

GAO

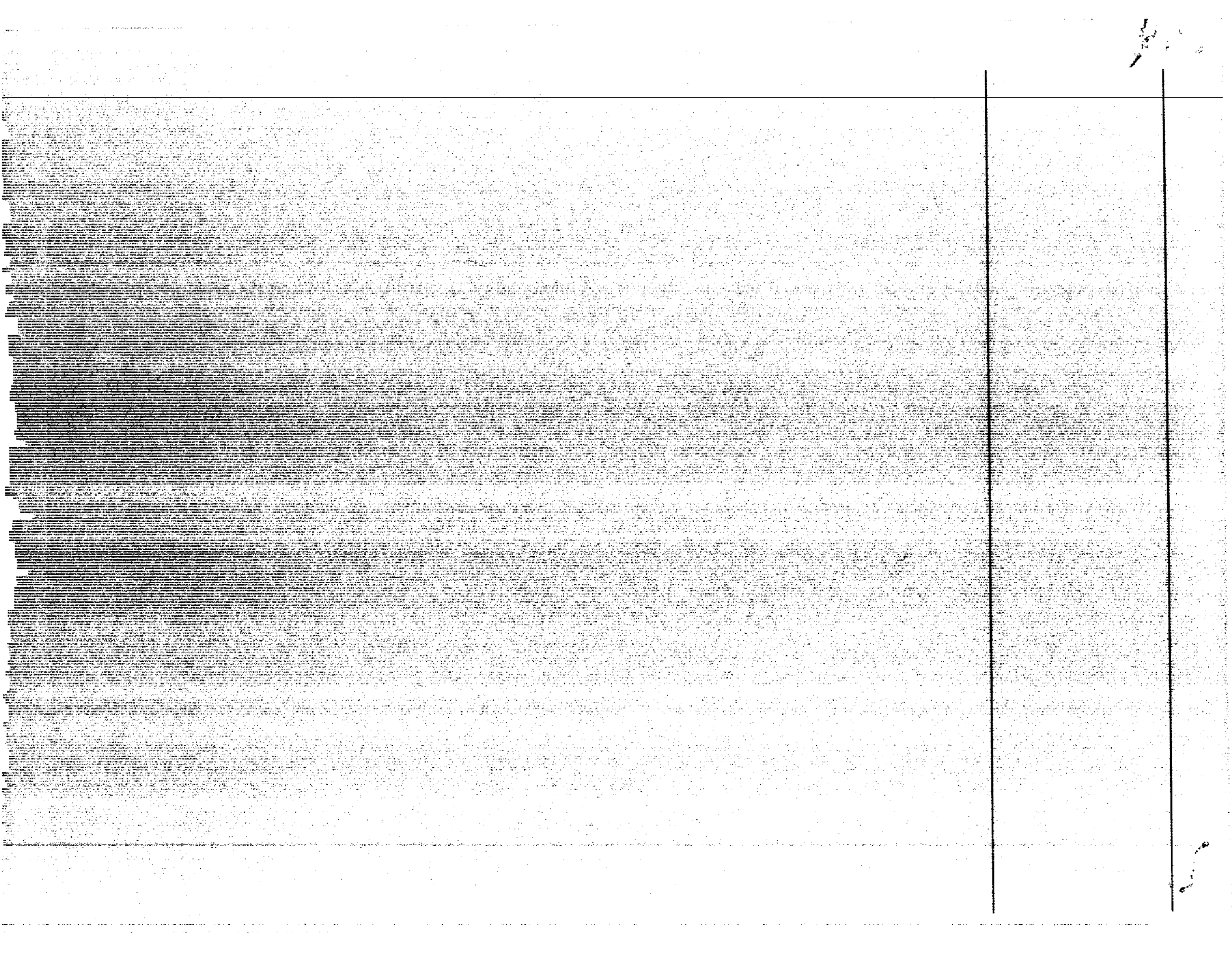
Report to the Director of the Office of
Management and Budget and the
Secretary of the Treasury

April 1990

FINANCIAL MANAGEMENT

Additional Actions Needed to Improve Federal Financial Management Systems







United States
General Accounting Office
Washington, D.C. 20548

**Accounting and Financial
Management Division**

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April 27, 1990

The Honorable Richard G. Darman
Director, Office of
Management and Budget

The Honorable Nicholas F. Brady
The Secretary of the Treasury

This report discusses efforts by the Office of Management and Budget (OMB) and the Department of the Treasury to improve the federal government's financial management operations. It also addresses the efforts undertaken by the lead agency for financial management systems reform, the Department of the Treasury's Financial Management Service.

This report contains recommendations to you in chapters 2 and 3. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement of actions taken on our recommendations. You should submit the statement to the House Committee on Government Operations and the Senate Committee on Governmental Affairs within 60 days of the date of this report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of this report. We would appreciate receiving copies of these statements.

We are sending copies of this report to interested congressional committees. Copies will be made available to others upon request.

This report was prepared under the direction of Jeffrey C. Steinhoff, Director, Financial Management Systems and Audit Oversight, who may be reached on 275-9454 if you or your staff have any questions. Other major contributors are listed in appendix VI.

A handwritten signature in cursive script that reads 'Donald H. Chapin'.

Donald H. Chapin
Assistant Comptroller General

Executive Summary

Purpose

The federal government continues to rely on financial management systems that, despite billions of dollars of improvement efforts over many years, have serious problems. Existing systems are antiquated; in a general state of disrepair; costly to operate and maintain; and do not produce the complete, timely, and reliable financial data needed to help make policy and management decisions. Because of the importance of financial management systems in managing the federal government's financial operations, the General Accounting Office (GAO) (1) reviewed the progress made by the Office of Management and Budget (OMB), through the Chief Financial Officer (CFO) Council, in developing a long-range, governmentwide financial management plan, (2) obtained federal agencies' and OMB's views of the Department of the Treasury's Financial Management Service's oversight role performed by its Federal Agency Financial Systems Program, and (3) reviewed the Program's efforts to monitor federal agencies' progress in improving their financial systems.

Background

In February 1987, the Office of Management and Budget and the Department of the Treasury signed a memorandum of understanding that designated the Financial Management Service as lead agency with operational responsibility for assisting agencies in improving their financial management systems. In March 1987, the Federal Agency Financial Systems Program was established by the Service to accomplish the objectives of the memorandum. The Program was to (1) work closely with agencies to provide technical assistance and other support in achieving compliance with governmentwide standards and requirements and implementing needed improvements, (2) monitor agencies' progress against established goals, and (3) provide OMB with periodic reports on agencies' efforts to implement financial management systems. Program officials have also interpreted the memorandum as giving them responsibility to act as a clearinghouse for financial management systems information.

In December 1987, OMB formed the CFO Council. The Council is comprised of agency-level chief financial officers and is responsible for providing policy, oversight, and support to agencies in dealing with governmentwide financial management initiatives, including financial systems and information.

Results in Brief

GAO has long pointed out the need for and importance of comprehensive, long-range planning to help the government improve federal financial management. In April 1989, OMB, working with the CFO Council, began to

outline the concepts and principal ingredients for a plan. GAO believes that this effort is an important first step in ensuring that a long-range, governmentwide plan is developed and implemented.

Given the magnitude of federal financial management systems problems and the short period the Federal Agency Financial Systems Program has existed, OMB and most agency officials interviewed believe that the Federal Agency Financial Systems Program has been of some help. There is a need now, however, to reevaluate the role and the expectations of the Program. Uncertainty exists between OMB, the agencies, and to an extent Treasury, as to what the Program is to achieve. While OMB gave the Service a very broad operational mandate, the Program's specific responsibilities were not well defined, and the staffing provided was sparse. There are questions as to whether the Program can achieve what is expected with its current staffing.

Principal Findings

Agencies Have Struggled to Develop Financial Systems

It is generally acknowledged throughout the government that after spending billions of dollars over many years to improve its financial systems, the government continues to operate with inadequate systems. Improvement projects were undertaken in an effort to provide federal managers and the Congress with necessary financial information. Many of these projects have suffered delays or failed altogether. Currently, agencies report plans to continue existing or initiate additional projects costing at least \$2 billion. These projects have been undertaken, as in the past, without the benefit of a long-range, governmentwide financial management improvement plan to help guide and control the efforts.

Governmentwide Financial Plan Has Not Been Developed

In April 1989, OMB, working with the CFO Council, began developing a long-range, governmentwide financial management improvement plan. OMB and the Council began by outlining the concepts and principal ingredients of effective financial management in the 1990s. A long-range, governmentwide financial management plan would (1) outline the major long-range goals and objectives, along with the policies and strategies for accomplishing them, (2) detail how the government will implement the long-range plan in the short-term, including establishing milestones and determining resource needs, and ensuring that those needs are clearly identified in agency budgets submitted to OMB and the Congress,

(3) provide a baseline for annual reporting to the Congress on the progress made and impediments to progress, and (4) provide direction and continuity when leadership changes occur centrally, as well as at the agency level. The next step is for OMB and the CFO Council to develop a long-range financial management plan.

The Federal Agency Financial Systems Program's Role Is Unclear

GAO found that the Federal Agency Financial Systems Program has been of some help in furthering governmentwide improvements in financial management systems. With any new program, however, there are modifications and improvements that are needed to ensure that it operates effectively and efficiently. For example, GAO found the following problems: (1) the agencies are uncertain as to what the Program should be doing to assist them in improving financial management systems and (2) there is general agreement between agency, OMB, and Treasury officials that Program personnel do not have the technical expertise to assist agencies in the design, development, and implementation of financial management systems. OMB plans to clarify the Program's role in the future.

OMB and federal agency officials believe the Program can improve its efforts to assist them by reassessing the nature and amount of feedback it provides on system improvement efforts. Some agency officials have not received any feedback on their financial management plans provided to Program personnel. Other agency officials who did receive feedback believe it was not useful because it was informal and generally only contained information previously provided to Program personnel.

Program officials believe that insufficient resources have hindered their efforts to adequately accomplish their objectives. Under the memorandum of understanding, OMB is responsible for ensuring that adequate resources are available for carrying out the Program's responsibilities. Two years after its establishment, however, the Program staff comprised only eight members with responsibility for overseeing financial system improvements for the entire federal government.

Comprehensive Strategy for Administering the Program Has Not Been Developed

A comprehensive strategy defining the objectives of the Federal Agency Financial Systems Program has not been developed. GAO reviewed various plans that had been prepared by Treasury and found that the plans generally did not rank Program objectives or identify specific milestones for accomplishing them. The former Director of the Program stated that the merits of developing a comprehensive strategy had been recognized,

but to actually develop one would have diverted resources from the Program's financial systems monitoring efforts. A comprehensive strategy would provide agencies direction and focus by (1) defining the roles and responsibilities of Program personnel, (2) identifying governmentwide systems initiatives and their relative priority, and (3) establishing specific milestones for implementing financial system improvement projects. This strategy would be an integral part of the long-range, financial management improvement plan currently being developed by OMB, in conjunction with the CFO Council.

Recommendations

GAO is recommending that the Director of the Office of Management and Budget direct the CFO Council to ensure that a long-range financial management improvement plan is developed and implemented for the federal government.

GAO is also recommending that the Director of OMB and the Secretary of the Treasury clarify the role of the Federal Agency Financial Systems Program. In addition, GAO is recommending that once the role is defined, the Secretary of the Treasury, in consultation with OMB, issue a comprehensive financial management systems strategy for the Program.

Agency Comments

OMB, in commenting on this report, agreed with GAO's principal findings that (1) the government's financial systems remain inadequate despite the expenditure of billions of dollars and (2) additional projects are being undertaken without the benefit of an adequate governmentwide financial management improvement plan. OMB believes that some progress has been made over the last several years to improve the government's financial systems and cited several improvements, including the development of governmentwide systems standards and the increased use of cross-servicing and off-the-shelf software.

Regarding the Federal Agency Financial Systems Program, OMB believes that, although more could have been accomplished, the Program staff has provided valuable information and assistance on agencies' systems improvement efforts. OMB stated that it would describe the roles and responsibilities of the various parties involved in financial systems improvement, including that of the Program, in a strategy document. OMB plans to include the strategy document in the governmentwide financial plan currently being developed and scheduled to be issued in May 1990. OMB also plans to consider, during preparation of the 1992 Budget, resource requirements for improving the government's financial

systems. OMB's planned actions are responsive to GAO's recommendations.

The Department of the Treasury agreed that there is a need to clarify the roles of the different parties involved in the financial management systems improvement initiative, including that of the Program. Treasury believes that its Program staff performed the task assigned under the memorandum of understanding, but agreed that more could be accomplished if additional resources are provided. Treasury agreed that the clarification of the Program's role and the amount of assistance to be provided to agencies by the Program staff should be more fully defined in the financial management improvement plan currently being formulated by OMB and the CFO Council.

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Abbreviations

CFO	Chief Financial Officer
FmHA	Farmers Home Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
OMB	Office of Management and Budget

Introduction

The financial management concepts and practices followed by the federal government are weak, outdated, and inefficient. As a result, the federal government cannot effectively manage its operations or control its resources. Decisionmakers at all levels of the federal government are not receiving the financial information they need to help make policy and management decisions and to know the ultimate financial impact of those decisions. This information gap becomes especially critical as the federal government struggles with the deficit and is faced with difficult spending decisions.

A major cause of the federal government's financial problems is the poor condition of its financial management systems. Financial systems are the cornerstone of good internal control and are critical to ensuring accountability. The costs of inadequate federal financial management systems have been chronicled over and over again—fraud, waste, and abuse amounting to billions of dollars, and the American public's loss of confidence in the federal government.

The scandal at the Department of Housing and Urban Development (HUD) is another reminder of the price the government and the taxpayer pay when financial systems deteriorate beyond the breaking point. HUD is not the only department with inadequate financial management systems but unfortunately is typical of what we find in many other agencies. Many of the government's financial systems are old, with their basic structure having been designed during World War II. Hundreds of millions of dollars are spent each year on uncoordinated efforts to upgrade these systems. Despite improvement efforts over many years, the systems are second rate. As the President's fiscal year 1989 report on Management of the United States Government states, "Once a leader in the early days of automation, the Government's financial systems and operations have eroded to the point that they do not meet generally accepted standards."

There is an ever growing consensus within the Congress and the executive branch that major improvements are urgently needed to restore integrity to the federal government's financial management operations. For these efforts to be effective and lasting, they must be sustained across administrations and guided by a cohesive framework under centralized leadership.

For many years, agencies have recognized the need to modernize, redesign, and/or enhance their financial management and accounting systems to correct deficiencies (1) identified as a result of reviews done

under the Federal Managers' Financial Integrity Act of 1982¹ or (2) which have come to their attention through other means, such as GAO and inspectors general audits. However, conventional efforts to put the government's financial house in order have lacked the long-term governmentwide approach that is necessary to ensure that consistent data are available across agency and department lines. Ad hoc agency by agency improvement efforts, despite costing billions of dollars, have not resulted in adequate financial systems.

Financial Management System Reform Efforts

Agencies do not currently have the financial management systems and internal controls necessary to effectively manage their programs and safeguard their assets. Our audits and federal agencies' Financial Integrity Act reports continue to disclose that financial systems are (1) incompatible and costly to operate and maintain, (2) unable to produce complete, timely, and reliable financial data needed for policy-making and day-to-day operations, and (3) weak due to a lack of strong internal controls. There are efforts underway to attempt to meet this challenge and a recognition in the central federal financial agencies—GAO, OMB, and Treasury—that a governmentwide focus to reform is essential.

Central Agencies Support Improvement of Financial Management Systems

Within the last several years, there has been increased governmentwide attention to improving financial management systems. In 1985 we issued a report entitled Managing the Cost of Government (GAO/AFMD-85-35 and 35A), which identified problems affecting the federal financial management structure, proposed suggestions to guide improvement efforts, and provided a strategy for implementing needed improvements. It was our goal to increase awareness of the severity of the problem and the urgency of needed corrective actions and to foster dialogue as to solutions. This has occurred.

In August 1986, the Comptroller General, the Director of OMB, and the Secretary of the Treasury signed a joint letter to all federal agencies conveying the commitment of the three central federal financial agencies to improve federal financial management. In a March 1985 document entitled Financial Management and Accounting Objectives, OMB expanded on the objectives stated in its December 1984 Circular A-127,

¹Under provisions of the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(b) and (c)), agencies are responsible for maintaining adequate systems of internal control and accounting. The act requires agency heads to report annually to the President and the Congress on the status of these systems, and it holds them responsible for correcting identified deficiencies.

“Financial Management Systems,” by calling for increased standardization of agency financial systems and information. The circular prescribes policies and procedures which federal agencies must follow in developing, operating, evaluating, and reporting on financial management systems. Under this circular, agencies are required to prepare a 5-year plan for developing a single integrated financial management system. In August 1987, GAO issued an appendix III to Title 2 of the Policy and Procedures Manual for Guidance of Federal Agencies. The appendix prescribes accounting system standards that agency heads must observe in establishing, maintaining, and reporting on their systems of accounting and internal controls. The standards apply to all manual and/or automated accounting systems that are under development, under major revision, or operating.

To help ensure that agencies coordinate designing, implementing, and operating unique, stand-alone systems, further efforts have been made to standardize federal accounting and financial reporting. The U.S. Government Standard General Ledger, which was issued by OMB in September 1986, was reissued as a supplement to the Treasury Financial Manual. The Ledger provides a uniform chart of accounts and supporting transactions to be used to standardize federal agency accounting and to support the preparation of standard external reports.

In building upon the provisions of the U.S. Government Standard General Ledger, the central agencies also recognized the need to (1) modernize and upgrade the financial systems agencies rely upon to control costs and (2) demonstrate accountability for public funds. To assist federal agencies in developing new financial management systems, in May 1987, an interagency task force was established under the direction of the Joint Financial Management Improvement Program (JFMIP). In January 1988, the task force issued the Core Financial System Requirements, which establishes minimum functional requirements that must be met by all financial systems in the federal government. Further, agencies have been encouraged to use off-the-shelf software when upgrading their financial systems and to eliminate redundant systems through the use of cross-servicing arrangements. Cross-servicing is where one agency provides data processing and accounting services for one or more other agencies.

OMB and Treasury Efforts to Improve Financial Management

The Administration has supported the need for a legislatively mandated chief financial officer (CFO) structure and the need for a legislative underpinning to the financial management systems reform effort. Also, we have called for the CFO structure and financial reform legislation, and other actions, such as the need for a long-range, governmentwide financial management plan and improved financial reporting and audits. We believe strongly that legislation is the key to improvement. The President's Management of the United States Government reports (hereinafter called management reports) for fiscal years 1988 and 1989 highlighted the problems caused by costly, inadequate, and antiquated financial management systems. These problems include

- financial management information that is inadequate for general management purposes, with large gaps in information on cash flows, program and administrative costs, property, and outstanding debt;
- financial systems that are redundant and antiquated, cost millions of dollars to update and maintain, and do not effectively manage the government's resources;
- cash management practices that waste hundreds of millions of dollars annually; and
- internal controls that are ineffective against fraud and waste and fail to prevent losses or inefficient use of billions of dollars in federal programs.

The magnitude of these problems indicates that the task of improving the federal government's financial management systems represents a major challenge.

As an interim step, in July 1987, the Director of OMB administratively appointed a Chief Financial Officer for the federal government. Subsequently, in November 1987, OMB directed that chief financial officers be established in federal departments and agencies. In February 1987, OMB and Treasury signed a memorandum of understanding to confirm their commitment to work cooperatively to improve the government's financial systems. (See appendix I for a copy of the memorandum of understanding.) This memorandum designated Treasury's Financial Management Service as the lead agency with operational responsibility for improving federal financial management systems. In March 1987, the Financial Management Service established the Federal Agency Financial Systems Program to assume the lead for overseeing federal agencies' efforts to improve their financial management systems.

Objectives, Scope, and Methodology

The objectives of our review were to (1) determine the progress made by OMB, through the CFO Council, to develop a long-range, governmentwide financial management plan, (2) obtain federal agencies' and OMB's views of the Financial Management Service's oversight role performed by the Federal Agency Financial Systems Program, and (3) determine the adequacy of the Program's efforts to monitor agencies' progress in implementing financial management systems.

We conducted our review between April 1988 and October 1989 in accordance with generally accepted government auditing standards. We performed our work at the Office of Management and Budget, Treasury's Financial Management Service, and 18 agencies in Washington, D.C. (Appendix II identifies the agencies.) The basis for our views on the need for a long-range, governmentwide financial management plan stemmed from our analysis of prior and recent efforts by federal agencies to develop and implement financial management improvements. We have outlined the need for long-range planning in various GAO reports such as *Managing the Cost of Government*, and our November 1988 transition report entitled *Financial Management Issues* (GAO/OCG-89-7TR). We also reviewed numerous GAO testimonies presented before different Congressional committees. In addition, we talked with representatives to and reviewed minutes of CFO Council meetings to determine progress made developing and implementing a plan.

Our review of the Financial Management Service's role as the lead agency for financial management systems reform was limited to the Federal Agency Financial Systems Program. This Program, established to support the memorandum of understanding, deals solely with financial management systems initiatives. Although financial system program officials maintain a close relationship with other Financial Management Service officials involved in other aspects of financial management, such as cash and credit management, the Federal Agency Financial Systems Program officials are responsible for monitoring federal agencies' financial management systems reform efforts.

To determine each agency's views of the Federal Agency Financial Systems Program's oversight role and the ability of the Program and OMB to monitor agencies' progress in implementing financial management systems, we administered two structured interviews—one to agencies' chief financial officers and another to agency officials involved in the agencies' day-to-day financial management operations. Based on agency contacts provided by Program officials, with few exceptions, we interviewed the same agency officials that Program personnel contact

when performing their monitoring efforts. We did not interview the Small Business Administration's chief financial officer because one had not been appointed at the time of our review, but talked to senior financial management officials at the agency.

We reviewed the Financial Management Service's Tactical Plan for fiscal years 1988 through 1990, fiscal years 1988 through 1991, and fiscal years 1989 through 1992. We also reviewed the Service's most recent Strategic Plan available at the time of our review—the February 1987 Strategic Plan—for effecting financial management improvements, as well as the May 1989 Strategic Plan developed by the Department of the Treasury's Fiscal Service. In addition, we interviewed Financial Management Service and OMB officials regarding their approach and methodology for evaluating agencies' financial management system improvement programs.

We compiled information on federal agencies' financial management system enhancement efforts, including the identification of applicable system cost and milestone information. This information was developed through reviews of agencies' fiscal year 1988 Federal Managers' Financial Integrity Act reports and the 5-year financial management plans for fiscal year 1989 required under OMB Circular A-127. Appendix III shows the number of financial management improvement projects, systems affected, and the related estimated costs reported by each agency in its 5-year plan. At the time of our review, these plans were the latest available.

We requested and received official comments on our report from the Office of Management and Budget and the Department of the Treasury. The comments are included as appendix IV and appendix V, respectively. Appendix VI shows the major contributors to this report.

Structure of the Report

The succeeding chapters address (1) the federal government's past and present efforts to develop and implement sound financial management systems, (2) efforts by OMB, through the CFO Council, to develop a long-range, governmentwide financial management plan, (3) Treasury Financial Management Service efforts to improve federal financial management, and (4) agencies' and OMB's views of the Financial Management Service efforts.

Chapter 1
Introduction

Chapter 2 discusses past unsuccessful attempts by federal agencies to develop improved financial management systems. It also discusses current and planned financial system improvement efforts and initiatives underway to improve financial operations. In addition, it addresses the need for the Administration to develop and implement a long-range, governmentwide financial management improvement plan to guide agencies in their financial management improvement efforts.

Chapter 3 discusses the agencies' and OMB's perceptions of the role and performance of the Federal Agency Financial Systems Program in monitoring agencies' efforts to improve financial management systems. Also, the chapter discusses the need for the Program's role to be clarified and the need for a comprehensive strategy to direct its efforts.

Efforts Underway to Develop a Governmentwide Financial Management Improvement Plan

During the last several years, a number of agency efforts to improve financial management operations, some critical to effective agency operations, have proven unsuccessful and were terminated after costing hundreds of millions of dollars. At the beginning of fiscal year 1989, agencies had over 200 financial management system improvement projects ongoing or planned in an effort to provide federal managers and the Congress current, accurate, and compatible financial data with which to effectively and efficiently administer program operations. Based on information contained in the agencies' 5-year plans, these projects are estimated to cost over \$2.1 billion.

These efforts have been undertaken, however, without the benefit of a long-range, governmentwide financial management improvement plan. Such a plan is important because it would focus and set the priorities and direction for the numerous efforts already underway and may help to avoid more failures for these efforts as well as those planned for the future. OMB, through the CFO Council, has begun concentrating on developing concepts and formulating the principal ingredients the plan should contain in order for it to be an effective guide to direct the government's financial management improvement efforts in the future.

Unsuccessful Efforts to Develop Financial Management Systems

Federal agencies have struggled for years in their attempts to redesign, enhance, and develop new accounting and financial management systems. The recent scandal at HUD provides a clear reminder of what can happen when an agency is unable to implement adequate accounting and financial management systems. HUD's problems, for the most part, were long-standing but unfortunately not effectively dealt with. HUD is not alone. In many agencies throughout the government, we see problems in developing new systems to replace old ones that are inadequate. As discussed in our November 29, 1989, report entitled Financial Integrity Act: Inadequate Controls Result in Ineffective Federal Programs and Billions in Losses (GAO/AFMD-90-10), invariably, these new systems do not work as planned, have cost overruns in the millions and even hundreds of millions of dollars, and are not developed on time.

Hundreds of individual accounting and financial management system projects, costing hundreds of millions of dollars each year, have been undertaken throughout the government. Among others, recent long-term projects to improve systems at the Department of Defense, the Farmers Home Administration (FmHA), and the Internal Revenue Service (IRS), have either been terminated, delayed, or have proven incapable of providing the improvements originally envisioned. This has resulted in

waste of hundreds of millions of dollars in taxpayers' funds, with little in return to show for the expenditures. Also, these system failures have affected the agencies' abilities to effectively manage federal programs. Without accurate and reliable financial information, program managers are not being provided the operational and cost data that is essential to monitor programs, anticipate overruns, and provide a basis for programs and budget planning. Following is a discussion of some agencies' unsuccessful attempts to improve financial management systems.

- In January 1989, after 9 years and an estimated \$230 million, the Department of the Navy terminated further development and implementation of its Standard Automated Financial System. The system, which was to have provided the Navy a standard financial management system for Navy Industrial Fund Research, Development, Test, and Evaluation activities, was determined by the Navy to be too costly and had faced opposition from most users who doubted the system could be successful. In September 1988, we reported¹ that the system's implementation schedule had slipped over 5 years and its estimated project costs had grown from \$32.9 million to \$479.4 million.
- In July 1988, after schedule slippage of nearly 2 years and expenditures in excess of \$15 million, the then Deputy Secretary of Defense directed the termination of its central Foreign Military Sales Accounting and Billing System development effort. This effort began in 1982 after 6 years of largely unsuccessful efforts by the Defense Security Assistance Agency to institute central accounting control over the multibillion dollar Foreign Military Sales program. In terminating the effort, the Deputy Secretary noted that in addition to the schedule slippage, "the project has substantially exceeded cost and schedule estimates without achieving any systemwide capability." Our September 1988 report² concluded that the decision to terminate was appropriate in light of the more than 10 years of unsuccessful efforts to improve the program's accounting.
- IRS has experienced serious and long-standing financial management system problems. Currently, a multimillion dollar systems modernization program is underway. One part of the modernization effort is the Capitalized Assets Management System project. The IRS started the project in 1979 to provide reliable accounting control, through one system, over its capitalized property, which in October 1988 exceeded \$307 million. In September 1987, after more than 7 years and an estimated system

¹Computer Procurement: Decision Needed on Navy's Standard Automated Financial System (GAO/IMTEC-88-47, September 13, 1988).

²Foreign Military Sales: Redirection of Accounting Improvement Efforts Is Appropriate (GAO/AFMD-88-75, September 15, 1988).

development cost of \$2.7 million, IRS implemented a version of the system that will not account for or control capitalized computer hardware and software. We reported in October 1988³ that, as a result, IRS will maintain two property accounting systems. Project managers responsible for the design and implementation of this system attributed the lack of upper level management involvement and the low priority given to financial management matters to the delay and deviation from the intended concept.

- Since 1974, the FmHA has twice attempted to modernize its automated financial management systems. The objectives of these two attempts—the Unified Management Information System and the Automated Program Delivery System—were to meet federal accounting requirements; provide responsive, timely management information to managers; minimize field office data input; and improve service to loan applicants and borrowers. After years of effort to implement the systems, with costs totaling about \$26 million, the projects were terminated. Office of Inspector General officials attributed the failures to inadequate planning combined with ineffective management and oversight. FmHA is in the early stages of planning its third attempt to modernize its financial management systems. Our August 1989 report,⁴ observed that FmHA appears to be approaching the latest modernization effort correctly, including beginning the development of an overall plan for guiding the effort.

Current Agency Efforts to Improve Financial System Operations

Federal agencies have continued their attempts to institute projects for improving financial management operations. According to fiscal year 1989 financial management plans provided to OMB, which were the latest available at the time of our review, agencies have undertaken or planned system development projects estimated to cost over \$2.1 billion. Of this amount, nearly \$1 billion is for system enhancement efforts within the civil agencies, and over \$1.1 billion is for system enhancement efforts within the Department of Defense. These improvement efforts encompass 234 projects affecting 210 systems.

The costs reported by the agencies, in their 5-year financial management system improvement plans, are not all inclusive. For the most part, agencies did not report system improvement costs incurred prior to the

³Managing IRS: Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, October 14, 1988).

⁴Information Management: Issues Important to Farmers Home Administration Systems Modernization (GAO/IMTEC-89-64, August 21, 1989).

5-year plan period or planned future costs beyond the 5-year period. In some cases, in-house personnel costs to improve the systems were not included. Therefore, the total cost of these system improvements would be more than what was reported by the agencies. Appendix III shows each agency's financial management system improvement efforts. Several of the larger efforts included in agencies' plans are highlighted below.

- The Department of the Treasury's financial management plan cites financial management system improvements totaling about \$310 million. The plans contain 54 projects encompassing 28 financial management systems.
- The Department of the Army has identified 8 projects involving 41 systems to improve its financial management system operations. These improvements are expected to cost about \$308 million.
- Thirteen financial management systems are to be improved by the Department of the Air Force. These improvements involve 8 projects costing an estimated \$181 million.
- Fourteen financial management system improvement projects are underway or planned for the Department of Agriculture. These projects are estimated to cost about \$169 million and will cover 4 financial systems.

The vast number of projects planned and the magnitude of funds earmarked by these agencies, and others throughout the government, are substantial. Therefore, it is important that steps, such as the development and implementation of a long-range, governmentwide financial management improvement plan, are taken to (1) rank and direct the numerous efforts already underway, (2) identify duplicate efforts that could be candidates for cross-servicing, whereby one agency provides data processing and accounting services for one or more other agencies, and (3) help avoid more delays and failures for future projects.

Long-range Plan Is Needed for the Federal Government

Prior efforts to put the government's financial house in order have lacked the long-range, governmentwide approach that we feel is necessary. While we identified the need for such a plan in 1985 and, in April 1989, OMB, through the CFO Council, began discussing the concepts and formulating the basis of a plan, the government still does not have a long-range, governmentwide financial management improvement plan.

We have long pointed out the need for and importance of comprehensive, long-range planning. Planning is the process of formulating goals and objectives, considering alternative approaches for achieving them,

selecting and laying out a course of action, and integrating activities of different units. This concept is important when planning for financial management improvements at all levels—program, agency, and governmentwide. It is critically important, however, at the governmentwide level to set overall direction and facilitate a cohesive, unified approach for setting priorities and allocating resources.

The planning process for federal financial management system improvement efforts should (1) produce a long-range, governmentwide plan that outlines the major long-range goals and objectives, with the policies and strategies for accomplishing them, (2) detail how the government will implement the long-range plan in the short-term, including establishing milestones and determining resource needs, and ensuring that those needs are clearly identified in agency budgets submitted to OMB and the Congress, and (3) provide a baseline for annual reporting to the Congress on the progress made and impediments to progress.

GAO Identifies Need for Financial Management Plan

The federal government faces a major fiscal crisis. Effective measures must be taken to control the continuing budget deficits and reduce the massive accumulated federal debt. Currently, many agency financial systems are weak, outdated, and inefficient, and cannot routinely produce relevant, timely, and comprehensive information. Members of Congress and federal managers need to know the real financial effects of past decisions and the potential costs and benefits of alternative actions. Hard choices must be made. The effectiveness of those choices will be affected by the quality of the data and the adequacy of the financial management systems used to provide this information.

In 1985, we issued a report entitled Managing the Cost of Government which was the culmination of a major study of the government's financial management practices. The report identified significant problems affecting the federal financial management structure, proposed a conceptual framework to guide improvement efforts, and provided an implementation strategy. As discussed in congressional testimonies,⁵ and more recently in our November 1988 transition report to the new Administration and the Congress,⁶ trying to institute improvements without a long-range, governmentwide financial management plan is like trying to build a house without blueprints. An overall plan would

⁵The Federal Financial Management Reform Act of 1987 (GAO/T-AFMD-87-18, July 23, 1987) and Federal Financial Management Reform (GAO/T-AFMD-88-18, September 22, 1988).

⁶Financial Management Issues (GAO/OCG-89-7TR, November 1988).

generate greater confidence that financial management system improvements would result in integrated systems for the government as well as in information needed by individual agencies. Finally, an overall plan would provide direction and continuity when leadership changes occur, centrally as well as at the agency level.

The development and implementation of a long-range financial management improvement plan is important to the success of any system enhancement effort, especially one encompassing the entire federal government's financial management systems. Efforts of this type are costly investments both in terms of human commitment and financial resources. The decisions made at the time financial management systems initiatives are being planned and carried out will significantly affect the success of the efforts both in the short- and long-term. We believe a long-range, governmentwide financial management systems improvement plan should at a minimum:

- describe the existing financial management structure of the federal government and the changes needed to establish an integrated financial management system;
- contain requirements, consistent with the accounting and financial reporting principles, standards, and requirements prescribed by the Comptroller General, Treasury, and OMB;
- provide a strategy for developing and integrating individual agency accounting, financial information, and other financial management systems to ensure adequacy and consistency of information;
- identify duplicative and unnecessary systems, and provide a strategy for eliminating such systems by encouraging agencies to share systems which have sufficient capacity to perform the functions needed;
- identify projects to bring existing systems into compliance with the applicable standards and requirements;
- contain milestones for equipment acquisitions and other actions necessary to implement the plan consistent with the aforementioned requirements; and
- estimate the costs and resources needed to implement the plan.

CFO Council Recognizes Need for Financial Management Plan

The CFOs and other financial management officials we interviewed believe that the establishment of the CFO Council has helped in addressing the government's financial management problems. We agree with this assessment. The Council is made up of agency-level chief financial officers and is organized into a series of committees and subcommittees that deal with governmentwide financial management initiatives. The

Council is chaired by the OMB Chief Financial Officer, with Treasury's Fiscal Assistant Secretary serving as the Vice Chairman.

Agencies believe the Council provides them a medium for exchanging information and discussing common problems on financial management systems and overall improvements that are needed to enhance the federal government's financial operations. Representatives to the CFO Council address a wide range of financial management issues such as (1) long-term planning for improving federal financial management systems, (2) progress made under the Federal Managers' Financial Integrity Act, and (3) implementation of financial management and related legislation such as the Prompt Payment Act.

In April 1989, the CFO Council began discussing the need for long-range planning for federal financial management. The Council established a working group which consisted of representatives from OMB, Treasury, and the Departments of Agriculture, Defense, Health and Human Services, and Veterans Affairs. In July 1989, the group, in conjunction with the full Council, developed a framework that concentrates on the concepts and principal ingredients for the plan and defines (1) the mission of federal financial managers, (2) federal financial management goals, (3) impediments to reaching the goals, (4) objectives for attaining the goals, (5) strategies for meeting objectives, and (6) indicators of expected results and benefits to be realized.

Additional Actions Needed to Aid in Financial Management Improvement

The actions taken by the CFO Council to develop the concepts and formulate the ingredients of a long-range, governmentwide financial management improvement plan are an important first step in improving financial management in the federal government. We support these actions. Additional effort is needed now to ensure, as the Council has stated, that the proposed plan serves as the primary source for setting governmentwide financial management objectives. For example:

- A plan would integrate financial system improvement efforts contained in agencies' yearly 5-year plans required by OMB Circular A-127.
- The plan would include improvement initiatives that may affect agencies' financial management operations, such as those contained in the agencies' 5-year automated data processing plans and those related to financial aspects of the agencies' program systems.
- A plan would identify instances where agencies plan to obtain available cross-servicing from other agencies and/or utilize off-the-shelf software for various financial needs in lieu of developing duplicate systems.

It is also important that the Council ensure that all federal agencies commit to a "buy-in agreement" that essentially requires the agencies, from top management down, to support the concepts of an overall plan. This would include each agency (1) setting up a financial organization to ensure that the plan is implemented, (2) providing adequate funding and staffing to carry out the plan's objectives, (3) ensuring that the financial staff is assured the necessary training in the proper design, development, and implementation of financial management systems, and (4) implementing financial systems that include effective internal controls and conform to the Comptroller General's accounting principles, standards, and related requirements.

Conclusions

Over the years, federal agencies have undertaken hundreds of individual financial management system improvement projects costing billions of dollars. Although a number of those projects were delayed or unsuccessful because of various problems in the development process, including lack of a governmentwide plan, today agencies continue to redesign, enhance, and develop financial management systems that cannot routinely produce relevant, timely, and comprehensive information. As a result, members of Congress and federal managers are denied the opportunity to know the real financial effects of past decisions and the potential costs and benefits of alternative actions.

OMB, through the CFO Council, has developed the framework for a financial management improvement plan for the federal government. It is important that these efforts are sustained. While a financial management improvement plan will not in itself ensure that efforts are always successful, an overall plan would generate greater confidence that financial management system improvements would result in integrated systems for the government as well as provide information and financial reporting needed by individual agencies. Also, an overall plan would provide direction and continuity when leadership changes occur, centrally as well as at the agency level. Without an overall plan and central leadership to guide these efforts, the government risks wasting resources on duplicate system development efforts and having needed system development and enhancement projects suffer further delays or fail altogether.

Recommendations

We recommend that the Director of OMB direct the CFO Council to (1) develop and implement a long-range, governmentwide financial management improvement plan and ensure that the plan contains reasonable

estimates of the costs and resources needed to implement the plan, (2) establish realistic milestones to gauge progress achieved under each planned objective and update the plan based on that examination, and (3) ensure that the resources needed for implementing the plan are identified in each agency's budget.

Because of the Congress's continued interest in improving the federal government's financial management systems, we also recommend that the Director of OMB report annually to the House Government Operations Committee and the Senate Governmental Affairs Committee on the progress in implementing, and any impediments to achieving, the objectives outlined in the long-range, governmentwide financial management improvement plan being prepared by the CFO Council.

Agency Comments and Our Evaluation

In commenting on this report, OMB agreed with our principal findings that (1) the government's financial systems remain inadequate despite the expenditure of billions of dollars and (2) additional projects are being undertaken without the benefit of an adequate governmentwide financial management improvement plan. OMB believes that some progress has been made over the last several years to improve the government's financial systems and cited several improvements, including the development of governmentwide systems standards and the increased use of cross-servicing and off-the-shelf software.

OMB pointed out that the CFO Council has begun expanding the initial ingredients of the July 1989 plan into a more concrete document. The Council recently issued a draft governmentwide financial systems strategy to Council members in February 1990 and states that it will continue to expand that document. OMB anticipates issuing a financial management improvement plan in May 1990.

The Department of the Treasury agreed to the need for a financial management plan and is supporting OMB and the CFO Council's efforts in its formulation.

Federal Agency Financial Systems Program Has Been Helpful but Improvements Can Be Made

While a well thought out, achievable plan is integral to the success of the financial reform initiative, governmentwide leadership is also of utmost importance. Today, leadership is split between OMB, which has the CFO and governmentwide systems responsibility, and Treasury, which has responsibility for governmentwide financial reporting. In carrying out its CFO and systems duties, OMB has been constrained by limited staffing resources and has looked to Treasury for help. The systems improvement initiative is one such area.

In February 1987, Treasury and OMB signed a memorandum of understanding which designated Treasury's Financial Management Service as the lead agency responsible for improving financial management systems. In response, in March 1987, the Financial Management Service established the Federal Agency Financial Systems Program. We looked at the Program after 2 years of operation and believe, as with any evolving program, changes are needed. The Program's role is unclear, and OMB and Treasury officials agree that the staffing provided—eight people for the entire government—is not sufficient to achieve the objectives outlined in the memorandum of understanding. The expectation that the Program staff can provide technical assistance is not realistic at this time and was seen as a problem by Treasury, OMB, and the agencies. Also, agencies were, for the most part, uncertain as to the Program's specific role and responsibilities, and there were even differences between Treasury and OMB officials in this regard.

Financial Management Service Designated Lead Agency for Financial Systems Reform

In February 1987, OMB and Treasury signed a memorandum of understanding that designated Treasury's Financial Management Service as lead agency with operational responsibility for assisting agencies in improving their financial management systems. The memorandum confirmed OMB's and Treasury's commitment to improve federal financial management systems and was intended to clarify the roles and responsibilities of the two organizations. In making the designation, OMB cited the Service's past successes with lead agency assignments in the areas of cash and credit management. OMB staffing in the financial management systems area consisted essentially of two senior level staff who developed system policy.

In March 1987, the Federal Agency Financial Systems Program was set up to accomplish the objectives of the memorandum of understanding. The Program was to (1) work closely with agencies to provide technical assistance and other support in achieving compliance with governmentwide standards and requirements and implementing needed

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improvements, (2) monitor agencies' progress against established goals, and (3) provide OMB periodic reports on agencies' efforts to implement financial management systems. Resources were taken from existing activities within the Service to staff the function, and, 2 years later, the Program's staff consisted of eight people with responsibility for reviewing and overseeing agencies' implementation of their financial management system improvement plans. These plans included the 5-year financial management and operating plans required by OMB Circular A-127 and corrective action plans contained in agencies' annual reports issued pursuant to the Federal Managers' Financial Integrity Act.

Federal Agency Financial Systems Program officials stated that the Program has three roles. It monitors agencies' progress in implementing financial management systems. It acts as a clearinghouse of information on financial management systems for the Joint Financial Management Improvement Program, OMB, GAO, and the agencies. Also, it provides technical assistance and other support to federal agencies.

In their role as monitor of agencies' planned efforts to improve financial systems, Program officials stressed that they do not have adequate staff to conduct reviews or audits. As such, the extent of their monitoring efforts has been focused on looking at agencies' 5-year financial management plans to (1) determine the basic strategies agencies are pursuing, (2) determine whether cost estimates seem realistic, and (3) provide advice regarding systems development/improvement efforts, if necessary. Although the memorandum of understanding does not specifically require the Program to provide the clearinghouse function, Program officials believe this to be an essential role of the Program. Program officials stated that in their role as a financial management systems clearinghouse, they are a central source of information for the various ongoing governmentwide financial management system initiatives. As such, they identify financial system issues, problems, and solutions and attempt to set up forums for discussion. Program officials told us that they have not provided as much technical assistance to federal agencies as they would have liked due to resource constraints.

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The Program's initial focus has been mainly on monitoring agencies' efforts to develop and implement primary accounting systems.¹ According to Program officials, they have begun refocusing their work on agencies' specific types of subsidiary systems² and are in the process of developing the criteria for evaluating agencies' billings, receivables, and collections systems that will lay the groundwork for subsequent evaluation of such agency systems. After evaluations of the subsidiary systems are completed, Program officials stated that agencies' program financial systems³ will be their next area of concentration.

Program officials informed us, that in conjunction with their efforts to oversee individual agencies' implementation of primary and subsidiary financial systems, they have also attempted to assist agencies on a governmentwide basis. For example, Program personnel have worked with and provided oversight to agency officials during their efforts to implement the U.S. Government Standard General Ledger. Also, Program officials have held numerous workshops and seminars to discuss financial system issues relating to OMB Circular A-127 and the use of off-the-shelf financial system software. In addition, Program personnel have participated in user groups made up of agencies using the same vendor's software to share common information, problems, and solutions.

¹OMB defines a primary accounting system as the financial system that provides the required general ledger control over all financial transactions, resource balances, and subsidiary financial systems. The primary accounting system makes all standard budget and financial reports to OMB, Treasury, and the Congress; accounts for assets and liabilities; and provides for overall funds control.

²Subsidiary systems are accounting and administrative support systems that provide detailed information to the primary accounting system. Examples of operations covered by subsidiary systems are payroll, property, administrative payments and collections, and accounts receivable and accounts payable.

³Program financial systems are those systems that carry out unique program and operating functions as well as financial management. Examples include systems that provide accounting services for large entitlement programs, such as social security; major loan programs, such as small business loans; and insurance programs, such as housing mortgage insurance loan guarantees.

Agencies Believe the Program Can More Effectively Perform Its Financial Management Systems Function

Agency officials generally agree that the Federal Agency Financial Systems Program has been of some help to them in improving financial management systems. The officials interviewed stated, however, that there are improvements that can be made to strengthen the Program and make it more effective. For example, agencies generally are uncertain as to the specific role the Program is to fulfill in the area of financial management systems. Also, some agencies told us they have not been provided technical assistance on financial management system development projects. In addition, agencies believe the Program could provide more meaningful feedback from its monitoring of agency financial management system improvement plans.

One thing that is important in considering the views of the agencies regarding the success of the Program is that while the memorandum of understanding gives Treasury operational responsibility, the Program was not staffed accordingly. Treasury has been successful in its lead role in cash and credit management. These areas are better defined and certainly less complex and diverse than reforming the federal government's financial management systems and overseeing in excess of \$2 billion of system improvement projects. To expect meaningful operational results with only eight people is not realistic. According to Treasury officials, the cash and credit management areas each consist of about 30 people and each area has clear criteria and expectations for accomplishing Treasury's role. The lack of a governmentwide financial management improvement plan, as discussed in chapter 2, also impedes Treasury in carrying out this program.

Agencies Are Uncertain of Program's Role

Many agencies are uncertain of the Program's specific role and responsibilities in assisting them in improving their financial management systems, and none of the agencies saw evidence of the full range of responsibilities described by Program officials. In two of the 18 agencies in which we administered our structured interviews, neither the chief financial officer nor the financial management personnel interviewed knew what the Program's role was in federal financial management reform. Chief financial officers in two other agencies were also unaware of this role. In the remaining agencies, officials' perceptions of the Program's role ranged from that of a monitor/evaluator, intermediary/overseer, to a clearinghouse. For example, in one agency, the chief financial officer felt that the Program's primary role was to act as a clearinghouse for financial management system information, whereas agency personnel we interviewed believed the Program's role was that of a monitor of agencies' system development efforts.

As discussed later, we believe this uncertainty regarding the Program's role can largely be attributed to OMB and the Service not clearly defining the operational responsibility of the Program and publicizing the Program's role. Also, the Program's lack of a comprehensive strategy identifying its governmentwide role and plans for implementing financial management systems reform was a contributing factor. Some agency officials we interviewed believe that not having a strategy has caused the Program's efforts to lack focus and has made it difficult to determine the Program's priorities.

**Agencies Believe Program
Unable to Provide
Technical Assistance**

The February 1987 memorandum of understanding states that the Financial Management Service is to "work closely with agencies to provide technical assistance and other support in achieving compliance with Governmentwide standards and requirements." Treasury and OMB officials agree, however, that the technical assistance referred to in the memorandum of understanding has not been defined. Further, agency, OMB, and Treasury officials all agreed that Program personnel did not have the expertise to provide the technical assistance that is needed to design, develop, or enhance financial management systems. These are a highly complex undertaking, and realistic expectations for the Program are needed.

Of the 18 agencies in which we conducted interviews, only 8 had requested technical assistance from Program officials; in 4 of those cases, technical assistance had not been provided. Of the 10 agencies that did not request technical assistance, one agency official thought that the agency needed technical assistance, but felt the Program was not capable of providing it. The nine remaining agencies generally believed that the financial management systems technical expertise lies in the agencies, and that the Program could not provide the types of technical assistance needed.

**More Meaningful Feedback
Can Be Provided to
Agencies**

The nature and amount of feedback on agencies' planned efforts to improve financial management systems is another area that needs to be reassessed. Although most agencies had received some feedback from Program officials, agency officials told us that the majority of the feedback was not written and was provided during meetings and telephone conversations with Program personnel. According to agency officials, these discussions were very general and only touched on the status of

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their financial management system improvement efforts. Agency officials also told us that the limited amount of written feedback provided by the Program was not useful.

Two agencies told us they had not received any feedback on their 5-year financial management plans, operating plans, Financial Integrity Act reports, or other documents provided to Program officials. One official noted that such feedback would have been beneficial because it would have given the agency a sense of whether OMB and Program officials thought the agency was progressing. The other official stated that Program personnel had answered a number of questions regarding the agency's financial systems efforts, but the agency did not consider that to be feedback. In discussing our comments regarding feedback, Financial Management Service officials told us that since the Program's inception they had held at least one meeting with every major department and agency to discuss plans for implementing governmentwide financial management system initiatives.

Of the remaining 16 agencies that did receive some feedback on their plans, agency officials told us the feedback generally was verbal, informal, and, in some cases, limited. For example, one agency official told us that the only feedback received was through general, informal discussions regarding a system project's status and that the feedback was not beneficial. Another agency official told us that, in his opinion, Program personnel did not give formal guidance and that they need to better plan what they want agencies to do. In our view, this problem is predictable given the lack of a governmentwide improvement plan and limited staffing for the Program.

We asked Program officials if they had provided the agencies any written analysis or feedback regarding financial management system improvement efforts. We were informed by the officials that, as required by the February 1987 memorandum of understanding, individual profiles describing each agency's status of financial management system improvements and Program officials' analyses of those efforts had been prepared and provided to OMB. We were also informed that the profiles had been provided to each agency. We attempted to obtain copies of the profiles from the agencies to determine the degree of analysis provided by the Service and if the feedback was useful to the agencies. We found that only 7 of the 18 agencies had received the profile, and 4 of those that had, did not believe the analyses aided them.

Officials for these four agencies felt the agency profiles were not of use to the agency because they only contained information previously provided to Program personnel. An observation offered by one agency official was that information contained in his agency's profile did not reflect the Program's opinion as to whether the agency's cost estimates appeared realistic. Another official observed that Program personnel had described the agency's financial systems structure incorrectly in the profile.

Regarding the remaining three agency officials that thought the profile was useful, each believed the profiles could be improved. One official indicated that the utility of the profile is diminished because the Program officials tend to keep the profile information until agencies request it. Another agency official stated that the agency profile, although providing support for the agency during budget deliberations, had not helped in providing insight within the agency. Another agency official told us that the profile was more beneficial than harmful because it supposedly is a tool for providing OMB information about the agency's financial system improvement efforts. The agency official said, however, that the profile overstated what the agency was actually doing to enhance its financial management systems.

Role of Federal Agency Financial Systems Program Needs to Be Clarified

Although the February 1987 memorandum of understanding sets out the general objectives to be achieved by the Financial Management Service, there is confusion as to specifically what the Federal Agency Financial Systems Program should be doing. As mentioned previously, agency officials were unclear as to what this role entailed. OMB officials acknowledge that the memorandum of understanding did not adequately define the role envisioned for the Program. OMB officials told us that they planned to work with Treasury to clarify the Program's role in the future; however, they had not done so at the time of this report. OMB and Treasury officials also agreed that staff resources for the Program would have to be reevaluated once the Program's role is clarified.

OMB officials believe, that based on the 2 years the Program has existed, the analyses performed on agencies' 5-year financial management system plans have been useful. They feel that the Program would be most useful in monitoring, evaluating, and reporting on agencies' actions to implement projects identified under the 5-year financial management plans and that additional written analyses of agencies' progress would be helpful.

In conjunction with the monitoring and evaluating role, OMB officials believe that a future goal of the Program is more verification of the financial information provided by the agencies. They believe that the Program staff should not function as auditors but could improve the validity and usefulness of the data if more verification was performed.

Sufficient Resources Need to Be Allocated to the Program

Federal Agency Financial Systems Program officials believe that insufficient resources have hindered their ability to adequately accomplish their objectives as lead agency for federal financial management systems reform. One of OMB's responsibilities, as outlined in the February 1987 memorandum of understanding, is to ensure that adequate resources are available to carry out the Program's responsibilities. However, even though the Financial Management Service's fiscal year 1989 budget request included provisions for 10 additional staff for this purpose, it was reduced by OMB, and the fiscal year 1990 request for staffing increases was reduced by the Department of the Treasury even though the Program has been given the lead responsibility for financial management systems. Program officials have also alluded to a high turnover of experienced staff as contributing to their inability to perform some functions. In addition, agency officials felt that the turnover rate of Program staff had affected its ability to possess a good working knowledge of the financial management structure of specific agencies.

In February 1989, the former Director of the Federal Agency Financial Systems Program informed us that a project to evaluate agencies' subsidiary financial systems would be delayed. An objective contained in the Financial Management Service's Tactical Plan for fiscal years 1988 through 1991 shows that in fiscal year 1989, the Service was to evaluate 23 agencies' subsidiary systems and recommend opportunities for centralizing and streamlining. The Director told us that the delay was attributed to a budget reduction consisting of a loss of two staff members who were to be assigned this responsibility.

OMB officials agreed that the Federal Agency Financial Systems Program does not have the resources necessary to perform all the financial management system reform objectives described in the memorandum of understanding. As mentioned earlier, OMB officials, in conjunction with Treasury, plan to reevaluate the Program and clarify the role and responsibilities of Program personnel. Once the role and responsibilities are determined, we believe OMB, working with Treasury, should ensure that sufficient resources for the conduct of the Program are allocated.

Comprehensive Financial Systems Strategy Has Not Been Developed

Another key to the ultimate success of the Program is the development of a comprehensive financial systems strategy which clearly defines the objectives of the Federal Agency Financial Systems Program. Agencies generally were not aware of, or did not agree on, whether a comprehensive strategy existed. Much of this stems back to problems discussed in chapter 2 and general uncertainty about the role of the Program. A clearly articulated strategy will give the Federal Agency Financial Systems Program greater focus and direction so that agencies understand the relative priority of each financial management system initiative, and, therefore, which initiative is most important.

In May 1989, Treasury's Fiscal Service issued its Strategic Plan⁴ that addresses some of the financial management system initiatives performed by the Program. We believe the plan is an important first step in developing a comprehensive financial systems strategy for the Program.

Agencies Uncertain as to Whether Strategy Exists

Agency officials we interviewed either (1) did not believe that a strategy had been developed for implementing financial management reform initiatives or (2) had mixed opinions as to what constituted the Program's strategy. For example, officials in eight agencies did not believe a comprehensive strategy existed. Officials in the remaining 10 agencies differed as to what the strategy was, citing, among other documents, the OMB management report, OMB Circular A-127, the agencies' 5-year financial management system plans, and Reform '88 initiatives⁵ as the strategy agencies were to follow. One agency official stated that because the Financial Management Service does not have a comprehensive strategy, there is little focus as to the relative priorities of the system improvement initiatives. The agency official noted that the Program tended to begin new projects before others had been completed. The official added that the agency would welcome a strategy to help it implement financial management initiatives.

⁴This Strategic Plan was prepared by the Department of the Treasury's Office of the Fiscal Assistant Secretary. That office, together with its two bureaus, the Financial Management Service and the Bureau of the Public Debt, make up the Fiscal Service.

⁵The Reform '88 management improvement program was initiated by the President in 1982. It was designed to (1) modernize the federal government by using up-to-date technology and processes and (2) base government programs on sound business management practices. A major goal of the program was to install modern financial management systems to control the government's cash flow and assets.

Program Officials
Acknowledge That
Comprehensive Strategy
Does Not Exist

In February 1989, the former Director of the Financial Management Service's Federal Agency Financial Systems Program acknowledged that a comprehensive strategy had not been prepared for Treasury and OMB approval. However, at that time, the Director believed that the various components of a strategy had been developed, but not compiled into a formal document. The Director told us that the Service had recognized the merits of developing a comprehensive strategy in order to accomplish its mission efficiently and effectively. However, the Director stated that to have prepared such a document would have meant diverting resources from monitoring of agency financial management system improvement projects. In discussing the results of our review with Program officials in August 1989, they reiterated that a comprehensive strategy still had not been prepared.

During our review, the Director stated that some of the Program objectives are encompassed in the Financial Management Service's overall Tactical Plan and Strategic Plan.⁶ With respect to the February 1987 Strategic Plan, our review disclosed that the plan deals in general, overall terms regarding the Financial Management Service's role as lead agency for financial management systems reform, but does not identify the specific goals that are to be achieved. Also, the plan was issued prior to the formation of the Program in March 1987. Regarding the Financial Management Service's Tactical Plan for April 1987, for June 1988, and for April 1989, encompassing fiscal years 1988 through 1992, each plan addresses, in increasing detail, the Service's role as lead agency for financial management systems reform. However, the plans do not clearly show how all the objectives mesh to form a comprehensive, cohesive strategy. Also, no Strategic Plan or Tactical Plan ranked the various financial management system improvement initiatives. In addition, the plans do not identify specific milestones for completing those initiatives.

Our review also disclosed that the May 1989 Strategic Plan developed by the Department of the Treasury's Fiscal Service does address selected financial management system initiatives that are performed by the Federal Agency Financial Systems Program. This strategy discusses in somewhat more detail the status of financial systems priorities and past accomplishments and establishes the strategies for 23 major federal agencies reviewed by the Program. It also identifies selected short-term concerns regarding the government's progress in improving financial management systems.

⁶The Financial Management Service's Tactical Plan and Strategic Plan both outline the initiatives and programs the agency has planned to accomplish its mission and goals.

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We believe the Fiscal Service's May 1989 plan is an important first step to developing a comprehensive financial management systems strategy. The next step would be to expand the plan to identify the specific role of the Program, including how it fits into the long-range, governmentwide financial management improvement plan discussed in chapter 2, and disseminate it to all federal agencies in order for all concerned to be fully aware of and recognize the role of the Federal Agency Financial Systems Program.

Conclusions

Given the current state of the financial management systems in the federal government, the challenge given the Federal Agency Financial Systems Program was formidable. The Program was established to provide operational responsibility for assisting federal agencies in their efforts to enhance their financial management environment. For the most part, agency and OMB officials thought the Program was attempting to accomplish the mission that it had been given. However, as with any new program, there are areas in which improvements can be made.

The roles and responsibilities of the Federal Agency Financial Systems Program need to be clearly defined. The establishment of a comprehensive financial management systems strategy for the Program should clear up the uncertainty among agencies as to the role of the Program in financial management reform and how the Program plans to ensure that governmentwide initiatives are implemented uniformly and effectively. Regarding the Program's role of providing technical assistance on governmentwide issues, most agency, OMB, and Treasury officials agree that Program personnel do not have the expertise to provide agencies the technical assistance needed to assist in the design, development, and implementation of financial management systems. OMB's not having clarified what it perceives the Program's financial management system reform responsibilities to be has affected the Program's ability to provide the information needed by OMB for making top-level agency and governmentwide decisions and by the agencies to ensure the development of modern financial systems for the federal government. These systems should meet the core financial requirements and conform to the Comptroller General's standards. Program officials have stated that a lack of resources has hindered their lead agency reform efforts and may affect future initiatives. OMB and Treasury officials agree that eight people for the entire federal government is not sufficient to achieve the objectives outlined in the memorandum of understanding.

Recommendations

We recommend that the Director of the Office of Management and Budget and the Secretary of the Treasury, together, clarify the role of Treasury's Financial Management Service's Federal Agency Financial Systems Program. The Director of the Office of Management and Budget should then ensure that the Service is provided sufficient resources to effectively fulfill the Program's role.

Once the role is clearly defined, we also recommend that the Secretary of the Treasury, in consultation with OMB, issue a comprehensive financial management systems strategy for the Federal Agency Financial Systems Program. This strategy should be in concert with the long-range, governmentwide financial management improvement plan being developed by OMB and the CFO Council. Once developed, the strategy should be communicated to all federal agencies.

Agency Comments and Our Evaluation

Regarding the Federal Agency Financial Systems Program, OMB believes that, although more could have been accomplished, the Program staff has provided valuable information and assistance on agencies' systems improvement efforts. OMB stated that it would describe the roles and responsibilities of the various parties involved in financial systems improvements, including that of the Program, in a strategy document. OMB plans to include the strategy document in the governmentwide financial plan currently being developed and scheduled to be issued in May 1990. OMB also plans to consider, during preparation of the 1992 Budget, resource requirements for improving the government's financial systems.

The Department of the Treasury, in commenting on this report, agreed that there is a need to clarify the roles of the different parties involved in the financial management systems improvement initiative, including that of the Program. Treasury believed that the Program staff performed the task assigned under the memorandum of understanding, but agreed that more could be accomplished if additional resources are provided. Treasury agreed that the clarification of the Program's role and the amount of assistance to be provided to agencies by the Program staff should be more fully defined in the financial management improvement plan currently being formulated by OMB and the CFO Council.

Memorandum of Understanding Between OMB and Treasury



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 2, 1987

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

FROM: James A. Baker III
Director

James A. Baker III
James A. Baker, III
Secretary of the Treasury

SUBJECT: Joint OMB - Treasury Initiative For Financial Management Systems

This memorandum is to announce that the Financial Management Service (FMS) of Treasury is now designated as lead agency with operational responsibility for financial management systems reform. This follows on their successes with lead agency assignments for cash and credit management, and is a vital part of the cooperative program established by the central financial agencies in the August 14, 1986 joint memorandum.

Under the attached Memorandum of Understanding, OMB will continue to establish program policy and direction, provide overall guidance, resolve interagency issues, and set broad priorities. FMS will work closely with agencies to provide technical assistance and other support in achieving compliance with Governmentwide standards and requirements. FMS will monitor agency progress and report periodically to OMB. FMS and OMB will work together to set specific priorities and goals for departments and agencies. FMS will also offer cross-servicing for administrative accounting and payments in 1988.

This follows a number of significant accomplishments over the past several years under Reform '88. The legislative framework was established by the Federal Managers' Financial Integrity Act. The General Accounting Office followed up with governmentwide standards for accounting and internal control, which are being implemented in the manner required by regulations issued by the Office of Management and Budget.

Program agencies have responded by developing inventories of financial systems, by evaluating these systems for conformance with standards and requirements, by taking immediate action to remedy areas of nonconformance, and by committing themselves to 5-year plans for systems reform.

Appendix I
Memorandum of Understanding Between
OMB and Treasury

In addition, many agencies have successfully used off-the-shelf financial systems rather than relying on expensive and time consuming custom development. The Federal Bureau of Investigation, the Railroad Retirement Board, the Maritime Administration, and the FMS have all recently installed such systems -- and they are working well. Also, more and more agencies are employing cross-servicing arrangements. Agriculture's National Finance Center now counts Education and Commerce among its customers.

The quality and uniformity of Federal financial information is quickly improving. Working with an internal Defense Department chart of accounts, the Department of Transportation and six other agencies developed a U.S. Government Standard General Ledger. All agencies should have implemented the General Ledger by the end of 1988. The General Ledger also contains standard data elements to be tailored to individual agency needs. The Joint Financial Management Improvement Program is working to assist agencies in implementing standard data elements. The Standard General Ledger and the Standard data elements will be used by agencies for both OMB reports and new Treasury reporting requirements.

We wish you success in your efforts to reform your financial systems as part of an effective, well-managed Government.

Appendix I
Memorandum of Understanding Between
OMB and Treasury



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPARTMENT OF THE TREASURY
WASHINGTON



FEB 2 1987

MEMORANDUM OF UNDERSTANDING BETWEEN
THE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
AND
THE UNDER SECRETARY OF THE TREASURY

Purpose

The purposes of the memorandum are:

1. To confirm the commitment of the Office of Management and Budget and the Department of the Treasury to work cooperatively to improve Federal financial management systems and clarify the roles and responsibilities of the two organizations.
2. To designate the Financial Management Service of the Treasury as Lead Agency with operational responsibility for improving Federal financial management systems.
3. To designate the Financial Management Service as Lead Agency with operational responsibility for providing accounting services to agencies on a reimbursable basis under the President's Reform '88 Management Improvement Program.

Program Objectives

The objectives of the financial management systems program are to:

- o Achieve full compliance with OMB Circular A-127, "Financial Management Systems;"
- o Consolidate and streamline systems at all levels;
- o Increase the comparability, accuracy, timeliness, and reliability of financial information; and
- o Provide the utmost in service to managers and other report users.

Roles and Responsibilities

The Office of Management and Budget will establish program policy and direction, provide overall guidance, resolve interagency issues, and set broad priorities. Office of Management and Budget will oversee the program through management and budget reviews with the agencies and through information and analysis provided by

Appendix I
Memorandum of Understanding Between
OMB and Treasury

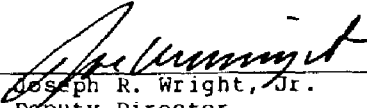
- 2 -


Financial Management Service. Office of Management and Budget will consult with Financial Management Service prior to the issuance of new policy guidance and ensure that Financial Management Service has adequate resources to carry out its responsibilities in this program.

The Financial Management Service will be responsible for oversight of agency implementation of approved plans. This will include working with the agencies to implement needed improvements, tracking agency progress against goals, and providing periodic progress reports and agency profiles to the Office of Management and Budget.

The Financial Management Service will participate fully in the management reviews dealing with financial systems. Financial Management Service and the Office of Management and Budget will work together on setting specific priorities and will jointly review, negotiate, and approve quantitative goals for the agencies and departments.

The Financial Management Service will develop the capability to offer administrative accounting services to agencies through the Service's Regional Financial Centers. These services will be integrated with the services currently provided for payment and collection. At the outset, Financial Management Service will offer accounting services to smaller agencies that do not have cross-servicing arrangements. Financial Management Service will target 16 of the smaller agencies not currently cross-serviced for implementation by the end of 1988. Eventually, Financial Management Service will offer any agency financial services as an alternative to building and maintaining an agency-specific accounting system. The system will comply fully with the Office of Management and Budget Circular A-127 and will provide electronic certification and message authentication; a secure, nationwide telecommunications network; and modern, compatible computer systems and applications.

Approved: 
Joseph R. Wright, Jr.
Deputy Director
Office of Management and Budget

Approved: 
George D. Gould
Under Secretary of the Treasury

Departments and Agencies Included in Our Review

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
Small Business Administration

Financial System Improvement Projects and Related Estimated Costs^a

Dollars in thousands

Agency	Projects	Systems ^b	Estimated cost of projects
Agriculture	14	4	\$168,815
Commerce	6	5	18,619
Defense			
Air Force	8	13	180,557
Army	8	41	308,308
Navy	12	18	721,846
Defense Logistics Agency	2	2	8,761
Defense Security Assistance Agency	0	0	0
Education	5	5	13,507
Energy	7	6	11,988
Health and Human Services	8	11	21,678
Housing and Urban Development	13	8	2,350
Interior	4	4	17,222
Justice ^c	21	6	92,768
Labor	6	6	52,216
State	8	8	53,310
Transportation	1	1	17,600
Treasury	54	28	309,502
Veterans Affairs ^c	5	13	13,534
Environmental Protection Agency	9	8	14,922
General Services Administration	14	14	66,254
National Aeronautics and Space Administration	2	2	28,500
Small Business Administration	27	7	7,622
	234	210	\$2,129,879

^aThe system improvements and related costs were reported by agencies in their fiscal year 1989 financial management plans.

^bThis column represents all systems affected by system improvements as identified by agencies in their financial management plans.

^cFor the Departments of Justice and Veterans Affairs, the amounts shown for total estimated cost represent the amounts reported for capital investment for financial system improvements.

Comments From the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 27, 1990

Mr. Donald H. Chapin
Assistant Comptroller General
Accounting and Financial Management Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Chapin:

This is in response to your request for comments on the January 1990 draft report entitled Additional Actions Needed to Improve Federal Financial Management Systems.

Let me begin by stating that we agree with your principal findings: (1) the Government's financial systems remain inadequate notwithstanding the expenditure of billions of dollars; and (2) additional projects are being undertaken without the benefit of an adequate Government-wide financial management improvement plan.

Nonetheless, we believe you should give some credit to what has been, and is being, accomplished:

- Significant progress has been made in developing government-wide standards (e.g., Standard General Ledger, CORE Financial Systems Requirements, and data standards).
- System upgrades are underway in every major agency, with several agencies having recently converted totally to a new system or converted the first bureaus in a phased implementation approach (e.g., Transportation, Energy, Interior, HHS, Labor, and EPA).
- The cross-servicing program continues to eliminate redundant, obsolete systems. For example, Commerce, HUD, Treasury, SBA, Smithsonian and several others use the National Finance Center payroll system; and over 50 small agencies now receive all financial services on a cross-servicing basis. Cross-servicing is also expanding into other areas such as property accounting, grant payments, administrative payments, etc.
- Agencies are using off-the-shelf software to avoid developing custom systems. We expect to add two more vendors to the GSA schedule within the next six weeks. This program has

encouraged vendors to begin developing related systems for the Federal market. For example, one firm has recently developed software for vendor/contractor payments, and another has developed payroll software; others have developed travel modules.

Some progress has been made over the last three or four years.

With regard to the development of a Government-wide financial management plan, you are correct in pointing out that not as much progress has been made as should have been. The CFO Council's framework developed in July 1989 needs, as you point out, to be translated into a concrete plan which can guide the agencies' efforts. This is underway as the GAO representatives, who attend our CFO Council meetings, know. The draft Government-wide Financial Systems Information Strategy document, which was circulated to the CFO Council at its February 1990 meeting, addresses standards, reporting requirements, financial statements, and financial systems development and linkage. The document is now being expanded to cover the steps necessary to bring systems into compliance with the CORE Financial Systems Requirements as discussed in the JFMIP principals meeting which Director Darman convened last fall. It will also address on-going systems improvement initiatives mentioned in your report such as cross-servicing and use of off-the-shelf software.

Most important, the Plan will, as you suggest, rank and direct the numerous efforts under way in a way that avoids duplication of effort and delays. It will also provide a strategy for developing and integrating individual agency accounting, financial information and systems to ensure adequacy and consistency of information, together with the milestones and resources required to implement the strategy. We anticipate completing Council review in April and issuing the Plan in May. The FY 92 Budget will reflect implementation of the Plan.

With regard to the Federal Agency Financial Systems Program, we plan to include a section in the strategy document on managing systems improvement which will more clearly describe roles and responsibilities of OMB, Treasury and the agencies in the Program. GAO's role should also be described, and we will be in touch with you shortly to develop the appropriate wording. We will also describe responsibilities for supporting organizations such as the CFO Council, PCMI, and PCIE. These organizations can help with effective coordination and management of the Program. The recent PCIE Status Report on Development of Accounting Systems in the Federal Government is an example.

Your report also indicates that Treasury has provided little technical assistance and feedback to the agencies with respect to financial management systems reform. While not as much has been done as might have been done to implement the 1987 OMB-Treasury agreement, the Federal Financial Systems Program staff has provided valuable

Appendix IV
Comments From the Office of Management
and Budget

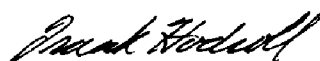
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information and assistance to OMB in policy oversight and monitoring of agency systems improvement efforts. Treasury has also supported the A-127 program by fostering user groups for the off-the-shelf software initiative, has assisted in the Standard General Ledger effort (they chair the interagency group that maintains the Ledger), and developed a tracking system for key elements of the agencies' five-year plans. They have worked closely with OMB in developing the concept and strategy for integration of Treasury, OMB, and Agency financial systems and with GAO and OMB on standards development. While FMS accounting cross-servicing has not proceeded as quickly as planned, cross-servicing has been implemented for two small agencies and implementation of cross-servicing for Office of the Secretary components within Treasury is underway.

In terms of resources, it can legitimately be argued that more is needed. We will be looking at resource requirements in the preparation of the 1992 Budget. In the 1991 Budget, eight staff were added for "Project USA" in addition to the eight staff in the FMS systems program. This project will identify models of financial management excellence, outline program managers fiscal obligations and financial responsibilities, identify minimum financial information needs of program managers, and address related areas for establishing a comprehensive approach to improving the Government's financial management. We expect this project to provide input to future OMB policy development and to our systems strategy document.

Thank you for the opportunity to comment on your draft report. I would be pleased to discuss these thoughts with you in person.

Sincerely,



Frank Hodsohl
Executive Associate Director

Comments From the Department of the Treasury



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON

March 2, 1990

Dear Mr. Chapin:

Thank you for the opportunity to review the General Accounting Office (GAO) draft report entitled "Additional Actions Needed to Improve Federal Financial Management Systems" dated January 1990. We are in fundamental agreement with you that it is important that roles, responsibilities, and expectations be clear and realistic in any financial management endeavor. This is particularly true in undertaking the improvement of the Government's large and decentralized financial management systems. The roles that the Office of Management and Budget (OMB), the GAO, Treasury's Financial Management Service (FMS) and the agencies must carry out effectively, while interrelated and interdependent, are quite different. The report states OMB plans to clarify the roles of the different parties involved in the improvement initiative. FMS would welcome further clarification and definition of these roles.

The Memorandum of Understanding between Treasury and OMB clearly gives OMB the responsibility for establishing program policy and direction. As you know, OMB and the CFO Council are in the process of formulating a plan for financial systems. We are supporting this effort.

We believe it is imperative that the GAO help focus energy and resources in Government on improving basic results that we all should expect from accounting systems. These include classic Government funds control, control over payments and collections and basic control over the information used for preparing internal and external reports. The GAO should play a larger role in identifying deficiencies and in suggesting to OMB and FMS where improvement priorities lie. Obviously, in the near term, financial risk should influence investment decisions more than across the board compliance with our respective standards.

Your report suggests that FMS should do more to assist agencies. We agree that more might be done in the context of OMB's new plan, if resources are provided. However, we do not believe that actual development can be performed and managed by a central staff in OMB or Treasury.

Most agency systems are complex because they must account for peculiar and specific legislative and programmatic requirements. The information requirements imposed by OMB and FMS are generally nominal. Only agencies can decide on the design and installation of their systems. FMS as a central agency is not in a position, to design, quality assure, and install civilian or

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Comments From the Department of
the Treasury

Page 2 - Mr. Donald H. Chapin

defense systems. OMB and FMS never had such an expectation. If some particular agencies had that expectation, I agree that should be clarified.

The principal task assigned to FMS under the MOU was to monitor and report to OMB agency progress against the A-127 five-year plan. Our small program staff did that job and provided significant amounts of staff support to OMB in their periodic progress reviews with Federal agencies.

The A-127 program in FMS -- the Federal Agency Financial Systems Program -- made a number of other significant contributions within a short time. These contributions include:

- o creating an environment where agencies now look at cross-servicing or off-the-shelf software programs;
- o instituting user groups for agencies using off-the-shelf software;
- o promoting and tracking the installation of the Governmentwide Standard General Ledger;
- o encouraging Treasury, itself, to use FMS as a cross-servicing organization;
- o developing an OMB/FMS tracking system for important aspects of the 5-year plans submitted to OMB;
- o creating a more coherent environment for central agencies to make evaluations and decisions;
- o coordinating OMB/agency policy reviews;
- o developing agency/OMB/FMS dialogue;
- o working with the Chief Financial Officer's (CFO) Council to develop Governmentwide strategy; and
- o working with the GAO to help create standards.

The program increased the awareness of OMB/FMS that they are a part of the problem. These agencies began budgeting and building their own systems to ease operational burdens on agencies and to improve integrity. FMS is developing or improving the following systems:

- o System 90 - upgrade and create an integrated computer-based telecommunications processing system;

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the Treasury

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- o STAR - budget execution system;
- o ADEPT - analytical asset and liability data base;
- o GOALS - electronic data collection system;
- o Cashlink - collections system;
- o Electronic certification - improve security and integrity of payments; and
- o FMS is working with OMB to resolve integration and elimination of duplicative accounting data submitted via the SF 133 and the TFS 2108.

As your report indicates, resources are scarce. FMS has dedicated significantly more resources to building strong programs in cash management, credit and debt collection due to their value Governmentwide. These programs are responsible for billions of dollars.

FMS can have a greater impact in these arenas providing products, services, management guidelines and models. FMS will continue, in cooperation with OMB, to support the financial systems program in areas where it can make a contribution. At present these areas include monitoring and tracking plans and developing a cooperative management environment between central and program agencies for financial management system improvements. As OMB develops its plan we will work to support it with additional staff and resources as they are provided in the budget process.

I am confident that with your personal support and that of the Comptroller General, working through the Joint Financial Management Improvement Program and the CFO Council, the PCMI and the President's Council on Integrity and Efficiency (PCIE), we can make great progress in the next few years.

Sincerely,



Gerald Murphy
Fiscal Assistant Secretary

Mr. Donald H. Chapin
Assistant Comptroller General
General Accounting Office
Accounting and Financial
Management Division
Washington, D.C. 20548

Major Contributors to This Report

**Accounting and
Financial Management
Division, Washington,
D.C.**

Darby W. Smith, Assistant Director, (202) 275-9482
Ronald B. Bageant, Senior Accountant
James E. Stringfellow, Accountant
Gwendolyn M. Torain, Accountant

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