

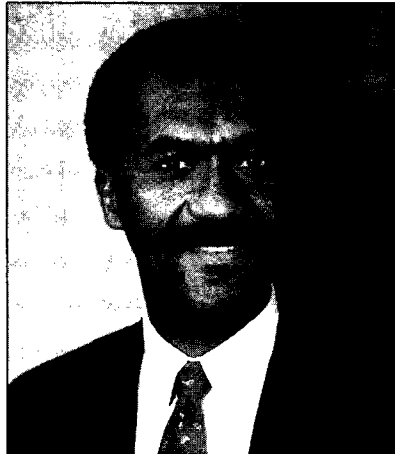
JFMIP NEWS

A Newsletter for Government Financial Managers

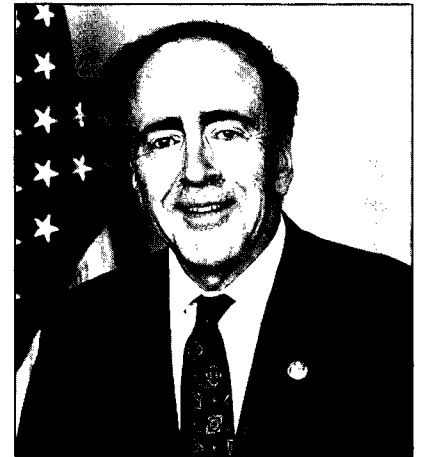
Winter 1997 Vol. 8. No. 4.



A special tribute to Mr. Charles A. Bowers, former Comptroller General will be made at the JFMIP Conference



*Franklin Raines
Director, Office of Management and Budget*



*Congressman Stephen Horn
Chairman, Subcommittee on Government
Management, Information, and Technology*

JFMIP 26th Annual Conference

The Joint Financial Management Improvement Program will sponsor its 26th Annual Financial Management Conference on Tuesday, March 18, 1997. This year's theme is *Shaping Financial Management for the 21st Century*.

The keynote speakers are Congressman Stephen Horn, Chairman, Subcommittee on Government Management, Information, and Technology, and Franklin Raines, Director, Office of Management and Budget. James Hinchman, Acting Comptroller General of the United States will also make brief remarks.

A plenary session on The Future of Federal Financial Management will be led by Cora Beebe, Office of Thrift Supervision, featuring G. Edward DeSeve, Office of Management and Budget; Gene Dodaro, General Accounting Office; and Gerald Murphy, Department of the Treasury. The luncheon session is highlighted with the presentation of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management in the public sector.

Concurrent panels to be held in the morning session are:

- Implementing Cost Accounting in the Federal Government
- Success Stories on Using Financial Statements
- Resolving Issues with Audited Financial Statements

The afternoon concurrent panel sessions include:

- Financial Management Systems: A New Strategy
- The Rapidly Changing World of Electronic Procurement and Payment
- Franchising, Cross-Servicing, and Outsourcing: What Works?

The site of the Conference is the Crystal Gateway Marriott Hotel, 1700 Jefferson Davis Highway, Arlington, Virginia. For additional information on the program and registration, see pages 6 - 7 of this issue of the JFMIP News. □

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Senior Federal Financial Officials Retire

The federal financial management community will miss some colleagues that recently retired from the federal government. They include:

- L. Paul Blackmer, Jr., Chief Financial Officer, Bureau of Engraving and Printing, Department of the Treasury
- Clyde G. McShan, II, Deputy Chief Financial Officer, Department of Commerce
- John C. Martin, Inspector General, Environmental Protection Agency
- Matthew G. Schwienteck, Associate Commissioner for Financial Policy and Operations, Social Security Administration
- James M. Taylor, Chief Financial Officer, and Executive Director for Operation, Nuclear Regulatory Commission.

L. Paul Blackmer, Jr. was the Associate Director (Chief Financial Officer) of the Bureau of Engraving and Printing (BEP), Department of the Treasury since 1991. As the CFO of BEP, Mr. Blackmer was responsible for the financial management and accounting activities throughout the bureau. His leadership led to major improvements to the bureau's financial management system. Prior to that he served in various managerial positions at the BEP and other bureaus in the Treasury Department, including the Office of the



L. Paul Blackmer, Jr.

Treasurer of the United States, Bureau of Government Financial Operations, Office of the Secretary, and the Bureau of Alcohol, Tobacco and Firearms. Prior to joining the Treasury Department, Mr. Blackmer was a supervisory auditor with the U.S. General Accounting Office.

John C. Martin retired after 25 years of federal service. As the Inspector General of the Environmental Protection Agency (EPA) since October 26, 1983, he was responsible for the supervision of a nationwide staff of auditors and investigators whose job is to prevent and detect fraud, waste, abuse; and promote economy efficiency, and effectiveness in the programs and operations of EPA. Mr. Martin initiated a program of internal audits and special reviews resulting in dramatic costs savings and improvements in the delivery of environmental programs. Prior to coming to EPA, Mr. Martin served as the Assistant Inspector General for Investigations at the Department of Housing and Urban Development. In 1981 he supervised a special task force investigating public corruption and government fraud. He began his federal service in 1971 as a special agent and then as a supervisory special agent in the Federal Bureau of Investigation.

After 30 years of federal service, Clyde G. McShan, II retired from the federal government. He was the Deputy Chief Financial Officer and Director for Financial Management, Department of Commerce. He was responsible for financial management and accounting activities throughout the Department including the development of an integrated financial management system. Prior to that, Mr. McShan was the Director, U.S. Department of Agriculture's National Finance Center (NFC) in New Orleans, Louisiana from 1981 until 1993. Under his leadership, the NFC became a recognized

Continued on page 12.

JFMIP Executive Director Retires

Virginia B. Robinson retired on February 1, 1997, after 34 years of Federal service. She was the Executive Director of the Joint Financial Management Improvement Program since January 1988. As JFMIP Executive Director, many governmentwide projects were completed in the areas of human resources development, financial systems requirements, and most recently, travel management improvements in the federal government. Ms. Robinson was very active on U.S. Chief Financial Officers Council committees on human resources, cost accounting, and legislation, as well as with the Federal Financial Managers Council, and other organizations' activities. Under her leadership at JFMIP, the organization disseminated good financial management practices and policies not only through JFMIP publications, but also electronically through FinanceNet on the World Wide Web.

Mrs. Robinson is an outstanding speaker and was asked frequently to make presentations on various financial management topics. She is a proponent of continuing professional education for financial management personnel in the federal government, and, under her leadership, the JFMIP and CFO Human Resources Committee developed a framework of core competencies for financial management personnel in the federal government.

Prior to JFMIP, Ms. Robinson was the Associate Director, Accounting and Financial Management Division, at the U.S. General Accounting Office. She also held managerial or accounting positions at the Department of Energy, Department of Commerce, and the Department of the Navy.

The JFMIP and federal financial management community will miss her tremendously and convey to her and her family best wishes for the future. □

Integrating Performance Measurement into the Budget Process

The Government Performance and Results Act (GPRA) Implementation Committee of the Chief Financial Officers Council has been focusing on integrating performance measurement with the budget process. A report, *Integrating Performance Measurement into the Budget Process*, was issued January 21, 1997. This report is a user guide to multiple ideas and best practices in connecting resources with results. Examples of how eight entities (the Departments of Agriculture, Defense, Health and Human Services, Housing and Urban Development, Transportation, the Treasury, and Veterans Affairs and the Social Security Administration) reported their approaches to integrating performance measures in their fiscal year 1998 budget requests are included in this report.

The first part of the report is a guidebook on how to integrate performance measurement into the budget process. The integration task depends on setting strategic direction, developing performance measures keyed to the strategic direction, formulating budgets that integrate performance measures and resource requests, and assessing results.

The second part of the report discusses challenges which organizations may encounter in linking program activities to results; these challenges include:

- Fear of committing the organization to goals for which outcomes are influenced by factors beyond the organization's control.
- Lack of a thorough understanding of the relationship between resources, outputs, and outcomes.
- Environment where outcome results are derived from multiple agency programs or state/local government activities.
- Environment where the length of time needed to achieve program results is longer than the reporting time frame.

- Giving managers authority to set and meet goals.
- Manager's accountability for performance against goals.

In using performance measures to assist budget formulation, the agency must make decisions on alternative resource levels.

Organizational factors may complicate the issues as the Office of the Chief Financial Officer and Office of Budget may be separate. In addition, some executives may be skeptical of future use of performance information in budget decisions made by the Office of Management and Budget and Congress.

Short- and long-term factors may dominate, as budget is concerned with the short-term whereas GPRA covers the total program and is concerned both with short- and long-term. The status of an organization's movement toward cost accounting may be problematic, causing difficulty to quantify incremental changes with accuracy. An organization also needs to consider funding options as a consequence of program goals not having been met.

In formulating performance measures, goals are that they be high level and a manageable number. Some research may be needed to determine their actual program benefit or effect.

Presentation formats still are being established for use within agencies, to OMB, and to Congress. Moreover, the organization faces limits on the making of changes to account structures for budgets, strategic plans, and results.

The report will be available on FinanceNet. □

Inspectors General Auditor Training Institute

The Inspectors General Auditor Training Institute, sponsored by the President's Council on Integrity & Efficiency (PCIE), provides a broad curriculum of training programs for auditors. The Institute has provided training to over 5,000 people since it was founded in 1990.

To enable the Institute to be most responsive to the needs of the Federal audit community, the PCIE recently authorized the Institute to create Curriculum Advisory Groups (CAG). They are charged with the responsibility of providing advice on curriculum content to the Institute's Director. Three CAGs, dealing with financial, EDP, and analytical methodologies, respectively, are now functional. More than 20 Federal audit organizations are represented on these CAGs.

Each of the groups are considering such issues as who are the ideal recipients of Institute training; what specific skills and abilities should be taught; and, when is the best time in an auditor's career to provide the various types of training. The Institute is very appreciative of the efforts of each member of the CAGs.

The EDP CAG is the first of the three groups to make recommendations for specific training programs. All four of their recommendations were accepted by the Institute's Board of Directors and, the training programs will be available in the next few months.

The first of the 4 programs, titled "How to Use IDEA Software," gives auditors a thorough understanding of this powerful software package providing them an alternative automated method to analyze data. It will be conducted initially on May 13-14, 1997, at the Institute's Fort Belvoir, Virginia location. This "hands-on" training

Continued on page 11.

Auditing Performance Measures

The Department of Labor's Office of the Inspector General has been auditing the annual financial statements prepared by the DOL since fiscal year 1986. OIG began auditing the performance information included in the financial statements in fiscal year 1992. The audit of performance information was undertaken because of the increasing demand for complete and reliable information about how well federal programs achieve their mission. Recent legislation and executive action have concentrated attention on changing the way the federal government operates. Major efforts are underway to change management of federal organizations and programs, moving away from budget-driven systems toward performance-driven systems. These efforts are directed at changing managers' focus away from inputs (dollars and FTEs) and outputs (products completed) to outcomes; i.e., the external impact upon groups benefitting from the programs.

OMB has issued Bulletin No. 97-01 which prescribes requirements as to the form and content of agency financial statements. The performance measures presented in the overview should relate to the purposes and goals of programs and be consistent with measures previously included in budget documents and other materials related to implementation of the Government Performance and Results Act.

Initially, the OIG's audit of performance information was focused on determining whether the management control environment and structure were adequate to ensure the reliability of reported numbers. Interviews were conducted to gain an understanding of the management controls. Risk assessments were performed over the controls in place to determine the reliability of the controls. Limited testing was

performed to verify controls were operating properly. Testing was done primarily over the controls at DOL's national office for summarizing the data from the region and field offices into performance measures. For a small number of selected measures, data accuracy was tested at the field offices.

With increasing attention to program outcomes, DOL's OIG expanded the audit focus to help DOL's agencies structure performance measures which addressed program purposes and intended outcomes. Consequently, the audit scope was expanded to include a comparison between the reported measures and the agency's mission statement, goals, and intended outcomes based upon the program's authorizing legislation. DOL's programs are currently in the process of revising their performance measures to reflect achievement of intended outcomes.

The OIG plans to work with program management and staff to develop methodologies for merging financial information with performance measures. This includes identifying direct costs associated with reported measures, developing a methodology to allocate indirect costs to reported measures, and identifying a format (program results statements) for presentation of performance measures linked with financial data. This initiative is consistent with the Statement of Federal Financial Accounting Standard No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*.

The OIG has performed this type of audit for DOL's Job Corps program. The Job Corps is an employment and training program offering, in a residential setting, a wide range of services designed to assist economically disadvantaged, unemployed, and out-of-school youth ages 16-24. Since 1989, the OIG has developed and audited cost-based program results statements of the Job Corps program.

OIG, in cooperation with the Office of Job Corps, linked audited financial statements

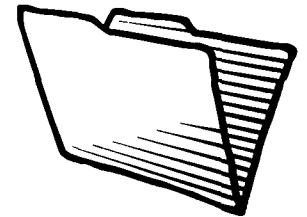
with auditing the program's performance measures. The reports provide clear and reliable information for program evaluation; they also provide significant advantages over previously available information about federal programs including:

- the key elements of program results and their costs are presented together,
- the data is arranged in a manner that facilitates analysis and comparison between centers, contractors, and regions, and
- statement data have been audited to verify accuracy and agreement with source documents.

The statements reflect the results the program achieved and how much each result cost the taxpayers. By highlighting performance differences of regions, useful information is supplied for program managers and both good and poor contractor/center performances are identified. The Job Corps has attributed many program changes to analyses stemming from the OIG's cost reports.

Further, in a cooperative effort with the Office of Job Corps, the OIG surveyed best practices currently used at high performing centers. These were defined as those practices, processes, and systems that have a positive effect on operating efficiency or performance. The process identified practices that helped improve the students' opportunities for success. It was found that, by having these key practices in place, a center was most likely to be effectively accomplishing the Job Corps mission.

For further information, call Mike McFadden, DOL OIG, (202) 219-5906. □



Evaluating FY 1995 Accountability Reports

The Chief Financial Officers Council's Reports Streamlining Project Team evaluated the results of six agencies that developed pilot Accountability Reports for FY 1995. The agencies include:

- General Services Administration
- National Aeronautics and Space Administration
- Nuclear Regulatory Commission
- Social Security Administration
- Department of the Treasury
- Department of Veterans Affairs

These six agencies were allowed to integrate pertinent material from five previously issued reports into one report that is user friendly, minimizes technical language, and contains the most important and useful information about their financial and program performance. The five previously issued reports are the Federal Managers' Financial Integrity Act Report, the Chief Financial Officers Act Annual Report, management's Report on Final Actions required by the Inspector General Act, Civil Monetary Penalty and Prompt Payment Act reports, and available information on agency performance compared with its stated goals and objectives, in preparation for implementation of the Government Performance and Results Act.

The project team chaired by Frank Sullivan, Deputy Chief Financial Officer, Department of Veterans Affairs, concluded that the FY 1995 Accountability Reports successfully presented a comprehensive picture of each pilot agency's programs, but further improvements are needed.

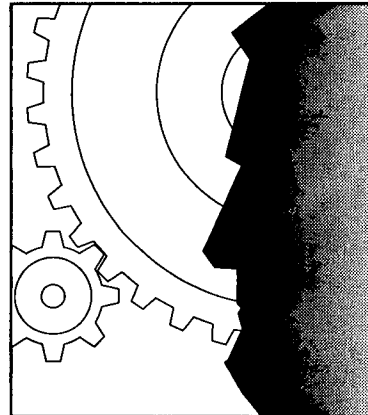
Evaluations of the six pilot agency reports were solicited from interested stakeholders. The evaluations indicate that future Accountability Reports should:

- Focus on linking the most relevant performance data to the program and agency goals;
- Include expected performance standards relative to the goals;
- Explain, if performance standards were not met, the actions to be taken to improve performance;
- Include trend data;
- Minimize technical language, with a preference for simple, easy to read reports;
- Improve integration of other statutory reporting requirements with the program performance information; and
- Explain the significance of the auditors' findings and opinion in lay terms.

The project team also recommended that agencies need to place special emphasis in the FY 1996 Accountability Report on:

- Timeliness
- Integrating statutory reports requirements
- Providing strategic/program goals within each program or operation and the goals should be tied to the agency's budget submission.

- Providing the most pertinent program and financial performance measures that tie to strategic/programs goals.



- Placing pertinent support data or agency contact points in the Supplemental Section of the report.
- Providing a 1-2 page section on "Agency Program Highlights" up front summarizing the most

pertinent performance information.

- Working with the auditors to include a brief, non-technical summary of the agency's financial condition, including an explanation of any audit qualifications and auditor's opinion.

The Accountability Reports can be found electronically on agency websites. A limited number of the evaluation reports are available by contacting Lorraine Green, (202) 273-5516. □

Keynote Addresses

**Congressman Stephen Horn
Franklin Raines**

Director, Office of Management and Budget



Morning Session

The Future of Federal Financial Management

Led by: Cora Beebe, *Chief Financial Officer, Office of Thrift Supervision*

G. Edward DeSeve, *Controller, Office of Federal Financial Management, Office of Management and Budget*

Gene L. Dodaro, *Assistant Comptroller General, Accounting and Information Management, General Accounting Office*

Gerald Murphy, *Fiscal Assistant Secretary, Department of the Treasury*

Tuesday, March 18, 1997

**Crystal Gateway Marriott Hotel
Arlington, Va.**

*A Special Tribute to
Charles A. Bowsher
former Comptroller General
of the United States*

Morning Concurrent Sessions

Implementing Cost Accounting in the Federal Government

Led by: Norwood (Woody) Jackson, *Deputy Controller, Office of Federal Financial Management, Office of Management and Budget*

Jeffrey Steinhoff, *Director, Planning and Reporting, Accounting and Information Management Division, General Accounting Office*

Frank Sullivan, *Deputy Chief Financial Officer, Department of Veterans Affairs*

Success Stories on Using Financial Statements

Led by: Vincette Goerl, *Chief Financial Officer, U.S. Customs Service*

Dale W. Sopper, *Acting Deputy Commissioner for Finance, Assessment and Management, Social Security Administration*

Arnold G. Holz, *Chief Financial Officer, National Aeronautics and Space Administration*

Resolving Issues with Audited Financial Statements

Led by: Cornelius (Neil) Tierney, *George Washington University*

Thomas Bloom, *Inspector General, Department of Education*

Irwin (Ted) David, *Acting Chief Financial Officer, U.S. Department of Agriculture*

Afternoon Concurrent Sessions

Financial Management Systems-- A New Strategy

Led by: Alvin Tucker, *Deputy Chief Financial Officer, Department of Defense*

R. Schuyler Leshner, *Deputy Chief Financial Officer, Department of the Interior*

James K. McCann, *Vice President, Information Services, Northrop Grumman*

The Rapidly Changing World of Electronic Procurement and Payment

Led by: Betsy Lane, *Director, Cash Management Directorate, Financial Management Service, Department of the Treasury*

Dennis Fischer, *Chief Financial Officer, General Services Administration*

Gary Glickman, *President, Phoenix Planning and Evaluation, Ltd.*

Franchising, Cross-Servicing, and Outsourcing: What Works?

Led by: Clyde McShan, *Vice President, CDSI*

Richard Ferris, *Associate Director for Investigations, Office of Personnel Management*

Ernest Hardaway, *Senior Vice President, Federal Occupational Health Service*

Edwin A. Verburg, *Associate Administrator for Administration, Federal Aviation Administration*

Registration Information

Attendance at this conference can be approved under the Government Employees' Training Act. Training authorizations should be submitted no later than March 12, 1997. Early submissions are recommended. Submissions made after March 12 will be accepted, but registrant may have to register at the conference site.

Registration at the hotel will begin at 7 a.m. and the program will begin at 8 a.m.

Accommodations

A small block of rooms is available at the hotel for the government rate. Please call the Crystal Gateway Marriott Reservation Desk at (703) 920-3230 by **February 20**, and indicate that you are with the JFMIP Conference.

Cancellation Policy

Cancellations must be in writing and received by March 12, 1997, or a billing will be made. Substitutions will be accepted.

CPE Credit

This conference qualifies for 7.2 hours of continuing professional education credit.

Payment Information

The cost for the conference is \$100. Individuals with a sponsoring agency should submit an approved training authorization or purchase order. The purchase order should include a complete mailing address, phone number and billing address for each participant.

You also may submit a registration form and a check payable to the USDA Graduate School. VISA, MasterCard, Diners Club and American Express are accepted. All authorizations, checks and registrations should be sent to:

JFMIP Conference

USDA Graduate School, Room 142(IH)
600 Maryland Avenue S.W.,
Washington, DC 20024-2520

All registrations will be accepted unless otherwise notified.
No confirmations will be sent.

For further information about registration, contact Debbie Herway, (202) 401-9193 or Isabelle Howes, (202) 401-9138, or fax (202) 401-7304.

JFMIP Annual Conference Registration Form

Please Print

Name _____

(as you want it to appear on your badge)

Title _____

Department/Organization _____

Office (eg: Bureau or Administration) _____

Address _____ Room/Suite _____

City _____ State _____ Zip _____

Office Phone () _____ Fax () _____

Please note any special accommodations you need (e.g. dietary, sign language interpretation). Be specific.

Please indicate means of payment. (Vendor is USDA Graduate School).

Purchase order/training authorization attached. (Please include four copies of your authorization form).

Check (Payable to USDA Graduate School)

Please charge my VISA MasterCard Diners Club American Express

Credit Card Number _____ Expiration Date _____

Name of card-holder _____

Mail to: JFMIP Conference, USDA Graduate School, Room 142 (IH), 600 Maryland Ave., S.W., Washington, DC 20024-2520
Fax: (202) 401-7304

Reengineering the Federal Payments Process

The Department of the Treasury's Financial Management Service (FMS) set out a vision of the federal government's financial infrastructure for the 21st century in a report, *Reengineering the Federal Payments Process: Concept Overview* (September 1996). The report was developed under the leadership of FMS, but had government customers on its advisory board and steering committee. More details are available in a companion report, *Reengineering the Federal Payments Process: Assessment and Design*. This document provides guidance for the team that will be chosen to implement the vision.

A customer-emphasized payments process redesign concept has centered on the complete business process, especially the management of all payment related data. The vision is a fully integrated, electronic government payment process with linked, standardized data that are accessible and convenient to its customers and stakeholders.

The goals of payments process concept implementation will be to:

- improve customer service,
- reduce government operating costs, and
- provide opportunities to agencies to redirect resources to mission-related functions.

The concept, once implemented, provides a number of new features to the federal government's payment process. These are:

- Standardized data among all government entities,
- Governmentwide data files that will have integrated databases capabilities to support common functions, allowing for efficient cross servicing and secured

information access by both the government and the private sector,

- Electronic access to needed information,
- Cross-servicing for agency program and administrative support,
- Payee profiles will be developed, and
- Customer service organizations will be created as a one-stop shop for payment information for payees.

The next step in the process is to designate an Implementation Team whose role is to develop the financial business case for the concept, further delineate the details of the vision, determine the funding requirements, establish the roles and responsibilities under the new concept, develop an implementation plan with key milestones and a project time schedule, and manage the transition to the future process. □

U.S. Customs Service Uses Risk Assessment to Improve Financial Statements

For the past 2 years, the U.S. Customs Service, and the Department of the Treasury Office of Inspector General (OIG) have worked together to assess whether data needed for Custom's financial statements was available and auditable. These assessments assisted both parties with the preparation of the financial statements for the Office of Chief Financial Officer, and the assessment of controls underlying Customs' financial management information for OIG. As a result of these efforts, the preparation of the fiscal year 1996 financial statements was done in a more efficient manner. Although Customs receive a

qualified opinion on its FY 1995 financial statements, Customs is working to resolve the problems identified from these risk assessments and hopes to get a clean opinion on its FY 1996 financial statements.

After the audits of Customs' FY 1994 and 1995 statements, Customs had initiated meetings with operational, financial and audit staffs, which were facilitated by an independent public accounting firm. An analysis was done to assess Customs' ability to compile each line item on the financial statement and whether each item was auditable. Because cash is regularly reconciled, cash balance shown in the general ledger is easily obtainable and easy to audit; in risk assessment, therefore, cash balance ranks low with regard to compilation and low with regard to any problems in auditing the amount shown on the Statement of Financial Position.

An example of higher risk for Customs was the compilation of an auditable number for drawback payments (these are refunds of previously paid duties on exported goods that are imported into the country); such compilation initially was precluded as Customs then lacked an ability to relate a payment made to the specific entry; risk assessment early on identified the problem. Risk assessments also assisted in prioritizing corrections of review weaknesses and in resource allocations issues.

The Customs/Treasury OIG experiences showed that where risk assessment is a partnership between the auditee and auditor, the process works and should be a regular part of an agency's capability to compile and issue auditable financial statements.

Copies of the Risk Assessment are available by contacting Thomas Diaforli, Director, Accounting Services Division, U.S. Customs Service on (317) 298-1220. □

Corps of Engineers' Financial Management System

The Army Corps of Engineers has worked out and encompassed a dozen prototype development concepts into CEFMS, the Corps of Engineers' Financial Management System. Design concepts inherent to the system were structured to identify work, resources, and accounts. Within that framework, functional processes identify and record funds, commit funds, obligate funds, expend and disburse funds, manage assets and facility accounts, process labor and payroll, prepare bills and collect funds, and provide information for decisions and reports.

The Corps states that CEFMS is the first government-owned/developed financial management system that fully integrates business processes and supports the management of all types of work and funds. The system provides managers in all functional areas with accurate, timely, and relevant financial information. Its features include:

- single source data entry in compliance with the Corps' standard data dictionary
- electronic signature capability that enhances fiscal integrity and internal control at the same time as it replaces widespread use of paper forms [In approving the electronic signature capability (November 19, 1996), the General Accounting Office stated "we have concluded that the electronic signatures generated by this system provide at least the same quality of evidence as the handwritten signatures they are designed to replace. Principles applied in the development and implementation of the (electronic signature system) can be used in any number of applications to provide authenticity and data integrity capabilities."]
- real-time funds control

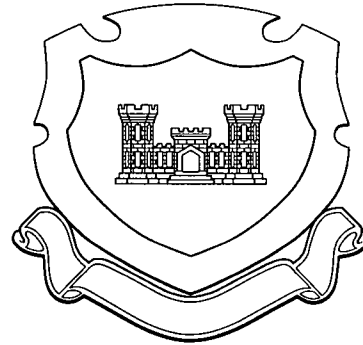
- transaction-driven general ledger updates
- a fourth-generation relational database that is table driven for flexibility
- source code demonstrated in use to be transportable to other mainframe systems.

CEFMS works in relationship with other Corps' systems for real estate management, program/project management, and resident management. CEFMS interchanges to non-Corps' systems including the Defense Civilian Personnel Data System, the Integrated Army Travel System, the Program Budget Accounting System, the Standard Army Automated Contracting System, and the Defense Civilian Personnel System.

Although the CEFMS system specifically was designed, developed, tested, and implemented for Army Corps of Engineers users and customers, CEFMS—by its design—offers value-added flexibility. Its code structures may be adapted to non-Corps' users. The Departments of the Army and Air Force are implementing strategies to use CEFMS for general fund accounting; the Defense Transportation Command will adapt it for its revolving fund type business; the Defense Finance and Accounting Service (DFAS) also will refine CEFMS to address mission requirements. Subparts of CEFMS are finding usefulness to other departments; for example, the Department of State is using the Corps' electronic signature

capability as a component of State's financial system.

Strictly from the Corps' view, it estimates that CEFMS's combined savings and cost avoidances will equal \$200 million over its 10-year life cycle. This return comes from the finance and accounting functions alone, and it is further estimated that other productivity savings and cost avoidances to be realized from operations using CEFMS will match finance/accounting savings.



Within DOD, the Department of the Army Major Automated Information Systems Review Council cleared CEFMS at the start of 1996 for the start of full-scale deployment. An earlier review was done by Treasury in which the Financial Management Service's Center for Applied Financial Management analyzed CEFMS in comparison to systems on the General Services Administration's financial management system schedule. The study recommendation was that the Corps of Engineers continue development and deployment of the CEFMS system.

For more information, contact Charlie Glenn, U.S. Army Corps of Engineers, (202) 761-1938. □

"Best practices" in Financial Management

Agencies were requested last fall to submit their "best practices" in financial management. JFMIP is highlighting some examples of the submissions in this newsletter and will publish all best practices submissions on FinanceNet in the near future.

Financial Management System Reporting

The Library of Congress (LOC) implemented the Federal Financial System for fiscal year 1995, including its Reports Management System (RMS). The RMS provides distributed reporting to over 300 users in various locations. The users no longer are required to wait for the accounting office to distribute reports but they can select from a menu of over 20 reports.

RMS provides security by report team and by data. Access to data is restricted by division code and budget organizational code. LOC's report teams include budget, spending, payroll, external reporting, accounting, and disbursing. Users can enter report parameters (e.g., fiscal year, fund, budget object code, etc.), submit reports, and view, print, or download reports. Many of the reports are designed to allow the user to specify sort criteria and to select either detail or summary report formats. LOC has found that distributed reporting is a major improvement in financial management.

LOC continues to enhance existing reports and add new reports. For further information, contact Jamie L. McCullough at (202)707-4160.

Financial Management Controls

The Social Security Administration (SSA) has instituted a Management Control Program (MCP) to safeguard assets and deter/detect fraud, abuse, waste, and

mismanagement. The program covers both administrative and programmatic operations. Some activities initiated in 1996 include:

- Developed a tactical plan to combat fraud that contains 29 sub-initiatives that address fraud prevention and detection, referral and investigation, enforcement, and management information/control.
- Streamlined its financial systems review program required by the Federal Managers' Financial Integrity Act (FMFIA) in response to NPR initiatives. Following two consecutive 3-year review cycles of systems, the cycle has been changed to 5 years which includes a limited review by the system manager and a detailed review by an independent contractor. Staff hours expended were reduced by about 3,300 hours during the first 5-year review cycle.
- Developed the 9th annual report on internal control that describes the program to eliminate fraud, waste, abuse and management inefficiency and certifies with reasonable assurance compliance with requirements.
- Controlled and responded to all third party findings (U.S. General Accounting Office, SSA's Office of Inspector General, etc.), tracked the implementation of all audit findings and coordinated corrective action.
- Managed a comprehensive program to review all agency programmatic systems to ensure compliance with established accounting principles and management control standards. Efforts were directed toward developing accounting requirements, reviewing functional requirements documents, participating on inter-component workgroups and performing validation activities associated with the modernization of programmatic systems.
- Conducted On-site Security Control and Audit Reviews by SSA Regional Security Officer staffs in the regional offices and Integrity Staffs in the program service centers.

- Reviewed OMB Circular A-130, Appendix III and updated its System Security Handbook which provides policy and procedures regarding use of automated information resources.
- Issued specifications/edits for the 7th consecutive year to help employers accurately prepare and correct wage reports on paper forms with guidance also provided for filing by magnetic media. This approach focuses on preventative measures to help ensure accurate reporting, including edits on screen data before wage reports are produced. The guidelines have eliminated reconciliation of discrepancies between SSA and IRS wage data. The guidelines will be made available on Internet this year.

For further information, contact Ken Goodman at (410) 965-0981.

Travel Management

The General Services Administration initiated a number of initiatives to improve travel management. These initiatives are:

- A. Eliminate pre-trip obligation of all travel and allow offices to issue the type of travel orders that best suit their particular needs - annual, quarterly, or trip-by-trip.
- B. Allow a flat 75% of M&IE on all partial days for trips of two or more days, under the Lodgings Plus method of reimbursement.
- C. Develop a GSA's "preferred properties list," comprised of hotels from existing Federal hotel programs that utilize negotiated lodging rates/amenities packages. All preferred properties agree to bill the lodging component only, directly to GSA. These properties are promoted within GSA but participation by the traveler is voluntary. Benefits include lower daily rates and reduced transportation costs in many cases in addition to other benefits.
- D. Contract with one Travel Management Center to service all GSA travelers

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Internet



IGNet and FinanceNet

The home pages for IGNet and FinanceNet have been revised, with improved appearances and utility. The home pages are reached at:

<http://www.sbaonline.sba.gov/ignct/ig.html>

<http://www.financenet.gov/>

Department of Transportation's Office of the CFO

Transportation's Office of the Chief Financial Officer established a world wide web home page which is reached at:

<http://ostpxweb.dot.gov/budget/index.htm>

Financial Management Service, Department of the Treasury

The FMS home page has moved from the Fedworld to a Department of the Treasury server. Its new address is:

<http://www.fms.treas.gov/>

For specific information, use addresses as indicated below:

Treasury Approved Sureties:

<http://www.fms.treas.gov/c570.html>

Monthly Treasury Statement:

<http://www.fms.treas.gov/mts/mts.html>

Treasury Financial Manual:

<http://www.fms.treas.gov/tfm/tfmintro.html>

Treasury Bulletin:

<http://www.fms.treas.gov/bulletin/tbissues.html>

IG Institute continued from page 3.

will be delivered in a small group setting allowing every student to personally experiment with the software.

The other three recommended training programs, now in various stages of development, are (1) methods and techniques for using the Internet and World Wide Web as effective and efficient auditing tools; (2) the fundamentals of information systems auditing, which includes learning skills to review and evaluate controls and apply traditional standards in the EDP environment; and, (3) COBIT, a total control concept relating to information and related technology that can be incorporated into audits.

The members of the EDP CAG were:

- John Lainhart IV, Inspector General, U.S. House of Representatives
- John Dye, Small Business Administration, OIG
- Terri Fazio-Hamilton, Office of Personnel Management, OIG
- Chris Hendricks, Department of Defense, OIG
- David Kent, formerly with the Department of Transportation, OIG
- Joseph Lawson, Department of Treasury, OIG
- J. Mickey McDermott, General Accounting Office

The Institute welcomes any suggestions from managers of audit organizations, EDP experts, and front-line auditors for any other suggestions for training programs. If you wish to share any of your ideas and/or suggestions, please send them to:

Curriculum Advisory Group - EDP
The Inspectors General Auditor Training Institute
P. O. Box 518
Fort Belvoir, VA 22060-0518
FAX (703) 805-4503

Any questions regarding current or planned Institute training programs should be directed to Ms. Gale Moore, Registrar, at the above address. She can be reached by phone at (703) 805-4501. The Institute's E-mail address on the Internet is: igati@erols.com

Best Practices continued from page 10.

nationwide. Benefits are that the TMC will issue American Express traveler checks on location, promote and book hotel and rental car reservations under GSA's direct billing agreement programs. Airline tickets will be charged to a centralized American Express account, thereby eliminating this large dollar item from the traveler voucher and simplifying the vouchering process. One TMC contractor reduces the administrative burden of managing the TMC program, provides for reliable and consistent reconciliation of accounts and management reporting, and ensures consistent TMC travel policy nationwide at GSA.

E. Issue AMEX card to anyone who travels. Benefits include permitting the traveler to obtain a travel advance at his/her convenience, streamlining travel functions and maximizing government funds, contributing to the goal of achieving a paperless travel process in addition to other benefits.

F. Negotiate direct billing agreements with car rental companies. Benefits include no state or local taxes, rental is eliminated from the voucher and simplifies the vouchering process, and utilizes existing government car rental program terms and conditions.

G. Link travel reimbursement to time and attendance process to process travel electronically. GSA is developing a simplified electronic voucher process to be incorporated into the time and attendance process because the voucher process will be simplified with only a few expense items to appear on the voucher. The other travel expense items will be processed through such means as direct billing of large items such as air, hotel, and rental car charges, use of the American Express card for issuing advances, and use of the Sprint Card for telephone expenses.

For further information, contact Paul Taylor at (202) 501-0070.

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continued from page 11.*

Training and Education

The Patent and Trademark Office has reengineered its process for requesting, approving and tracking training requests. The new process is intended to create a paperless work environment, streamline and decentralize the training process, and link to the central training database, Registrar.

The new process incorporates advanced technology and a streamlined workflow. A unique, electronic training form was implemented in Procurement Desktop to handle all types of training (external, internal, group and individual) and to enable electronic certification for payment at the program office level. Procurement Desktop, a client-server system, supports every phase in the Federal Acquisition process and includes a real time, online interface to the Federal Financial System. It performs electronic routing and interface with the central accounting system, and an interface was developed to Registrar. The request is electronically routed for approvals and fund obligation in FFS. This expedites the certification for payment and eliminates the paper certification process (the SF-182 is no longer required) and the need to enter training records manually into Registrar.

The new process has empowered program offices with a better tracking mechanism for their training funds because they now have the responsibility of registering, obligating, and certifying their training requests. The new training form also allows program offices to use the bank card to pay for the training, and it aids the program offices in tracking their training expenditures.

For more information, contact Mr. W.B. Erwin at (703) 305-8051. □

*Retirements
continued from page 2.*

leader in providing financial management services to the Federal sector. He joined NFC in 1972 and held several managerial positions before being appointed Director. Mr. McShan began his Federal service in 1965 as an auditor with USDA's Office of the Inspector General.



Clyde G. McShan II

Matthew G. Schwienteck, Associate Commissioner for Financial Policy and Operations, Social Security Administration, retired after 33 years of federal service. As the Associate Commissioner, he was responsible for the Agency's financial accounting, payment and reporting operations; oversaw the development of financial management systems and their integration with the Agency's programmatic and administrative processes; and developed and executed policies and procedures for systems security, internal controls, and financial management. Mr. Schwienteck began his Federal career in 1963, as a defense contract auditor for the Department of Defense. Since joining SSA in 1966, he has held positions of successively higher levels of responsibilities, including internal auditor, supervisory financial management analyst, supervisory



Matthew G. Schwienteck

systems accountant, Accounting Officer, Director of Finance and Deputy Chief Financial Officer responsible for the formulation, presentation and execution of SSA's budget.

James Taylor retired after 44 years of federal service. As the Executive Director for Operations at the U.S. Nuclear Regulatory Commission, he was the chief staff official of NRC that managed the day to day health and safety mission and operations of the agency. As the CFO, he oversaw all accounting, budgeting and other financial management activities of the agency. Mr. Taylor joined the NRC in May 1980 and since then served in several managerial positions of increasing responsibilities. Prior to joining NRC, he worked at the Department of Energy and served 20 years as an engineering duty officer in the U.S. Navy Nuclear Power Program.



James M. Taylor

JFMIP and the federal financial management community extend our best wishes to them. □

FASAB News

Elmer Staats Leaves

In January, Elmer Staats, Chairman of the FASAB Board since its inception in October 1990, completed his term as the first chairman of the Board. During his tenure, Mr. Staats guided the Board in the development of the "due process" procedures of the Board, helping ensure that the accounting concepts and standards proposed by the Board would be subject to comment and input by all interested federal and non-federal financial managers. These procedures have helped garner support for the new accounting and reporting principles and standards developed by the Board, thus helping ensure a smoother transition to a unified approach to federal accounting and reporting.

Under Chairman Staats' guidance the Board developed, obtained principals' approval for, and issued two concepts documents, a core set of accounting standards and principles, managerial cost accounting concepts and standards, and a reporting model that puts more emphasis on the costs of federal operations and programs.

David Moss becomes new Chairman

The principals of the FASAB have appointed David Mosso as the successor to Elmer Staats as Chairman, effective January 1997. From 1985 to the present, Mr. Mosso worked for the Financial Accounting Standards Board (FASB), first as a Board member, then for two years as Vice Chairman of the Board, and for the last eight years as Assistant Director of Research and Technical Activities, where he oversaw the FASB major accounting projects which lead to statements of financial accounting standards.

Other Board Membership Changes

Donald Chapin on September 30 left his Board seat as the GAO representative, as he simultaneously retired from GAO. His seat

has been filled by Phil Calder as the new GAO representative.

On January 17, both Marty Ives (representing the state and local government perspective) and Neil Tierney (representing the private sector accounting perspective) left their respective seats. Replacing them, respectively, are Dr. Linda Blessing and Don Chapin.

Executive Director Change

Ron Young retired as Executive Director of the FASAB staff on September 30, 1996. Wendy Comes, who was named as the interim staff director, has been officially appointed as the permanent Executive Director.

Exposure Draft: Management's Discussion and Analysis

The Board has approved an exposure draft of a proposed *Statement of Federal Financial Accounting Concepts, Management's Discussion and Analysis*. Concepts in the statement are based on existing guidance from the SEC, AICPA, and other sources but have been tailored for the unique circumstances of federal reporting entities. The draft statement suggests that a general purpose federal financial report should include management's discussion and analysis (MD&A) of the financial statements. The discussion and analysis should summarize and explain the information in the financial statements that addresses the objectives of federal financial reporting. The statement also points out that MD&A should present a description of the entity and its programs, operating environment, and operations.

The exposure draft has been posted on FinanceNet, under FASAB's home page, for anyone wishing to gain access to it. Comments are requested no later than May 18, 1997.

Social insurance

At the January meeting of the Board, members began a project on social insurance. Currently, social insurance programs are covered by Standard No. 1,

Accounting for Selected Assets and Liabilities, which requires accrual of unpaid expenses at the end of the fiscal year for which payment is expected during the following fiscal year, including accrued entitlement benefits payable. The Board discussed diverse characteristics of social insurance programs. The Board also discussed special disclosures for social insurance. Also, the Board agreed that the social insurance "money's worth" estimates that were proposed disclosures in the stewardship exposure draft are simplistic and should be dropped. Other points of agreement were that no additional liability (beyond "due and payable" amount) would be on the balance sheet, cashflow projections, use of a liability-type number and other statistics. It is expected that this will be a high priority project.

Accounting for the Cost of Capital

At the January meeting the Board discussed the comments received on the *Accounting for the Cost of Capital by Federal Entities*. In total, comments were received from 40 respondents. About half of the comments were generally supportive of the cost of capital accounting. Most focused on the basic issue of whether accounting for the cost of capital is feasible. During the January meeting discussion, most Board members emphasized the potential importance of the cost of capital information to the financial management of the federal government, and expressed their desire to continue with the project. However, because of the conflicting responses, Board members felt the need to develop some pilot studies to develop facts to show what types of activities and for what purposes cost of capital information could be used.

Publication of federal financial accounting concepts and standards

The Board has released FASAB Report No. 1, *Federal Financial Accounting Concepts and Standards—An Overview*. It summarizes the concepts and standards that comprise generally accepted accounting principles for the federal government and also relates the significance of each concept and standard.

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The Legislative Emphasis on Performance Management

Chief Financial Officers Act of 1990

The CFO Act (findings and purposes section) states current financial reporting practices of the Federal Government do not accurately disclose the current and probable future cost of operating and investment decisions, including the future need for cash or other resources, do not permit adequate comparison of actual costs among executive agencies, and do not provide the timely information required for efficient management of programs.

The CFO Act (authority and functions of agency Chief Financial Officers section) states an agency Chief Financial Officer shall develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which provides for (i) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management; (ii) the development and reporting of cost information; (iii) the integration of accounting and budgeting information; and (iv) the systematic measurement of performance.

The Government Performance and Results Act of 1993

The Government Performance and Results Act (GPRA) states (findings and purposes section) federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance; and congressional policymaking, spending decisions and program oversight are seriously handicapped by insufficient attention to program performance and results.

GPRA states (purposes section) the purpose of the Act is to improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results;

initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress; improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction; help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality; improve congressional decisionmaking by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending; and improve internal management of the Federal Government.

GPRA establishes requirements for strategic plans, annual performance plans and reports, managerial accountability and flexibility, pilot projects, and training.

The Government Management Reform Act of 1994

This Act states in part (financial statements of agencies section) the head of each executive agency subject to this requirement shall prepare and submit to the Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency. The Act states each audited financial statement of an executive agency under this section shall reflect (in part) results of operations of those offices, bureaus, and activities. The Act also requires (governmentwide financial statement section) an annual governmentwide financial statement beginning for FY 1997 that contains in part results of operations of the executive branch.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act (FFMIA) of 1996 was

included in Public law 104-208, "Omnibus Consolidated Appropriations Act," signed into law on September 30, 1996. With intent to "build upon and complement the Chief Financial Officers Act of 1990 (Public Law 101-576; 104 Stat. 2838), the Government Performance and Results Act of 1993 (Public Law 103-62; 107 Stat. 285) and the Government Management Reform Act of 1994 (Public Law 103-356; 108 Stat. 340)," the CFO Act agencies, this new Act imposes the requirement for the agency to:

"implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level."

Further, for CFO Act agency financial statements, this new law requires the auditor to "report whether the agency financial management systems comply" with the requirement. For noncompliance, the auditor prepares a report to which the agency must respond with a remedial plan. According to the Act, "A remediation plan shall bring the agency's financial management systems into substantial compliance no later than 3 years..." or under a time table arranged between the agency and OMB.

Managerial Cost Accounting Concepts and Standards (SFAS No. 4)

FASAB recommended and OMB approved in July 1995 this accounting standard on managerial cost accounting. The standard addresses the requirement for cost accounting, responsibility segments, full cost, inter-entity costs, and costing methodology. JFMIP is currently developing an exposure draft on cost accounting system requirements, and the CFO Council Cost Work Group is proceeding with a study of the implementation of the cost accounting standard. □

Perspective on Government Performance and Results Act

Franklin Raines, Director, Office of Management and Budget, addressed a GPRA Symposium held October 7-8, 1996, and jointly sponsored by the Chief Financial Officers Council's Human Resources and GPRA Implementation Committees and the Joint Financial Management Improvement Program. Mr. Raines indicated that the utility of performance management is that it promotes achievement of goals. Starting out, agencies consider their missions; recent experience has demonstrated that agencies lacking clear concepts of mission can get eliminated. In followup to flows of resources, they ask why resources are being consumed. They seek timely, accurate, and useful financial information and adequate systems to process and report that information. From unified systems, everyone should have the same data; program managers should get at least monthly financial reports.

Now and in the future, government agencies must do more with less. Agencies must measure the results of their programs, and they must seek improvements. Where Fannie Mae, for example, formerly used a regional office structure to purchase housing loans, a restructuring of the system to bring the function in-house realized substantial benefits.

At OMB, Mr. Raines will use strategic plans to supersede traditional budget submissions. The balanced budget by 2002 foresees continued constrained resources. Both appropriations and accountability will be performance-measure driven. A strategic sense—knowledge of mission, objectives, and where and how to use resources to get results—will characterize successful management. Mr. Raines stated that OMB's Resource Management Offices will help department and agencies focus on the GPRA approach, strategic plans using performance measures will be considered for funding, and justifications must tie in to the plans. The ideas are to work smarter, use

standards, improve account structures to minimize reconciling, and transform work from clerical to analytical and service.

The public must be shown that the government can deliver services. Program managers are a focus for information. The quality of information provided to them depends on our implementation and use of standards, general ledger accounts common to all users, and systems requisite for financial and knowledge workers.

Mr. Raines recalled what happened when the Government Finance Officers Association (GFOA) began for state and local governments its Certificate of Achievement in Financial Management Reporting program, prompting competition for such recognition and attaining a status where continued annual receipt became a standard for its recipients. Analogous to such practice, Mr. Raines indicated that from the start of his being OMB Director, he will insist that each and every budget review meeting he attends must deal with management as well as budget issues. □

*FASAB
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The Board intends the report to be a tool to educate users of financial reports including Congress, agency and program managers, and citizens. It is posted on FinanceNet.

Training on FASAB standards

FASAB has completed its "core" set of accounting standards that provides the basics of what is to be called Generally Accepted Accounting Principles for the federal government. To meet the need for training on these standards, staff members developed a 1-day and then a 2-day seminar addressing the highlights of the concepts and standards. For further information, call Dick Tingley, (202) 512-7361. □

High-risk report series from GAO

The General Accounting Office began in 1990 a special effort to review and report on the federal program areas its work identified as high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement. Following the 1990 focus, GAO first in 1992 and subsequently in 1995 reported on the status of efforts to improve those areas. In February 1997, GAO has released its third series of reports providing the current status of designated high-risk areas.

GAO's High Risk Series reports are available in both ASCII text and PDF file formats from Internet world wide web site <http://www.gao.gov/> The report number and title designations are:

- GAO/HR--97--1: Overview
- GAO/HR--97--2: Quick Reference Guide
- GAO/HR--97--3: Defense Financial Management
- GAO/HR--97--4: Defense Contract Management
- GAO/HR--97--5: Defense Inventory Management
- GAO/HR--97--6: Defense Weapon Systems Acquisition
- GAO/HR--97--7: Defense Infrastructure
- GAO/HR--97--8: IRS Management
- GAO/HR--97--9: Information Management
- GAO/HR--97--10: Medicare
- GAO/HR--97--11: Student Financial Aid
- GAO/HR--97--12: Department of Housing and Urban Development
- GAO/HR--97--13: Department of Energy Contract Management
- GAO/HR--97--14: Superfund Program Management □

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The JFMIP 26th Annual Conference
will be held on March 18, 1997, at the
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