JFMIP NEWS

A Newsletter for Government Financial Managers

Summer 1997 Vol.9. No.2.

Financial Management Status Report and 5-Year Plan

The U.S. Chief Financial Officers (CFO) Council and the Office of Management and Budget recently issued their *Federal Financial Management Status Report and Five-Year Plan*. This document, required by the CFO Act of 1990, as amended, describes the accomplishments, status and plans for strengthening federal financial management for the 24 agencies subject to the CFO Act. The priority areas identified are:

- Improve financial management systems:
- Implement the Government Performance and Results Act;
- Issue accounting standards and financial statements;
- Develop human resources and CFO organizations;
- Improve management of receivables;
- Ensure management accountability and control;
- Modernize payments and business methods; and
- Improve administration of Federal assistance programs.

The Report discusses the accomplishments and strategies in each of these areas.

A comprehensive set of federal accounting standards has been developed and issued. The Government Management Reform Act (GMRA) requirement for organizationwide audited financial statements beginning with FY 1996 resulted in an increase in the amount of Federal assets, liabilities, and operations included in Federal financial statements and subjected to audit. Four departments and agencies—Department of Energy, General

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JFMIP Team Receives Hammer Award

On May 9th, a Hammer Awards Ceremony was held at the General Services Administration. GSA executives who participated included: Thurman Davis, Deputy Administrator; G. Martin Wagner, Associate Administrator, and Chief Financial Officer Dennis Fischer. They stated the travel project brought about significant modifications of laws, regulations, and practices which have improved how government employees travel on and relocate for government business. John Kamensky, NPR's Deputy Director, described the Hammer Awards program and accomplishments of the National Performance Review. G. Edward DeSeve, Controller, Office of Federal Financial Management, Office of Management and

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An Update on the U.S. CFO Council

The U.S. Chief Financial Officers (CFO) Council has changed some of its leadership and members recently. First, we would like to congratulate and thank John Koskinen, who chaired the CFO Council, for his significant contributions to federal financial management. Mr. Koskinen recently left federal service after serving 3 years as the Deputy Director for Management at the Office of Management and Budget. G. Edward DeSeve was designated as the

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Services Administration, National Aeronautics and Space Administration, and Social Security Administration—received unqualified opinions on their 1996 organizationwide financial statements and met the March 1st due date required by GMRA. Two other agencies—Nuclear Regulatory Commission and Small Business Administration—also received unqualified opinions on their statements, submitted in April.

The first governmentwide statutory deadline for agency strategic plans under the Government Performance and Results Act is September 1997. The Results Act seeks to redesign the way that federal agencies plan, budget, manage, evaluate and account for federal programs. Agencies are now engaged in consultations with their stakeholders and the Congress on their strategic plans. Significant efforts have been made to prepare agencies to meet this deadline. The CFO Council has played an important role in developing guidance to assist agencies in their implementation efforts and has been especially active in educational and outreach activities.

The vision statement of the CFO Council was modified as: "Shaping an environment in which government officials use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions." The CFO Council and OMB developed the following strategies to improve federal financial management systems: use more commercial off-the-shelf software; expand the scope and number of accounting utilities that provide financial services to other agencies; capture more transactions electronically; and increase the automation and availability of information needed for decisionmaking.

The passage of recent legislation reinforces the financial management policies that have been administratively established. The Federal Financial Management Improvement Act of 1996 mandates that agencies implement and maintain financial management systems that comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The CFO Council and the Inspector General community are developing guidance to assist agencies in the implementation of this legislation.

The Debt Collection Improvement Act of 1996 creates incentives for the Treasury Department and other debt collection agencies to invest in systems with improved electronic payment and debt collection capabilities. The legislation is designed to maximize collection of delinquent debts through quick action to recover debts and encouraging the use of all appropriate debt collection tools. The CFO Council supported the passage of this Act and is actively engaged in its implementation.

The report, ***Federal Financial Management Status Report and Five-Year Plan***, is available on the Internet at `http://www.whitehouse.gov/WH/EOP/OMB/html/misc-doc.html`. This report (S/N 041-001-00491-2) can be purchased from the Government Printing Office for $6.50 each. Please call (202) 512-1800 to order, or mail to: Superintendent of Documents, Government Printing Office, Washington, DC 20402-9325. For more information, please contact a CFO Council member, or OMB (202) 395-3993. □

Capital Programming for Results

The federal government will spend about $68 billion on capital assets in fiscal year 1997. The dollar amounts are substantial. But the impact of planning, budgeting, procuring, and managing capital assets—the process of capital programming—on agency performance is far greater.

The Office of Management and Budget and over 80 staff from 14 agencies are developing the Capital Programming Guide to provide professionals in the federal government a basic reference on principles and techniques for the planning, budgeting, procurement, and management-in-use of capital assets to achieve the maximum return on these investments.

Capital assets are land, structures, equipment, and intellectual property that are used by the federal government and have an estimated life of 2 years or more. This definition includes, but is not limited to, major modifications and upgrades, information systems, weapons and space systems, environmental remediation of land to make it useful, vehicles, and buildings. Capital assets may be acquired through purchase, by construction or manufacture, through a lease-purchase or other capital lease, through an operating lease for an asset with an estimated useful life of 2 years or more, or through exchange.

The Capital Programming Guide integrates the various Administration and statutory asset management initiatives, including the Government Performance and Results Act, the Clinger-Cohen Act, and the Federal Acquisition Streamlining Act Title V. It also integrates the Principles of Budgeting for Capital Asset Acquisitions from the President's fiscal year 1998 budget, and the OMB Circular A-11, Part 3, Guidance on the planning, budgeting, and acquisition of fixed assets.

The Guide is not prescriptive. Its purpose is to promote better policy decisions and management by helping agencies establish a single, integrated capital asset management process to ensure that

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CFO
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Acting Deputy Director for Management, OMB, and chairs the CFO Council.

The new leaders for this Council who were recently elected are:

Executive Vice Chair

Arnold Holz, CFO, National Aeronautics and Space Administration

Vice Chair for Legislation

D. Mark Catlett, CFO, Department of Veterans Affairs (VA)

Vice Chair for Program

Steven App, DCFO, Department of the Treasury

Secretary/Treasurer

Sallyanne Harper, Acting CFO, Environmental Protection Agency

Committee Chairs:

Cost Accounting

Frank Sullivan, DCFO, VA

Credit Reform

Irwin T. David, DCFO, Department of Agriculture

EC & Entrepreneurial Government

Dennis Fischer, CFO, General Services Administration

Financial Systems

R. Schuyler Lesher, DCFO, Department of Interior

GPRA Implementation

Steven App, DCFO, Treasury

Grant Management

Mitch Laine, DCFO, Department of Education

Human Resources

Kenneth Bresnahan, Acting CFO, Department of Labor

Report Streamlining

Frank Sullivan, DCFO, VA

Liaison to:

Accounting and Auditing Policy Committee and Budget Officers Advisory Council—

Joseph Kull, CFO, National Science Foundation

President's Council on Integrity and Efficiency—

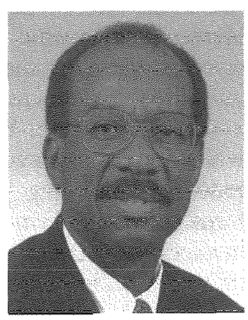
Irwin T. David, DCFO, USDA

Chief Information Officers Council—

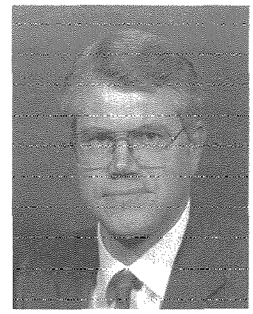
Donald Charney, CFO, Agency for International Development

The following highlights some of the new members of the CFO Council.

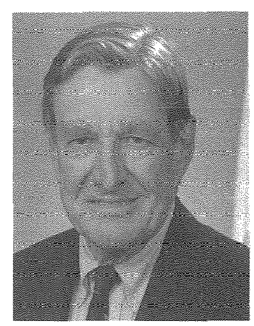
Jesse Funches was appointed the Chief Financial Officer at the Nuclear Regulatory Commission (NRC) on April 7, 1997. As CFO, he is responsible for agency-wide financial planning, policy, operations, systems and reporting, which includes budget formulation and execution. Mr. Funches has been in the Federal Government for over 25 years, serving first with the Office of the Secretary of the Department of Defense as an operations research analyst. His career with NRC began in 1978 as an Assistant to Chairman John Ahearne. Prior to his appointment as CFO, he was the Deputy Controller. He has held progressively more responsible management positions that involved policy development, planning, budget development and execution, program and resource analysis, and administrative support.


Jesse Funches

On January 5, 1997, John Newell was appointed the Deputy Chief Financial Officer, and is Director for Financial Management of the Department of Commerce. As the Deputy CFO, he is responsible for financial management and accounting throughout the Department. Mr. Newell has been with the federal government for over 25 years, and has served in managerial positions within the Departments of Commerce and Treasury. Prior to his DCFO position, he was Commerce's Assistant Inspector General for Auditing, and Assistant IG for Information Systems. He also was Treasury's Assistant IG (Fiscal Service), Director of Internal Audit at the Bureau of the Public Debt, and Manager of Treasury's Surety Operation at the Bureau of Government Financial Operations.


John Newell

Donald Rappaport is the Chief Financial and Chief Information Officer of the Department of Education. Prior to his appointment as the CFO, Mr. Rappaport was a partner and National Director of one of the firm's national service groups at Price Waterhouse. He directed the implementation of the first program budget management and reporting system for a school district, and served as Deputy Superintendent for Administration and Finance of the Philadelphia School District. He also worked with other school systems in the U.S. Mr. Rappaport has taught at several business schools, including MIT Sloan School of Business, Georgetown University School of Business, University of


Donald Rappaport

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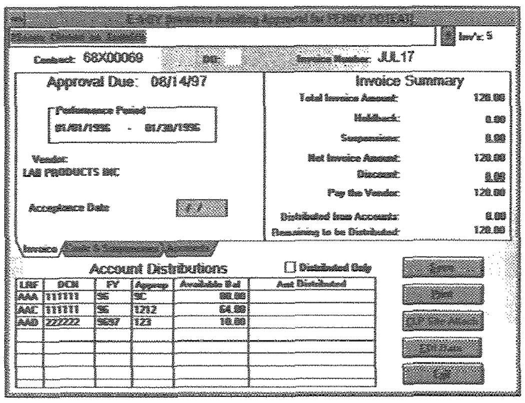
EPA Develops an EASY Way to Make Contract Payments

The U.S. Environmental Protection Agency thinks it knows how to ensure its project officers review invoices in a timely manner...make their job EASY! This summer, EPA will begin rolling out a new Electronic Approval System, dubbed EASY, to replace the paper-based method currently used for invoice approvals.

While EPA boasts an on-time invoice payment rate of 99.5% for contract invoices, the Financial Management Center (FMC) in Research Triangle Park, NC continues to seek out automation opportunities to improve their payment process. Presently, the most common cause of a late payment is untimely receipt of the project officer approval form. By eliminating the form, EPA expects that EASY will shave several days off the approval process, and the time saved can be used to lengthen deadlines for project officers.

Once an invoice is received and pre-validated by the central payment office, instead of printing off an invoice approval form and mailing it to the project officer, a system-generated Email notification will automatically be sent to the project officers notifying them that there is an invoice awaiting their approval. The project officer can then launch the EASY application from their desktop, and access data identical to that traditionally presented on paper. The project officer then distributes the payment to the proper accounts, suspends portions of the invoice, if appropriate, and finalizes their approval which initiates an immediate update to the EPA's Contract Payment System (CPS), a mainframe application. This finalized invoice is later pulled on a treasury schedule by CPS, and the payment is reviewed by an FMC certifying officer, and sent to the U.S. Treasury for distribution via the Automated Clearing House (ACH).



The EASY application is viewed as a win-win for both agency project officers and staff at the FMC. For project officers, their invoice review period will be lengthened by several days. Since their timeliness of invoice approval is closely monitored, this is a welcomed change. For the FMC, EASY will offer significant administrative reductions including: printing approval forms, coupling them with copies of the invoices, and mailing them to the project officers; opening the signed, approved forms and logging their receipt into the CPS application; and keying in the account distribution data written on the paper forms. In addition to these manpower savings, significant mail charges will also be eliminated.

EASY was developed in-house using Microsoft Corporation's Visual Basic application development software. It communicates with the CPS mainframe application via ORACLE's Remote Procedure Gateway. Once fully deployed, EASY will be used by up to 2000 EPA project officers and alternates. For more information on the EASY application, contact Mitch Gray, Chief of the Operations Systems Staff of the EPA's Financial Services Division at `gray.mitch@epamail.epa.gov` □

CFO Council's GPRA Implementation Committee

The U.S. Chief Financial Officers (CFO) Council, comprised of the CFO and Deputy CFO of the 24 largest federal agencies and senior Office of Management and Budget (OMB) and Treasury officials, work collaboratively to improve financial management throughout the federal government, including the implementation of the Government Performance and Results Act (GPRA). The GPRA Implementation Committee has been instrumental in defining the CFO's role in GPRA implementation and increasing the overall understanding of the Act's new approach to "performance management" among the CFO Council, OMB and the broader financial management community in the federal government, including the Offices of Inspectors General and the General Accounting Office (GAO).

The Committee was established shortly after passage of the GPRA in 1993. Since then, the Committee has created partnerships with GAO, OMB, Office of Personnel Management, Congressional leaders, and private sector groups to provide useful case studies, "best practices", and other tools, which agencies are using to build effective internal performance measurement systems. Further, the Committee has encouraged agency dialogue with Congressional and OMB staffs to reach consensus on what type of performance indicators are most meaningful and relevant to budget allocation and program management decisions. These efforts, coupled with other outreach speaking engagements and CFO Council-sponsored GPRA training symposiums, demonstrate how the GPRA Committee has been and

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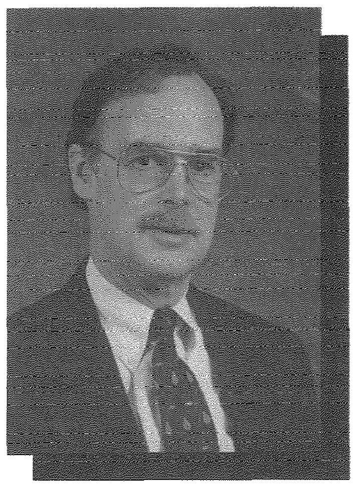
Financial Management
Profile

R. Schuyler Lesher (Sky) is the Deputy Chief Financial Officer (DCFO) at the Department of the Interior. He has responsibility for financial management policy within the Department covering financial reporting, financial management systems, asset and debt management, and management controls. Currently, in addition to his responsibilities at the Department of the Interior, he is Chair of the Chief Financial Officers (CFO) Council Financial Systems Committee, and Chair of the Federal Accounting Standards Advisory Board's Natural Resources Task Force. He is also active in the Association of Government Accountants (AGA) and for several years has been a member of the AGA Professional Development Conference Technical Committee where he has helped coordinate the "best practices" sessions at the conference.



Prior to entering the federal government, Mr. Lesher was a partner with KPMG Peat Marwick in the management consulting practice, where he focused on the implementation of financial management systems in State, local, and nonprofit organizations. While at KPMG, he also had spent time with the Nolan Norton's division of the firm that focused on information technology planning in major corporate clients. His experiences in the private sector helped formulate his views on information technology, benchmarking, and the need for continuing research to improve administrative functions. This along with his experience in working with a variety of State, local, university, and corporate clients helped prepare him for working in the federal government. Sky has an M.B.A. from Columbia University, New York, New York, and a B.A. from Bowdoin College, Maine. He is a Certified Public Accountant and a Certified Government Financial Manager.

Mr. Lesher joined the federal government at the request of Edward Mazur, who was the first Controller of the Federal Government under the CFO Act of 1990. Sky previously worked with Mr. Mazur when Mr. Mazur was Controller at Virginia Commonwealth University and later when he was the Comptroller of the Commonwealth of Virginia. As the Chief, Federal Financial Systems Branch, Office of Federal Financial Management, Office of Management and Budget (OMB), Mr. Lesher helped establish financial systems policies for the federal government under the CFO Act.

One of the first questions asked of him after joining OMB was "what is the number of financial systems in the federal government?" In 1992 OMB wanted to show progress in reducing the number of federal government financial systems from the 400 reported in 1988. However, information available from various sources indicated that there were over 700 systems in 1992. Further, vastly different definitions were being used to define what a system was. To address this issue, Mr. Lesher helped establish the financial systems inventory process used by OMB today to collect financial systems data. In addition, he helped revise OMB Circular A-127, Financial Management Systems, which is the guidance for the development and implementation of agency financial management systems. The financial systems guidance was originally issued in 1984 and the revision updated the guidance, improved definitions, and eliminated unnecessary overlap between OMB Circular No. A-127, Circular A-123; Internal Control Systems; and Circular A-130, Management of Federal Information Resources.

While at OMB, Mr. Lesher was also instrumental in revising the JFMIP Core Financial System Requirements and the developing of the Framework for Federal Financial Management Systems and other systems requirements. Recently, he participated in the CFO Council Cost Accounting Work Group developing guidance for implementing the FASAB Managerial Cost Accounting Standard. In this effort he led the subgroup addressing issues related to full and inter-entity costs.

As the Interior Deputy CFO, Sky enjoys implementing the financial management policies that he helped formulate while at OMB. In his new position he has been able to expand beyond financial management systems to lead the Department's efforts in preparing consolidated financial statements, (which were audited in 1995 and 1996) and preparing the first Accountability Report for the Department for FY 1996, streamlining procedures, and improving management control processes.

Mr. Lesher believes that getting good people to work as a team is the best way to resolve issues and produce results. Such partnerships lead to better ideas, resolve issues faster, and produce better results. His approach is to be open, lay everything on the table, and let the chips fall where they may. People have many good ideas that are not always recognized. At Interior, Mr. Lesher has supported staff in developing innovative ways to perform work. One example is a pilot program to collect management control information electronically using automated survey techniques. This approach has taken a particular process which previously took 15 days and reduced it to 55 minutes.

He believes using technology is a key to meet the future requirements with fewer resources. New capabilities at Interior, such as the use of Hyperion software to consolidate financial information for the preparation of the agency's consolidated financial statements, have allowed staff to be much more effective in carrying out their responsibilities. However, he is cautious about technology, saying it is both a key to the solution but it also can be part of the problem. Technology should be used where it adds value; for example, consolidating information for reporting purposes. But it does not replace the requirement to analyze the

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data. Increasingly, financial managers will be required to interpret and analyze data. This will be a major change in the traditional transaction processing focus of financial managers.

He believes cross-training among the disciplines is critical for mutual understanding of the different roles and necessary to achieve the greatest success. At Interior he has found it easier to involve budget personnel in financial management issues than getting program managers involved in financial management issues. At an Interior conference this past May, the Department successfully brought the financial and budget communities together with some program personnel. However, it was hard to get the program people to participate. As an alternative approach, Interior is now trying to bring financial management sessions into the program manager's normal training curriculum. Interior is also trying to get finance personnel involved in program management issues to increase their understanding and ability to assist program managers.

When asked about his management style, he replied that he generally favors distributing management responsibilities as widely and as far down in the organization as possible but managing standards and establishing policies for the organization as a whole. This requires clearly assigned accountability for results at all levels within the organization, maintaining a good management control program to assure integrity of operations, and providing timely information to managers for day-to-day decision-making. Access to timely information at all levels is essential to this model of management for people to be held accountable. From a governmentwide perspective, he recognizes the importance of central organizations, such as the CFO Council, OMB, and FASAB to deal with common issues. However, he believes agencies, in turn, must carry their end of the process by managing their operations and delivering on plans.

Sky believes that the audited financial statements process has been an important step in improving Federal financial management. At Interior, the audit process was a catalyst several years ago for the National Park Service to take action to improve their accounting. In one year, with a lot of hard work, the National Park Service moved from a disclaimer to an unqualified opinion. However, unqualified audit opinions are only part of the process. Making financial statement information more useful is what now needs to be addressed. The financial statements show where the monies were used, but the real measure will be what was accomplished with the monies. Linking the GPRA with the financial statements process will go a long way in making the financial information more valuable to policy makers and the public.

Mr. Lesher believes the move toward standardization is inevitable. JFMIP Financial Systems requirements documents help, but they do not address the standards necessary to allow different systems to communicate. To be successful the federal government, working with the private sector, will have to develop and implement the standards to allow appropriate system connectivity. However, auditors, senior managers, and Congress will need to recognize that the process of improving financial management systems is a continuous process. Some mistakes will be made along the way, and that should be recognized as part of the change process. Also, the JFMIP requirements documents should not be used just as checklists for auditors. They are guidance for financial systems analysts in developing systems. They must be allowed to grow and adjust to agencies needs. Further, the benefits of the use of off-the-shelf software must be balanced with making modifications to such software. The government needs to change its processes to fit the way off-the-shelf software operates to get the benefits. However, sometimes the software will need to be modified to fit an agency's environment. How to balance these decisions will be difficult, but one lesson the federal government has learned over the years is that the less modification to software, the better the chances for long term success.

Sky believes that financial management must help the American people be assured that the government is managing resources appropriately, operating with integrity, and reporting accurate information. The requirements in recent legislation, such as the Government Management Reform Act (GMRA), Government Performance and Results Act (GPRA), Information Technology Management Reform Act (ITMRA), and Federal Financial Management Improvement Act (FFMIA) help in the process. GMRA was helpful in several areas including establishing the opportunity to create franchise fund pilots, requiring consolidated departmental financial statements and providing for governmentwide financial reporting. However, federal employees must feel assured that reporting negative information will be used in a positive way and not against them. Things that do not work right need to be reported in order to be corrected. This reporting requires that those reviewing such reports must look at the positive as well as the reported problems. Only through information and better communication on issues can problems be resolved. FFMIA has the potential to be either a positive or negative influence on reporting. The requirements being reported on were already in OMB policy. However, if Congress or others misuse the reports, agencies will stop reporting issues the way they need to and the value of the process will diminish.

Some of the major problems facing financial managers today are emerging with the expanded use of the Internet, the arrival of Chief Information Officers, continued downsizing, and the need to find new ways of helping program managers. The Internet has changed the fundamental way we operate, communicate, and carry out business. In addition, the challenge in working with CIOs will be to balance the respective roles regarding system architecture issues. Downsizing will continue and further impact how we support administrative activities. Responsiveness and focusing on what is important is the key.

His message to the financial community is that there is much we can do now within current legislation and/or rules. He believes we have more opportunities to affect change than we realize. To be successful in the future we, as financial managers, will need to change the way we think about our jobs, focusing more on our customers/stakeholders, using technology better, improving access to information, and being financial advisors to senior management and program managers. ◻

FASAB *Update*

Internal Use Software ED published

The Board published its latest Exposure Draft, *Accounting for Internal Use Software*, on June 25. In it, the Board defines "internal use software," distinguishes between the costs of software maintenance (to be expensed when incurred) and capitalizable costs, establishes points at which capitalization starts and stops for software under development, and provides for entity-determined capitalization thresholds and amortization periods. Also, the Board proposes in the ED that the costs of software modifications to accommodate the year 2000 changes are maintenance costs to be expended when incurred.

Accounting And Auditing Policy Committee

The newly formed Accounting and Auditing Policy Committee (AAPC) held its first meeting on July 16, at which it considered a draft charter and operating procedures, a means of prioritizing its work and formats for submission of issues. Monthly meetings are planned. News of the AAPC appears under the AAPC home page at

`http://www.financenet.gov/fed/aapc.htm`

Technical Corrections to SFFAS 6 and SFFAS 8 Considered

At the June Board meeting, members discussed changes which had been proposed at the May meeting to the standards for federal mission property, plant, and equipment ("Federal Mission PP&E") and multi-use heritage assets. The proposed changes affect both Statement of Federal Financial Accounting Standards No. 6 (SFFAS 6), Accounting for Property, Plant, and Equipment and Statement of Federal Financial Accounting Standards No. 8 (SFFAS) 8), Supplementary Stewardship Reporting. Any changes under consideration by the Board would be exposed for comment in the same manner that the original standards for PP&E were exposed.

The specific changes considered are described below.

Proposed Changes to Federal Mission PP&E in SFFAS 6 and SFFAS 8

In SFFAS 6, Federal mission PP&E is used to meet a federal government mission in which the PP&E used is an integral part of the output of the mission.

As a result of concerns about the use of appropriate classifications for assignment of costs to accounting periods, the Board considered renaming the category from the broader, "Federal mission PP&E," to the narrower "National defense PP&E."

Staff presented revised versions of the standards in SFFAS 6 and SFFAS 8 to reflect the new category name of National defense PP&E. The proposed new definition limits the items to two classes of PP&E: 1) weapons systems PP&E used by military departments solely in performance of their miliary missions, and 2) the Maritime Administration's Naval Defense Reserve Fleet ships. The proposed new definition of National defense PP&E eliminates the "use" and "useful life" characteristics in the former Federal mission PP&E definition. The proposed National defense PP&E definition presents a more functionally aligned category, thus negating the need for the characteristics.

Proposed Changes To Federal Mission PP&E in SFFAS 8

Other changes include those proposed for federal mission PP&E (National Defense PP&E) affecting only SFFAS 8 and relate to the type of information to be reported. The Board proposed that rather than reporting the latest acquisition cost for each major type of equipment for Federal Mission PP&E, it would like to examine the possibility of using trend data presented in the Selected Acquisition Report (SAR), a report prepared by the Defense Department for Congress, as the basis for reporting cost trends over a five year period. It believes that the SAR cost data will be more reliable to report than the latest acquisition cost data. In addition to reporting cost trend data, the Board proposed that quantities of National Defense PP&E would be reported.

Proposed Changes to Multi-Use Heritage Assets in SFFAS 6 and SFFAS 8

SFFAS 6 required special treatment for multi-use heritage assets, those assets that provide reminders of our national heritage while also being used in day-to-day government operations unrelated to the assets themselves.

The Board proposed two major changes to multi-use heritage assets that affect both SFFAS 6 and SFFAS 8: 1) to require that multi-use heritage assets be treated as general PP&E, and 2) to clarify the accounting for transfers of heritage assets.

An exposure draft including these proposed modifications is expected in September or October.

NASA Chief Financial Officer Addresses Board

The Board tentatively decided that based on their proposed narrowing of Federal mission PP&E to National defense PP&E, space exploration equipment should be reclassified as general PP&E. As an aid in thinking about this proposed change, the Board invited the Chief Financial Officer of the National Aeronautics and Space Administration (NASA), Mr. Arnold G. Holz, to address the Board at its June meeting. Mr. Holz is of the opinion that all assets, not just general PP&E, should be reported on the federal government's balance sheet.

Management's Discussion and Analysis

In its continuing discussions on its proposed statement of concepts on Management's Discussion and Analysis, the Board discussed the following issues:

- What place or role should Management's Discussion and Analysis

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GAO Issues Financial and Information Management Improvement Guides

Recent GAO guides can help agencies to implement the Government Performance and Results Act, make better information technology investments, carry out effective business process reengineering, and complete the Year 2000 conversion. GAO's guides contain best practices and advice collected through surveys of both government and private sector organizations.

The Government Performance and Results Act

An Executive Guide, *Effectively Implementing the Government Performance and Results Act* (GAO/GGD-96-118, June 1996), identifies key steps agencies need to take toward the Act's implementation, along with a set of practices and case illustrations that can help make that implementation a success. For example, the guide highlights the importance of

- involving stakeholders;
- assessing both the internal and external environments;
- aligning the activities, core processes, and resources to support mission-related outcomes;
- producing a set of performance measures at each organizational level that demonstrates results, are limited to the vital few, respond to multiple priorities, and link to responsible programs;
- collecting sufficiently complete, accurate, and consistent data;
- identifying performance gaps;
- reporting performance information; and
- using performance information to support mission.

Information Technology (IT) Investment Decision-making

In February 1997, GAO issued a document, *Assessing Risks and Returns: A Guide for Evaluating Federal Agencies' IT Investment Decision-making* (GAO/AIMD-10.1.13), to focus on common elements that should be present in any organization's IT investment management process. This document (1) gives an overview of the IT investment management process, (2) explains a framework for evaluating an agency's IT investment decision-making, (3) provides specific criteria and evaluation questions, and (4) lists all relevant legislation and executive branch policy documents associated with the IT investment management process.

Business Process Reengineering

GAO's *Business Process Reengineering Assessment Guide* (GAO/AIMD-10.1.15, April 1997) presents the following assessment issues considered by experts with whom GAO interacted to be stepping stones to successful business process reengineering:

- Has the agency reassessed its mission and strategic goals?
- Has the agency identified performance problems and set improvement goals?
- Should the agency engage in reengineering?
- Is the reengineering project appropriately managed?
- Has the project team analyzed the target process and developed feasible alternatives?
- Has the project team completed a sound business case for implementing the new process?
- Is the agency following a comprehensive implementation plan?
- Are agency executives addressing change management issues?
- Is the new process achieving the desired results?

This guide discusses each of these areas in detail, includes key assessment questions, lists criteria related to each area, and contains a glossary and a bibliography.

The Year 2000 Problem

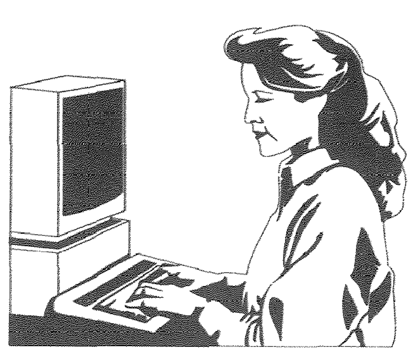
The *Year 2000 Computing Crises: An Assessment Guide* (GAO/AIMD-10.1.14), issued by GAO as an exposure draft in February 1997, examines matters common to most Year 2000 programs. The guide describes five phases that represent major Year 2000 program activities or segments (awareness, assessment, renovation, validation, and implementation), contains an assessment checklist, provides references to selected Year 2000 resources (such as best practices), and includes a glossary.

For copies, call (202) 512-6000. ▫

Update on IGnet — "Internet for the IG Community"

IGnet continues to expand and enhance the resources it provides to the IG community and related professionals. Gradually IGnet has evolved from a reference library to daily work tool. IGnet now provides: a virtual library, containing lists of related Internet reference sites; an interactive Yellow Book, containing "hot" links to Yellow Book chapters/sections as well as related Internet sites (e.g., AICPA, FASB); a related organization page, containing lists of professional organization Internet sites and a comprehensive list of related State Internet sites; and an Internet search list, providing a comprehensive list of Internet search engine links. In addition to the enhanced reference tools, IGnet has greatly expanded its workgroup information sharing capabilities. For example, IGnet now provides information from the President's Council on Integrity and Efficiency (PCIE), the Federal Audit Executive Council (FAEC), and 40 federal Offices of Inspectors General (OIG).

The concentration devoted to gathering a critical mass of information and links to information has substantially increased the rates at which IGnet is accessed and repeatedly used as a reference/research site. Two years ago, the IGnet gopher site received approximately 3,000 "hits" per month. Today, the IGnet web page "hit" rate exceeds 3 million a year. IGnet is also recognized by professional organizations and the public alike as a significant contributor to Federal on-line information tools. Presentations, by co-directors John Dye (Deputy Assistant Inspector General for Audits, SBA OIG) and Jenny Banner Wheeler (Information Resources Management Director, HHS OIG), at National, State and Local audit, accounting and investigation organizations are conducted frequently which highlight IGnet's research/reference capabilities. In addition, IGnet was cited by Eric Nalder of the *Seattle Times* as being a critical Internet site when researching his Pulitzer prize winning series on the misuse of federal Housing and Urban Development (HUD) grants for Native American tribal housing.



Changes and transitions are now in store for IGnet. Within the next several months, IGnet will become an officially funded activity of the PCIE and Executive Council on Integrity and Efficiency. This will lead to IGnet being moved from its current home at the SBA to HHS. At that time, IGnet will also receive its own "domain name" of "www.ignet.gov." Jenny Banner Wheeler and John Dye will also be swapping Co-Director roles. John, who has expertly served as the "lead" Co-Director since 1995 and moved the IG community into the 21st century, will continue to take primary responsibility for certain IGnet sections; namely, the Internet search list, the interactive Yellow Book, and the FAEC pages. Jenny will assume the "lead" role for overall coordination and management of the site.

Many thanks to John Dye for his strong leadership and the Small Business Administration for graciously hosting IGnet over the last 2+ years. Users should look forward to continued growth and maturity as IGnet transitions and changes to better serve its expanding user base.

IGnet can be found at `http://www.sbaonline.sba.gov/ignet`. For more information, email `jwheeler@os.dhhs.gov` or `jedye@ix.netcom.com`. ❑

Final Revision to OMB Circular A-133 and Rescission of Circular A-128

On June 30, 1997, the Office of Management and Budget (OMB) published in the *Federal Register* a final revision to OMB Circular A-133, retitled *Audits of States, Local Governments, and Non-Profit Organizations*. Circular A-133 establishes uniform audit requirements for nonfederal entities that administer federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law on July 5, 1996 (PL 104-156). Circular A-128, issued in 1985, was rescinded as a result of the consolidation of audit requirements under Circular A-133. The 1996 Amendments and Circular A-133 are effective for audits of fiscal years beginning after June 30, 1996.

The most significant changes resulting from the 1996 amendments and reflected in the final revision to A-133 include:

- Raising the threshold that triggers an audit requirement from $25,000 to $300,000. As a result of this provision, thousands of entities will no longer be subject to costly audits; however, over 95 percent of federal awards will continue to be covered under single audits.
- Implementing a new risk-based approach to selecting federal awards that are required to receive extensive audit coverage instead of the current method based solely on dollar size.
- Shortening the report submission due date from 13 to 9 months after a 2-year transition period.
- Streamlining the report distribution process.

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Hammer Award continued from front page.

Budget, and Chairman of the JFMIP Steering Committee also gave brief remarks congratulating the team.

The agencies and individuals who contributed to the governmentwide travel management improvement project were:

Project Sponsors:

Dennis Fischer, Chief Financial Officer, General Services Administration

Virginia B. Robinson, Executive Director, JFMIP (retired)

Co-Chairs:

Donald Charney, Chief Financial Officer, Agency for International Development

Sean Allan, Deputy Assistant Commissioner, Federal Supply Service, General Services Administration (retired)

Team Leaders — Relocation

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Richard Trent, U.S. Customs Service, Department of the Treasury

Team Leaders—TDY

Ajay Madan, formerly with JFMIP

Thomas Mundell, Agency for International Development

Team Members:

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Lubov Angell, Central Intelligence Agency

Michael Anthony, Department of the Interior

Paul Becker, Department of Labor

Juliette Bethea, Department of Agriculture

Donald Boldon, Department of Health and Human Services

Bonnie Britten, Department of Veterans Affairs

Duncan Calcote, Secret Service, Department of the Treasury

Sandi Cavanaugh, Department of the Treasury

Doris A. Chew, JFMIP

Joseph Chupka, Jr., National Aeronautics and Space Administration

Robert A. Clauson, Federal Supply Service, General Services Administration

Pat Dugan, General Accounting Office

Ray Evon, Department of State

Sheila Fant, Environmental Protection Agency

Joddy Perkins Garner, Federal Supply Service, General Services Administration

Steve Goldberg, Internal Revenue Service, Department of the Treasury

Robert Gordon, Department of Energy (retired)

Marianne Graves, Office of Thrift Supervision, Department of the Treasury

Michael Griffin, Department of Labor

Jane Groat, Federal Supply Service, General Services Administration

Clem Gross, Internal Revenue Service, Department of the Treasury

Norman Hall, Department of Education

Jim Harte, Department of Defense

Claudia Hickey, Department of Defense

Josephine Horn, Drug Enforcement Administration, Department of Justice

Doris Jones, General Accounting Office (retired)

Sandra Kazimer, Department of Commerce

Bena Cramer Kluegel, formerly JFMIP

Marge Kochersperger, Department of Transportation (retired)

Ray Kudobeck, Department of Education

Carol Langelier, General Accounting Office

Virginia Largent, Social Security Administration

Robert L. Logan, Drug Enforcement Administration, Department of Justice

James Lucas, Federal Emergency Management Agency

Malin Mong, Department of Transportation

Carolyn Nawrocki, Federal Emergency Management Agency

Lou Worley Nicholson, Department of Transportation

Les Oden, Department of the Interior

Pat Oliver, National Oceanic and Atmospheric Administration, Department of Commerce

Jerry Petty, Customs Service, Department of the Treasury

Lester Pitts, Department of Agriculture

Rick Sefchick, Central Intelligence Agency

Art Seggerson, Forest Service, Department of Agriculture

Barbara Sherry, Bureau of the Census, Department of Commerce

DeeAnn Smith, Agency for International Development

Jannelle Starks, Forest Service, Department of Agriculture

Denise Stokes, Department of Housing and Urban Development

Robert Tanner, Smithsonian Institution

Paul Taylor, General Services Administration

Umeki G. Thorne, Agency for International Development

Amber Tucker, Office of the Comptroller of the Currency, Department of the Treasury

Larry Tucker, Federal Supply Service, General Services Administration

Jim Wachter, Department of Defense

Sandi Walters, National Oceanic and Atmospheric Administration, Department of Commerce

La Shawn Wilson, Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury

Bill Wright, Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury □

FASAB
continued from page 7.

(MD&A) have in the overall federal financial reporting model?

- Should the final document include recommended standards as well as concepts?
- Can the Board specify ways to maximize objectivity in MD&A?

Cost of Capital

Work is progressing on defining the issues to be considered when the reinstituted cost of capital task force review group has its first meeting. FASAB project staff members have done the following:

- Requested that the Governmental Accounting Standards Board (GASB) provide information on whether GASB has addressed cost of capital issues and whether there are any state or local governments that include cost of capital in their internal financial reporting or budgeting.
- Designed and forwarded to the Private Sector Council a questionnaire on uses of cost of capital in private sector companies.
- Developed a data base on revolving, enterprise, franchise, and other similar types of accounts for which cost of capital could be useful.
- Contacted and/or reviewed information from foreign governments that include or are attempting to include cost of capital information in their accounting systems, such as New Zealand, the United Kingdom, Sweden, and Canada.
- Received approval from the Chief Financial Office of the Bureau of Engraving and Printing to use the Bureau as the first case study of federal agencies for which the benefits of cost of capital information could be assessed. ▫

GPRA
continued from page 4.

will continue to be a catalyst for GPRA implementation.

Based on discussions at the CFO Council Annual Retreat in April, the GPRA Committee is charged with issuing topical bulletins and in-depth reports on critical GPRA implementation issues for the FY 1999 agency budget submissions, the year that GPRA takes full effect. To ensure quality bulletins and reports, the Committee created 3 subcommittees to work on different issues.

The Crosswalk Subcommittee is focusing on developing a report on the integration of the budget structure, accounting/financial statements, and performance measures into one understandable package. The Personnel Subcommittee is working on increasing the practice of linking individual performance plans to the organization's goals/objectives. The Budget Subcommittee is drafting a "performance budgeting checklist" to help users evaluate their budgets in integrating performance measurement.

The GPRA Committee does not expect its bulletins or reports to eliminate all the bumps on the road to successful implementation. In the long run, careful thought, detailed analysis, and commitment on the part of the agency program and financial managers are needed. The GPRA Committee has created a forum and set of tools to facilitate GPRA implementation, but it cannot solve agency's unique implementation needs. Steve App, the Deputy CFO, Department of the Treasury, is the chairman of the GPRA Implementation Committee. For more information on the Committee's efforts, please go to its website: `http://www.financenet/fed/cfo/gpra/gpra.htm`. ▫

CFO
continued from page 3.

Pennsylvania Wharton School and the Yale School of Management.

As the Deputy Chief Financial Officer of the Department of Defense, Nelson Toye is responsible for finance, accounting and general financial management policies, improvements in financial management processes and systems, and the audited financial statements. Prior to his appointment as DCFO, he was the Director for Accounting Policy for over 6 years, and prior to that he was the Director of the Policy and Systems Division. He has extensive experience involving the formulation, presentation, review and execution of Defense's budget, having served in various positions over a period of 15 years in the Office of the Deputy Comptroller (Program/Budget), and the Office of the Under Secretary of Defense (Comptroller). Mr. Toye also served as an auditor with the Defense Contract Audit Agency. ▫

A-133
continued from page 9.

- Revising the method for determining federal cognizant agent for audit assignments.

OMB also published a provisional Circular A-133 Compliance Supplement on June 30, 1997, which identifies important compliance requirements for auditors performing single audits. The Supplement should be used in conjunction with the revised Circular A-133. Public comments are due to OMB by November 30, 1997.

Circular A-133 and the Supplement are available from the OMB home page (`http://www.whitehouse.gov/WH/EOP/omb`) under OMB Documents/ Grants Management, or call OMB, 202/395-7332. ▫

In Memorium: Donald Kull

Don Kull, former Executive Director of JFMIP, passed away on Saturday, August 9, 1997. For many years, Mr. Kull worked at Atomic Energy Commission. As JFMIP's first Executive Director, he led many productivity studies in the federal government. In recent years, Mr. Kull worked as an independent consultant and was active in several professional organizations.

Capital Programming
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these assets effectively contribute to the achievement of agency strategic goals and objectives. Providing agency management with accurate information on acquisition and life-cycle costs, schedules, and performance of current and proposed capital assets is a vital element of this process. The General Accounting Office is working to complement the Guide by developing a series of case studies of best practices in capital programming from private industry and state and local governments.

For more information, call David Muzio, Office of Federal Procurement Policy, OMB, (202) 395-6805. ◻

JFMIP wishes to acknowledge and thank the following contributors to this issue:

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