

DOCUMENT RESUME

01919 - [A1092086]

[Proposed Financial Management System for the Central Government of the Trust Territory of the Pacific Islands]. FGMSD-77-27; B-114888. April 18, 1977. 4 pp. + 3 enclosures (5 pp.).

Report to Rep. Phillip Burton, Chairman, House Committee on Interior and Insular Affairs: National Parks and Insular Affairs Subcommittee; by Elber B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).
Contact: Financial and General Management Studies Div.
Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Department of the Interior.

Congressional Relevance: House Committee on Interior and Insular Affairs: National Parks and Insular Affairs Subcommittee.

The Office of Territorial Affairs of the Department of the Interior had proposed and was beginning to install a financial management system for the Central Government of the Trust Territory of the Pacific Islands. Findings/Conclusions: The proposed system appears to be more elaborate than would be necessary to meet operating manager requirements. Operating managers at both headquarters and the district levels feel their primary requirement is for current and accurate information to enable effective administrative control of funds and to provide information on expenditures by program. This information is within the capacity of the IBM 360/25 computer, which has been in place since 1971, and would not require the more sophisticated computer configuration (IBM 370/135) called for by the proposed system and installed in July 1976. The proposed system does not appear to be needed to meet the requirements of the present or future Government of the Trust Territory and the United States. The present requirements are to ensure fiscal accountability and to have accurate and timely information on expenditures under the various programs which are funded by grants from the United States. Current projections are that there will not be enough qualified Micronesian programmers to operate the system. The system cannot be financed from Trust Territory resources, and would appear to require a continuing subsidy from the United States. (SC)

01919



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

APR 18 1977

B-114888

The Honorable Phillip Burton
Chairman, Subcommittee on National
Parks and Insular Affairs
Committee on Interior and Insular
Affairs
House of Representatives

Dear Mr. Chairman:

Your letters of October 13 and 26, 1976 (see enclosures I and II), requested that we make a study of the Financial Management System which the Department of the Interior, Office of Territorial Affairs, had proposed and was beginning to install for the central government of the Trust Territory of the Pacific Islands.

After preliminary discussions with the Office of Territorial Affairs we agreed with your office to a limited study and performed field work from December 6 to 17, 1976, at Saipan and Majuro in the Trust Territory.

The work consisted primarily of structured interviews with Trust Territory Headquarters and District personnel and with Chairman Setik of the Congress of Micronesia's Joint Committee on Budget Planning and his staff. Based on the interviews and on documentation obtained in the Trust Territory and at the Department of the Interior we have the following responses to the questions addressed in our study.

Question 1. Is the proposed system needed to meet present or future operating manager requirements?

Response:

The proposed system appears to be more elaborate than would be necessary to meet operating manager requirements.

Operating managers at both Headquarters and District levels see their primary requirement as being for current and accurate information to enable effective administrative control of funds (revenues and expenditures) and to provide information on expenditures by program. While some of the Headquarters managers expressed a desire for statistical and programmatic information, this would not necessarily have to be produced from an automated information system.

According to the personnel we interviewed who were most knowledgeable in automatic data processing, the fund control and program expenditure

information is within the capacity of the computer (IBM 360/25) that has been in place since 1971 and would not require the more sophisticated computer configuration (IBM 370/135) called for by the proposed system and installed in July 1976.

Question 2. Is the proposed system suitable to meet the needs of the present or future government of the Trust Territory and the United States?

Response:

The proposed system does not appear to be needed to meet the requirements of the present or future government of the Trust Territory and the United States.

The present requirements of the Trust Territory government and of the United States are primarily to ensure fiscal accountability and to have accurate and timely information on expenditures under the various programs which are funded by grants from the United States. A system that would meet the requirements of the operating managers would also be able to satisfy these requirements.

The requirements of a future government of the Trust Territory after termination of the United States Trusteeship (tentatively scheduled for 1981) were discussed with Chairman Setik and his staff. Their opinion was that the system must be one that could be operated by the Micronesians and that it should be the least expensive system which could provide rapid, accurate information on the status of funds at the District level where decisionmaking authority would be established.

The requirements of the United States after the termination of the Trusteeship would appear limited to the information required in connection with any financial assistance authorized by the Congress. This information would be similar to that presently required with respect to grants made to the Trust Territory.

Question 3. What are the prospects for the Trust Territory government having the financial and technical ability to finance and operate such a system in the future?

Response:

The prospects for the Trust Territory government being able to finance and operate such a system in the future are not good.

While governmental expenditures in the Trust Territory are about \$100 million a year, only about \$5 million is derived from revenues generated within the Territory. About \$1 million of this is derived

from the Marianas District which has opted for Commonwealth status independent from the Trust Territory.

The budget on which the Trust Territory's Department of Finance operated in fiscal year 1976 was \$1.1 million and was projected to reach \$1.6 million in fiscal year 1978 with the implementation of the proposed system. The system clearly cannot be financed from Trust Territory resources, and, even if the Marianas as a Commonwealth elected to utilize and pay part of the cost of the system, a continuing subsidy from the United States would appear needed.

As to whether technically-trained personnel will be available to operate the proposed system, the first class of Micronesian trainees in automatic data processing programming was started in March 1976. Seven persons are currently undergoing training in a program which is expected to produce journeyman level programmers in 3 years. From our discussions with training advisors and class records it appears possible that only three of the class will become fully qualified. This will not meet forecasted needs for upwards of 10 programmers to operate the system.

In addition, the proposed system is a data base management one which will require an experienced, well grounded data base administrator as well as the knowledgeable planning participation of all potential users of the system. However, the Micronesians have not had the opportunity to obtain the training and experience necessary for the operation of such a system.

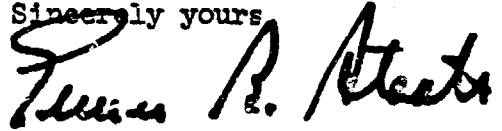
We discussed our study with the Department's Office of Territorial Affairs on December 30, 1976, stating our opinion that the proposed system was more elaborate than was needed and more complex and expensive than the Trust Territory could finance and operate in the future. We expressed particular concern with the increasing commitment to the IBM 370/135 computer as more programs were converted to it. The Office took action on January 3, 1977, to halt further conversion (see enclosure III) and indicated that it would take steps to determine and document the Trust Territory's actual system requirements.

On January 4, 1977, we briefed your Office on our findings and on the action taken by the Office of Territorial Affairs. Subsequently you advised the Director of the Office of Territorial Affairs of the Subcommittee's pleasure at the decision to terminate the IBM 370/135 indicating that you would be in further contact with him after receiving this report.

B-114888

As you have requested, we are furnishing a copy of this letter to the Office of Territorial Affairs and are offering to discuss with them in more detail the information obtained during the study.

Sincerely yours

A handwritten signature in cursive script, appearing to read "Thomas B. Atch".

Comptroller General
of the United States

Enclosures

NINETY-FOURTH CONGRESS

JAMES A. HALEY, FLA., CHAIRMAN

ROY A. TAYLOR, N.E.
 HAROLD T. JOHNSON, CALIF.
 MORRIS K. UFFALL, ARIZ.
 PHILLIP BURTON, CALIF.
 ROBERT W. KASTENMEYER, MISS.
 PATTY T. MINK, HAWAII
 LLOYD MEEDE, WASH.
 ABRAHAM RABIN, JR., TEX.
 ROBERT G. STEPHENS, JR., GA.
 JOSEPH P. VIGNATO, PA.
 JOHN WELCHER, MONT.
 TERRY ROSENBLAD, WYO.
 JONATHAN B. BURMAN, N.Y.
 JOHN T. SCHENKLE, OHIO
 HAROLD HUNNELL, N. DAK.
 ANTHONY EDUARDO WEN PAT, GUAM
 FRED DE LAURE, V.I.
 BOB EDWARDS, TEX.
 GEORGE E. SYKES, MD.
 JAMES BEWLEY, P.R.
 JOE BROWNE, IOWA
 PAUL E. TROTTMAN, MASS.
 ALLAN T. OWENS, OKLA.
 JAMES WEAVER, MISS.
 LEO BARR, MISS.
 GEORGE MILLER, CALIF.
 THEODORE H. (TED) BIRCHBAUMER,
 IDAHO
 WINNIE PATMAN, TEX.

JOE SCHWITZ, KANS.
 SAM STEISS, ARIZ.
 DON H. CLAYTON, CALIF.
 PHILIP E. RUPPE, MISS.
 MARCEL LAMON, JR., N. MEX.
 KEITH S. SEBELIUS, N.M.S.
 ALAN STEELMAN, TEX.
 DON VOYLES, ALASKA
 ROBERT E. BARNAN, MD.
 STEVEN D. BYRNES, IOWA
 JAMES P. (JIM) JOHNSON, CALIF.
 ROBERT J. LARSEN, CALIF.
 WYOMING SMITH, MISS.
 SHIRLEY H. PETTIS, CALIF.

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
 U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON, D.C. 20515

500-475 OSWALD
 (AD - BUREAU)
 LIZ BUCKNER
 OPENS: 10:30 AM
 MICHAEL C. SANDERSON
 500-475 OSWALD

October 13, 1976

Honorable Elmer B. Staats
 Comptroller General of the United States
 General Accounting Office
 441 G Street, N.W.
 Washington, D.C. 20548

Dear Mr. Staats:

I am herewith requesting that your office conduct a study of the Financial Management System which the Department of the Interior, Office of Territorial Affairs, has taken the first steps to install for the central government for the Trust Territory of the Pacific Islands.

It is hoped that it will be possible that the study be directed to a determination of the suitability of the proposed system in meeting the needs of the present or future government of the Trust Territory, with such evaluation being on the basis of the capabilities, present and future requirements of the Trust Territory government and the United States. It is also requested that the study develop information concerning the technical and financial ability of the Trust Territory government to finance and operate such a system in the future.

because the initial steps for the installation of such a system have been taken by the Department of the Interior, it is requested that this study be scheduled as soon as possible.

Your response concerning this matter will be appreciated.

Sincerely,



PHILLIP BURTON, Chairman
 Subcommittee on Territorial
 and Insular Affairs

NINETY-FOURTH CONGRESS

JAMES A. HALEY, FLA., CHAIRMAN

ROY A. TAYLOR, N.C.
 HAROLD T. JOHNSON, CALIF.
 MORRIS K. UDALL, ARIZ.
 PHILLIP BURTON, CALIF.
 ROBERT W. KASTENHEIMER, WIS.
 PATTY T. MINK, HAWAII
 LLOYD MEEDS, WASH.
 ABRAHAM RAZEN, JR., TEX.
 ROBERT C. STEPHENS, JR., GA.
 JOSEPH P. VIGORITO, PA.
 JOHN WELCHER, MONT.
 YOUNG RUBENALO, WYO.
 JONATHAN S. BISHOPMAN, N.Y.
 JOHN F. SEZEMERUS, OHIO
 HAROLD HUNNELS, N. CAR.
 ANTONIO MERLA WOLF PAT, GUAM
 BEN DE LOES, V.I.
 BOB BISHARDT, TEX.
 BRADLEE E. SYDNOR, MD.
 JAMES BENTLEY, P.R.
 JIM BARTON, NEV.
 PAUL E. TOWER, MASS.
 ALLAN T. MORSE, UTAH
 JAMES WEAVER, OREG.
 F. B. CANN, MISS.
 J. EDGAR MILLER, CALIF.
 T. WOODRUFF M. (TED) RIBBONCROVER,
 W.VA.
 JAMES J. FLORIO, N.J.

JOE BIDENTZ, KANS.
 SAM STINGER, ARIZ.
 BEN N. CLAYTON, CALIF.
 PHILIP E. HOFFE, MISS.
 MARCEL LAMAR, JR., N. CAR.
 KEVIN S. BRIDGEMAN, KANS.
 ALAN STEELMAN, TEX.
 DON YERGEN, ALASKA
 ROBERT E. BAUMAN, MD.
 STEVEN S. SYDNOR, TEXAS
 JAMES P. (JIM) JOHNSON, OREG.
 ROBERT J. LAGOMARINO, CALIF.
 VIRGINIA BENTH, MISS.
 DWILEY M. PETTIS, CALIF.

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
 U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON, D.C. 20515

October 26, 1976

CHARLES SCHULZ
 STAFF SECRETARY
 LEE MELMAN
 GENERAL COUNSEL
 MICHAEL S. MARTIN
 IDENTITY COUNSEL

Honorable Elmer B. Staats
 Comptroller General of the United States
 General Accounting Office
 441 G Street, N.W.
 Washington, D.C. 20548

Dear Mr. Staats:

With reference to my letter of October 13, 1976 concerning a study of the proposed Financial Management System for the Trust Territory of the Pacific Islands, I am enclosing a copy of a letter received by me from Congressman Raymond Setik of the Congress of Micronesia.

You will note that Congressman Setik writes concerning the need for the requested study.

Sincerely yours,

Phillip Burton
 PHILLIP BURTON, Chairman
 Subcommittee on Territorial
 and Insular Affairs

Enclosure



Congress of Micronesia

JOINT COMMITTEE ON PROGRAM AND BUDGET PLANNING
 Capitol Hill Saipan, Mariana Islands 96950

October 14, 1976

Honorable Phillip Burton
 Room 2454
 Rayburn House Office Building
 Washington, D. C. 20515

Dear Mr. Burton:

On behalf of the Congress of Micronesia, our Committee would like to formally request your office to secure the services of a small, highly qualified team of people from the General Accounting Office who have strong backgrounds in Automated Financial Management Systems to come to the Trust Territory of the Pacific Islands and evaluate the system now being installed by the Trust Territory Government.

As you well know, accountability has been one of the problem areas in Micronesia for many years. Recently the Department of Interior decided to attempt to rectify this by acquiring a very sophisticated computer and implementing a fully automated Data Based Financial Management System. At the outset, the Congress of Micronesia fully supported this effort even though the increased costs of operation were substantial.

More recently, the Under Secretary of Interior made a judgment that the Financial Management System of Micronesia was not being implemented to his satisfaction. Therefore, an additional \$2.3 million was to come out of the Trust Territory budget to fund a contract with a private firm to come to the Trust Territory and virtually take over the system. Contrary to the past agreements with the Department of Interior and in line with the budget review authority which the Congress of Micronesia has been given by Secretarial Order, we were not officially consulted on this action. To implement the Under Secretary's decision would require reprogramming of approximately \$1 million in Fiscal Year 1977 funds and \$1.3 million in Fiscal Year 1978 appropriations. All this would be in addition to the substantial level of funding now being allotted for the Trust Territory Department of Finance.

Rep. Raymond Setik, Chairman
 Sen. Bailey Otter, Co-Chairman

Rep. Charles Domnick
 Rep. Kuniwo Nakamura

Sen. John Mangsetel

Honorable Phillip Burton
October 14, 1976
Page 2.


The Congress of Micronesia believes that the Trust Territory Government needs an independent judgment on the validity and viability of this Financial Management System which is now being set up, both as far as present needs are concerned, and perhaps more importantly, as to its compatibility with requirements under a different future political status for Micronesia. Until we are satisfied that this system really meets the needs of the people of Micronesia, we feel it would be foolish on our part to approve any additional expenditure for this project.

If your office could make this request to GAO on our behalf, we would be most grateful. We envision that the services of two or three highly competent individuals would be required for about one week. Their report would then be used as the guideline to both the Department of Interior and the Trust Territory Government as to the future direction of a Financial Management System. The report could also alleviate a potential conflict which exists between the Congress of Micronesia and the Department of Interior as to how to proceed with the implementation of our system.

We would appreciate this assistance before the end of this calendar year and will assist a team in any way possible.

We thank you in advance and we look forward to your favorable consideration.

Very truly yours,



Raymond Setik, Chairman
Joint Committee on Program
and Budget Planning

cc: DOTA

UNCLASSIFIED

INT/DOA:DMOYSEY:HB
1/3/77:343-4736
INT/DOA:ERICE

PRIORITY

RUHGSAA/HICOMTERPACIS SAIPAN PRIORITY

E.O. 11652: N/A

TAGS: AFIN, TG

SUBJECT: COMPUTER DECISION

DOA NO.

1. AS THE RESULT OF MEETING WITH GAO REPRESENTATIVE DECISION HAS BEEN MADE TO GET RID OF 370-135 COMPUTER AND USE 360-25 COMPUTER. YOU SHOULD ISSUE INSTRUCTIONS TO DIRECTOR OF FINANCE AT ONCE TO IMMEDIATELY STOP ALL WORK ON PUTTING ADDITIONAL DATA ON 370. DIRECTOR OF FINANCE SHOULD BE FURTHER DIRECTED TO FURNISH FULL INFORMATION ON PROGRAMS OR DATA NOW BEING RUN ON 370 AND WHAT IT WILL TAKE IN TERMS OF EFFORT AND TIME TO TRANSFER ALL PROGRAMS AND DATA TO 360 OR USE MANUAL SYSTEMS. ANY PLANS TO RETURN 360 SHOULD BE STOPPED. GAO RECOMMENDS A SIMPLER SYSTEM. THE NEXT STEP WILL BE TO DETERMINE AND DOCUMENT TTPI REQUIREMENTS. DOA WILL ARRANGE THIS AND NOTIFY YOU LATER. DOA SENDS.44

UNCLASSIFIED