) developing microcomputer application methodology for auditors to apply during accomplishment of audit tasks; 2) identifying

methodologies and automation technologies which will provide effective online/offline data analysis and retrieval from Air Force system data bases; and 3) reevaluating the Agency's basic information system skill level training given to all professional personnel. (Jerome Stolaraw, (714) 382-4071)

The Internal Audit Division of the **INTERNAL REVENUE SERVICE** implemented a Microcomputer-based Audit Retrieval System (MARS) which provides for an audit utility capability of the Service Center processing system. MARS will allow Internal Audit to test thousands of transactions as they pass through the system, and it will allow operating management to quickly receive reports on subjects of special interest. In 1986, the auditors plan to complete the expansion of MARS and to provide for an audit utility capability in each of the Service's major ADP systems. (James Joyner, 566-4804)

AGENCIES' SUBMISSIONS BY FUNCTIONAL AREA FOR THE JFMIP's ANNUAL REPORT

APPENDIX A

DEPARTMENTS/AGENCIES	Integrated FMS	Accounting Procedures & Systems	Budget Development/ Execution	Cash Mgmt. Debt Collection Credit Mgmt.	Payroll/ Personnel	Productivity	Microcomputer Applications	Auditing
1. ACTION	X				X			
2. ADMIN OFFICE — U.S. COURTS	X							
3. AGRICULTURE	X	X	X	X	X	X	X	X
4. COMMERCE	X	X		X	X	X		X
5. DOD	X	X	X	X	X	X	X	X
6. EDUCATION		X		X				X
7. ENERGY	X	X			X		X	X
8. EPA	X	X		X	X			X
9. FARM CREDIT ADMIN.	X		X				X	
10. FEMA		X		X				
11. FHLBB	X			X		X		
12. GSA	X	X		X	X			
13. HHS	X	X	X	X			X	X
14. HUD	X	X		X			X	X
15. INTERIOR	X	X		X	X		X	X
16. JUSTICE	X	X	X	X	X	X	X	
17. LABOR	X	X	X	X	X	X	X	X
18. MARITIME COMM							X	
19. NASA	X	X	X					X
20. NRC	X	X	X				X	
21. NSF	X	X	X	X	X			
22. OPM		X	X	X	X	X	X	
23. PANAMA C.C.	X	X	X				X	
24. PEACE CORPS	X	X						
25. POSTAL SERVICE		X					X	X
26. RAILBOARD R.B.	X	X	X	X	X	X	X	X
27. SBA	X	X			X		X	
28. SEC		X		X	X	X	X	
29. STATE	X	X		X	X	X	X	
30. DOT	X	X	X	X			X	X
31. TREASURY		X	X	X	X	X	X	X
32. TVA		X	X	X	X	X	X	X
33. USIA	X	X			X		X	
34. VETERANS	X	X	X	X			X	X
Number of Agencies Providing Submissions	27	29	16	22	19	12	23	17
Number of Provider Agencies Cited in the Annual Report	15	14	7	15	11	4	11	12

KEY OFFICIALS OF JFMIP DURING 1985PRINCIPALS

James A. Baker III Chairman	Secretary of the Treasury
Charles A. Bowsher	Comptroller General of the United States
Donald J. Devine (through 3/85)	Director Office of Personnel Management
Constance Horner (since 8/85)	Director Office of Personnel Management
David A. Stockman (through 8/85)	Director Office of Management and Budget
James C. Miller III (since 10/85)	Director Office of Management and Budget

STEERING COMMITTEE

Gerald Murphy Chairman	Fiscal Assistant Secretary U. S. Department of the Treasury
Frederick Wolf	Director, Accounting and Financial Management Division U. S. General Accounting Office
John J. Lordan	Deputy Associate Director for Financial Management Office of Management and Budget
William Hunt (through 10/85)	Associate Director for Administration Office of Personnel Management
Thomas J. Simon (since 12/85)	Associate Director for Administration Office of Personnel Management
David V. Dukes (since 10/85)	Executive Director Joint Financial Management Improvement Program

JFMIP STAFF

The day-to-day operations are carried out by the Executive Director and a small staff. The project directors provided by the central agencies serve on the staff for a period normally of 12 months.

Executive Director	David V. Dukes (since 10/85)
Assistant Executive Director	Doris Chew
Senior Project Director	Kenneth Winne
Secretary	Marian Strittmatter
Secretary	Charlene Comtois (resigned 10/85)

Project Directors Detailed From Central Agencies

George Englert (1/84 - 8/85)	General Accounting Office
Diane Bray (6/84 - 4/85)	Department of the Treasury
Robert Loring (6/85 - 6/86)	Department of the Treasury
Charles Zlamal (1/86 - 1/87)	General Accounting Office

AVAILABLE JFMIP PUBLICATIONS

1976 -- Money Management Study.

1980 -- Proceedings of Workshop on Debt Collection.

1981

Do It Yourself--Compare and Improve Your Payroll System.
Measuring Productivity in Accounting and Finance Offices.
What is JFMIP?

1982

JFMIP Quarterly News Bulletin (all issues not available).
Do It Yourself--Compare and Improve Your Property System.
Property Management Evaluation Guide for Federal Agencies.
Proceedings of the 11th Annual Financial Management Conference.
Bar Code Technology--A Means to Improve Operational Efficiency
and Internal Control.
Using Statistical Sampling to Improve Productivity in Federal
Government.

1983

JFMIP Quarterly News Bulletin (all issues not available).
Managers--Reduce Your Systems Development Costs by Adopting An
Available Accounting System.
Proceedings of the 12th Annual Financial Management Conference.
Annual Report--1982.
Proceedings of Workshop--Using Microcomputers for Financial
Managers.

1984

JFMIP Quarterly News Bulletin (all issues not available).
Proceedings of the 13th Annual Financial Management Conference.
Annual Report--1983.
Financial Handbook for Federal Executives and Managers.

1985

JFMIP Quarterly News Bulletin.
Annual Report--1984.
Financial Management Directory - 1985.
Proceedings of the 14th Annual Financial Management Conference.

1986

JFMIP Quarterly News Bulletin.
Annual Report--1985.
Proceedings of the 15th Annual Financial Management Conference.

NOTE: To obtain the above publications, contact JFMIP on 376-5439.