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Summary Report Of Activities
 Under The Joint Financial
 Management Improvement
 Program

B-84260

1972

BY THE COMPTROLLER GENERAL
 OF THE UNITED STATES

MARCH 19, 1973

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

B-84260

The Honorable Chet Holifield, Chairman
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In 1948 the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General initiated the Joint Financial Management Improvement Program (JFMIP) as a cooperative venture to improve accounting in the Federal Government. The Budget and Accounting Procedures Act of 1950 gave the program official status, recognizing that all three agencies had existing statutory responsibilities in this area.

The Chairman of the Civil Service Commission was added to the program by agreement in 1966. This addition has proven to be extremely valuable as shown, for example, in the efforts of the Commission to augment interagency training programs.

Because of the program's increased activities and wider interest in its work among congressional committees and Members, the program should provide more systematic reporting to the Congress. It has been agreed that the General Accounting Office should be responsible for this reporting. This is the fourth summary report of the JFMIP Steering Committee's activities.

Copies of this report are also being sent today to the Secretary of the Treasury; the Director, Office of Management and Budget; and the Chairman, Civil Service Commission. 32 22.12

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The program publishes annually a more comprehensive report of individual agency accomplishments in improving financial management. The report for fiscal year 1972 will be issued in the near future, and we will send you a copy.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James P. Stets". The signature is written in a cursive style with a large initial "J".

Comptroller General
of the United States

THE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

Summary of Steering Committee Projects and
Activities for 1972

PROJECTS COMPLETED OR IN PROGRESS

Elimination of fidelity bonding

The President has signed into law the Joint Financial Management Improvement Program (JFMIP) legislation which repeals all statutory requirements for bonding Federal civilian employees and military personnel charged with accountability for public funds or public property and permits the Government to be self-insured against fidelity losses. When losses are uncollectible, agencies could charge the losses against their operating appropriations.

Because the cost of insurance will eventually exceed the amounts recovered under it, the Government uses self-insurance to save money. The Government is now self-insured against other kinds of losses like fire and accident. In the financial area where bonding is now used, the risks are minimized because of the extensive system of internal control, including internal audit, that limits opportunities for fraudulent handling of Government funds.

Fidelity bonding of Federal employees has a long history and there are many statutory requirements, administrative regulations, and decisions which require that certain individuals or positions throughout the Government be bonded.

Before 1955, employees had to purchase their own bonds and pay the premiums; but in 1955, Public Law 84-323 (6 U.S.C. 14) required Government agencies to obtain the bonds and to pay the premiums. The act required agencies to obtain (under regulations of the Secretary of the Treasury) the most economical type of bond available, usually blanket or position-schedule bonds. Providing the purchase of bonds for large numbers of employees on this basis was a vast improvement over the individual purchase of bonds. For example, the premiums on bonds purchased by employees in fiscal year 1955 (the last full fiscal year prior to the act) totaled over \$1.7 million; in fiscal year 1957 (the first full fiscal year after enactment) the premiums on bonds

purchased by the Government for all employees to be bonded were \$379,000. Annual premiums from 1957 through 1970 averaged \$289,000.

Treasury estimates that the Government could save over \$100,000 a year through self-insurance. This estimate is based on the excess of premiums (and administrative expenses of the agencies in procuring the bonds) over claims paid by the companies.

Transportation Payment Act of 1972

Public Law 92-550 was enacted in October 1972 to amend the Transportation Act of 1940 and to facilitate the payment of transportation charges. This law is designed to implement certain recommendations contained in the Joint Agency Transportation Study issued March 6, 1970. The study was conducted under sponsorship of JFMIP and with the participation of representatives of the Comptroller General of the United States; the Administrator of General Services; the Deputy Director, Office of Management and Budget; the Fiscal Assistant Secretary of the Treasury Department; and other civil agencies.

Advance payment for services rendered or materials furnished the United States was prohibited by a law enacted in 1823. The consignee had to provide a written receipt showing that the merchandise was delivered in good order and condition at destination. Public Law 92-550 exempts transportation payments, at the option of the paying agencies, from the statute prohibiting advance payments.

This law permits significant changes in section 322 of the Transportation Act of 1940.

1. It eliminates the Consignee's Certificate of Delivery on the U.S. Government Bill of Lading (GBL-Standard Form 1103) and substitutes a carrier certificate of good order delivery. This eliminates long-standing carrier complaints of delays in getting the GBL document to support their bills.
2. It authorizes the automatic payment of Freight-All-Kinds which in the General Services Administration alone will result in an estimated annual savings of

over a million dollars and permit greater computerizations in payment and audit processes.

3. It authorizes payment in cash at origin or destination from imprest funds for domestic freight charges not exceeding \$25. This provides more prompt payment to carriers, often without the need to bill for services, and will alleviate a considerable administrative workload of voucher examination and scheduling for payment.

In addition, the recommendations contained in the report on automatic payment of airline ticket charges have been implemented by the General Services Administration. Instead of issuing a Government transportation request for each trip, one transportation request is issued for a payment period. To date, 13 agencies have converted to this automatic payment plan which eliminates about 10,000 travel requests a month and saves about \$15,000 monthly.

Financial Management Intern Program

Under the direction of the Civil Service Commission, the JFMIP has started to develop a model financial management intern program which each agency could use in developing its own program. It is hoped that this would provide each agency with a practical means of supplying its future manpower needs with versatile, highly qualified professional staff members.

Questionnaire on internal audit activities in the Federal Government

Our meetings with financial management staffs show that many agencies are facing common problems in recruiting, organization, training, scope of work, reporting, and followup actions. Since the 1950s, audit staffs have been expanding rapidly. Recently, the emphasis on grant-in-aid programs have caused audit managers to reorder audit priorities. However, there is little, if any, interchange of information among Government audit managers to help in planning and carrying out audit functions.

JFMIP has sent a questionnaire to all internal audit staffs designed to accumulate information regarding the

organization, functions, workload, staffing, reporting, and policies of the Government's internal audit function. Further, by understanding the agencies' audit organization structure and the common problems which exist, the JFMIP will be in a better position to initiate actions to solve these problems.

LIAISON WITH FEDERAL AGENCIES

Agency meetings

The Steering Committee continued its meetings with the top financial management personnel of major departments and independent agencies to review the development of financial management systems. These meetings emphasized the need for managing program performance and costs and for designing accounting systems to meet management needs. During the year, meetings were held with the Federal Aviation Administration; the Coast Guard; the Department of Health, Education, and Welfare; the Veterans Administration; the General Services Administration; and the Environmental Protection Agency.

News bulletin

The Steering Committee continued to publish a quarterly JFMIP News Bulletin as a means of keeping agencies informed, on current Government-wide financial management improvement activities.

RELATIONS WITH PROFESSIONAL ORGANIZATIONS

Financial Management Conference

JFMIP's present role--to improve the financial structure of the Federal Government, to stimulate the best financial management practices, and to foster the training and technical development of financial management personnel--established the framework of the 1-day conference held in March 1972 in Washington, D.C.

About 400 top-level management officials from approximately 50 Federal agencies attended this conference which emphasized the need and opportunities for improved financial management in the Federal Government. Mr. Frank Carlucci,

Associate Director, Office of Management and Budget, was the luncheon speaker.

A special attraction of the conference was the presentation of the 1971 Maurice H. Stans Award for Distinguished Federal Financial Management. This annual award was created to give public recognition to Federal employees who, through the practice of effective financial management, have achieved significant economies, efficiencies, and improvements in the Federal Government. The award winners were John P. Abbadessa, Atomic Energy Commission, and J. Patrick Dugan, Export-Import Bank. They received lapel pins and plaques with the following citation: "In recognition of exceptional accomplishment in the application of effective financial management."

Joint State-Federal Financial Management Conference

The second State-Federal Financial Management Conference was held in February 1972 in Washington, D.C. The 200 participants represented 30 States and 15 Federal agencies. The overall purpose of this meeting was to improve communications between State and Federal financial officials and create a better working environment for solving mutual problems between the State and Federal Governments.

Bill to Amend the Act of August 30, 1964 Relating to the Use of Statistical Sampling Procedures in the Examination of Vouchers

A JFMIP-sponsored bill has been introduced in the House of Representatives (H.R. 16129) to broaden the coverage of the 1964 act with the intent of increasing economies available by use of statistical sampling in the examination of disbursement vouchers. The \$100 ceiling has limited the number of vouchers which could be examined on a sampling basis and the inflation of the last few years has increased this limitation.

To prevent periodic statutory revision of monetary limitations because of inflation, the bill authorizes the Comptroller General to prescribe the dollar ceiling. The ceiling should be set high enough to permit expanded use of sampling by present agencies and to attract other agencies but low enough so that the Government will suffer no significant monetary losses as a result of net overpayments to

vendors. The bill requires the Comptroller General to review agencies' statistical sampling procedures and evaluate their adequacy and effectiveness as part of the periodic reviews of the accounting systems.

THE JOINT FINANCIAL
MANAGEMENT IMPROVEMENT PROGRAM STEERING COMMITTEE
RESPONSIBLE FOR THE
ACTIVITIES DISCUSSED IN THIS REPORT

Office of Management and Budget

William J. Armstrong
John J. Lordan

Department of the Treasury

Steve L. Comings

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