

# JFMIP NEWS

A Newsletter for Government Financial Managers

Fall 1996 Vol. 8. No. 3.

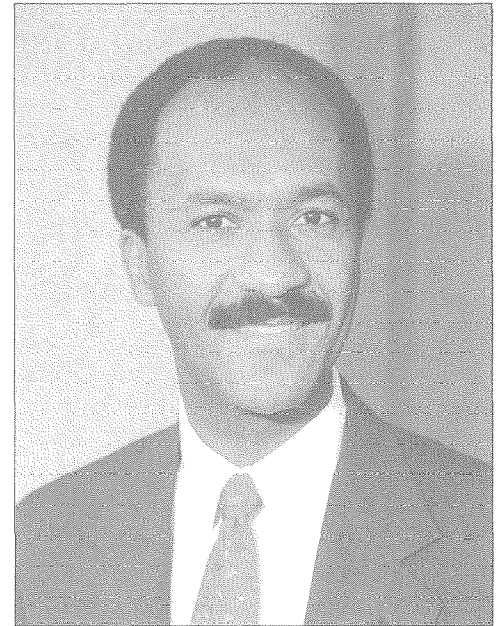
## New OMB Director

The nomination of Franklin D. Raines to be Director of the Office of Management and Budget was confirmed by the Senate on September 6, 1996. Mr. Raines joined OMB from the position of Vice Chairman of the Federal National Mortgage Association (Fannie Mae). As Vice Chairman, he was in charge of legal, credit policy, finance, and corporate development functions.

Before joining Fannie Mae, Mr. Raines was a general partner in municipal finance at the investment banking firm of Lazard Freres & Company in New York City. Prior to joining Lazard Freres & Company, he served from 1977 to 1978 as Assistant Director of the White House Domestic Policy Staff, and from 1978 to 1979 as Associate Director for Economics and Government in OMB. Mr. Raines served as a member of the congressionally-mandated Commission on Roles and Missions of the Armed Forces and as Economics and Trade

Cluster Coordinator for the Clinton Presidential Transition. He has also served on a number of Federal and State public policy advisory groups regarding tax equity, education, poverty, and welfare reform. He was elected a Fellow of the American Academy of Arts and Sciences, a member of the National Academy of Social Insurance, and a member of the Council on Foreign Relations.

Mr. Raines received a B.A. in government from Harvard College, a J.D. from Harvard Law School, and he also attended Magdalen College, Oxford University, as a Rhodes Scholar. Mr. Raines has served as a member of the board of directors of several major corporations, foundations, and public service organizations. He presently serves as Chairman of the Visiting Committee of the Harvard Kennedy School of Government, and he was formerly



Franklin Raines  
Director, Office of Management and Budget

President of the Board of Overseers of Harvard University. □

## New Chairmanship at JFMIP

Beginning on October 1, 1996, the Chairmen of the Principals and Steering Committee of the Joint Financial Management Improvement Program (JFMIP) changed to the Office of Management and Budget from the General Accounting Office. Franklin D. Raines, Director of the Office of Management and Budget, now chairs the JFMIP Principals; and G. Edward DeSeve, Controller, Office of Federal Financial Management, OMB, chairs the JFMIP Steering Committee. The JFMIP Principals had been chaired by Comptroller General Charles A. Bowsher; the JFMIP Steering Committee was chaired by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information

Management, and prior to this year by Donald H. Chapin, Chief Accountant, GAO.

In addition to the OMB Director, JFMIP Principals are: Robert Rubin, Secretary of the Treasury; James Hinchman, Acting Comptroller General; and James B. King, Director, Office of Personnel Management. The other JFMIP Steering Committee members are: Gene L. Dodaro, GAO; Gerald Murphy, Fiscal Assistant Secretary, Department of the Treasury; J. Gilbert Scaux, Chief Financial Officer, Office of Personnel Management; Dennis J. Fischer, Chief Financial Officer,

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General Services Administration; and Virginia B. Robinson, JFMIP Executive Director. □

## Federal Financial Management Improvement Act of 1996

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

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

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

## Federal Employee Travel Reform Act of 1996

Action has been taken on many recommendations made by JFMIP's Travel Reinvention Task Force (*Improving Travel Management Governmentwide*, December 1995). On September 23, 1996, the President signed the 1997 Defense authorization legislation, which included the Federal Employee Travel Reform Act of 1996. In followup to the travel law change, the General Services Administration (GSA) issued and published (*Federal Register*, Vol. 61, No. 209, October 28, 1996) rules which amend the Federal Travel Regulation (FTR).

Effective immediately, some item categories for which receipts were required no longer require them unless the amount exceeds \$75 (the 18 expense items were listed on page 55588 of the Federal Register). FTR amendment 45 of December 6, 1995, had raised from \$25 to \$75 the maximum travel expense amount which may be claimed without requirement for a supporting receipt. The new amendment corrected an omission by raising to \$75 the maximum amount that may be claimed without a supporting receipt for a meal under the actual expense method of subsistence reimbursement.

GSA also revised the regulation that allows agencies to shift responsibility for review of travel reimbursement claims. Currently, many agencies have the Office of Finance review the travel vouchers. Under the new regulation, agencies may specify that the traveler's supervisor or the individual responsible for the travel budget is responsible for ensuring that directed travel was performed as authorized and that travel dollars are spent wisely and properly. For further information, contact Larry Tucker, General Services Administration, (202) 208-0603.□

## General Services Administration's "Government Information Xchange" Web Site

At Internet web site <http://www.info.gov/> the General Services Administration's Federal Telecommunications Service, Office of Network Applications provides an entry point for government web sites.

The information selections include the following:

- The White House
- Customer Service
- Federal Directory
- Federal Yellow Pages
- State and Local Government
- Intergovernmental Collaboration
- Electronic Shopping
- International Organizations
- Foreign Government.

The Federal Yellow Pages supplies links which include government applications and forms as well as information links for the following topics:

- Business
- Computer/Information Technology
- Consumer Information
- Employment/Workplace
- Governing
- Health
- Human Services
- Laws and Legislation
- Money
- Military
- Science and Technology. □

## GAO Report on the Public Accounting Profession

**G**AO issued a report, September 1996, entitled *The Accounting Profession, Major Issues: Progress and Concerns* (GAO/AIMD-96-98 and 96-98A). This two-volume report responds to a congressional request and addresses the status of recommendations made to the accounting profession over the past two decades by major study groups. The volume containing the appendixes to the main report contains the individual recommendations made by major study groups from 1972 through 1995 and the actions taken on the recommendations.

The objectives of the GAO review were to identify:

- (1) recommendations made to improve accounting and auditing standards and the performance of independent audits under the federal securities laws and the actions taken on those recommendations, and
- (2) any unresolved issues to determine their impact on the performance of independent audits, effective accounting and auditing standards setting, and efforts to expand the scope of business reporting and audit services.

GAO found actions taken by the accounting profession in response to the major issues raised in the many studies from 1972 through 1995 had been responsive toward improving financial reporting and auditing of public companies. GAO analyzed data related to peer reviews of firms that audit public companies and found most firms now have effective quality control programs to ensure adherence with professional standards.

However, GAO's review of the studies' findings shows that the actions of the accounting profession have not been totally effective in resolving several major issues. GAO reported that issues remain concerning auditor independence, auditor responsibility for detecting fraud and reporting on internal controls, public participation in standard setting, the timeliness and relevancy of accounting standards, and maintaining the independence of the Financial Accounting Standards Board.

Agencies may want to review this report for issues of relevance to their operations. For copies, call (202) 512-6000, or fax (301) 258-4066. □

## Treasury Publishes Accountability Report

**T**he Department of the Treasury recently issued its prototype Accountability Report for fiscal year 1995. Now all the agencies which participated in a pilot study under the Government Management Reform Act of 1994 have issued reports. The reports streamlined financial reports, by consolidating reporting under several laws into one condensed report. The reports include those required by the Federal Managers' Financial Integrity Act, the Prompt Payment Act, the Inspector General Act, and the Chief Financial Officers Act.

This report, unaudited, was Treasury's first attempt in preparing a comprehensive departmentwide annual report which provides overall financial results of Treasury's operations, complete with performance measures to evaluate those results. Treasury will publish consolidated financial statements for fiscal year 1996, which will be audited.

In Treasury's report, the objective of accountability reporting was stated:

Our aim is to improve the measurement of performance to better inform the American public and to make managerial decisions. One of the largest challenges over the next few years will be to develop performance measures that steer the Department's operations and performance, as well as allow the public to evaluate our performance. Critical to this effort is the need to upgrade and to integrate financial management systems throughout the Department, and to incorporate programmatic performance measures into our integrated systems architecture.

The report categorized groups of Treasury functional categories, including Headquarters/departmental offices, tax/trade compliance and law enforcement, central fiscal services, banking/thrift oversight, and coin/currency and manufacturing. The report specified both program accomplishments and areas for improvement. For more information, contact James Lingeback, (202) 622-1450. □

## GAO Leaders Retire

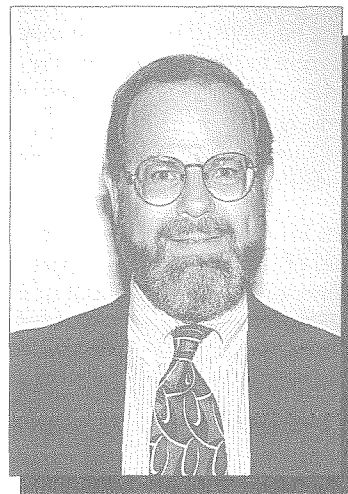
**C**harles A. Bowsher, the Comptroller General of the United States, completed his 15-year term at the end of September 1996, and Donald H. Chapin, Chief Accountant, U.S. General Accounting Office, retired also at the end of September. Mr. Bowsher, GAO's Principal for the Joint Financial Management Improvement Program, most recently was Chairman of the Principals. Mr. Chapin had served JFMIP as a member and the Chairman of the JFMIP Steering Committee prior to 1996. The federal financial management community extends our best wishes to them in their retirements.

James Hinchman is the Acting Comptroller General and Philip T. Calder serves as Acting Chief Accountant of GAO. □

## FINANCIAL MANAGEMENT PROFILE

Richard D. Arnold II is the Director of the Division of Budget and Finance in the Federal Trade Commission (FTC). The FTC is an independent government agency; its missions are to maintain competitive enterprise as the keystone of the American economic system, and to prevent the free enterprise system from being fettered by monopoly or restraints on trade or corrupted by unfair or deceptive trade practices. The Commission is charged with keeping competition both free and fair. The Division of Budget and Finance, which is responsible for the budget and finance operations of the FTC, plays a key role in supporting the agency's mission.

Mr. Arnold has been the senior financial officer of the FTC since August 1989, when he became the Director of the Division of Budget and Finance. He is responsible for budget and finance policies, systems, and operations, as well as management control reviews, policy and reporting, and audit resolution policies and procedures. He is playing an active role in the development and implementation of strategic and performance plans in the Commission. Mr. Arnold has nearly 30 years of federal financial management experience, having started with the Department of the Interior's U.S. Geological Survey. Since then, he held positions with the U.S. Civil Service Commission (now the Office of Personnel Management), the Federal Labor Relations Authority, the U.S. International Trade Commission, and most recently, the Federal Trade Commission.



He holds a BBA from The George Washington University, and a masters in public administration from the University of Southern California. He attended the Federal Executive Institute; and is a member of the FEI Alumni Association, and the Association of Government Accountants. In his spare time, Mr. Arnold enjoys being on the move. His activities depend on the season; in the summer he enjoys spending time bicycling, swimming and relaxing at the beach, and in the winter he is a downhill skier. Mr. Arnold also enjoys traveling, most frequently to destinations in Canada.

In fiscal year 1997, the FTC has approximately 950 employees with 170 employees in ten regional offices. Like many agencies in the federal government, the FTC has undergone downsizing. Mr. Arnold stated that downsizing, while sometimes painful, forces management to analyze its operations with the purpose of minimizing and/or eliminating lower priorities within their organization. This process forces people to make their operations more effective and efficient. Mr. Arnold believes as the government downsizes, there will be increased pressure to revise financial systems so they can be used by program managers to efficiently manage their operations. In spite of the downsizing, the agency has maintained its services due to the top notch staff who work at FTC.

Mr. Arnold is a strong supporter of franchising financial and financial-related systems to strong customer-focused service centers, and in integrating information into a data warehouse. This will lead to having more useful information accessible to program and financial managers, and provide better information to support managers in meeting their goals.

To comply with legislation, such as the Government Performance and Results Act (GPRA), agencies are more focused on strategic planning and linking the strategic plan to organizational and individual work performance plans to produce results. To implement the GPRA, a senior management team consisting of all bureau directors and key management officials, was established. This team is developing the agency's strategic plan. There are awareness sessions for all employees to solicit ideas and suggestions to improve the agency's performance.

Approximately 7 years ago, the Commission decided to stop maintaining its old in-house financial management system, which was not integrated. In lieu of spending more resources to develop and implement a new in-house system, the FTC decided to be cross-serviced by the Denver Administrative Service Center, Department of the Interior. There is a good partnership between the two organizations, with the Denver Administrative Service Center being customer-oriented. FTC's Division of Budget and Finance now has a staff of 13, reduced from 21 when it maintained its own financial management system several years ago.

The Denver Center's financial management system utilizes a commercial off-the-shelf software package. FTC financial managers receive timely and accurate reports and information, which are important since the financial staff uses these reports frequently. FTC is working with the Denver Center and its information systems group to integrate all of its financial and financial related systems. The FTC would like to build a data warehouse for this information. This would allow FTC's program managers to have direct access to current financial information for planning their activities or to reveal the status of an invoice or a financial document.

Mr. Arnold stressed that the Division of Budget and Finance is there to serve its customers, especially program managers, by providing useful, accurate, and timely information so that they can do their work efficiently and effectively. Mr. Arnold looks ahead to the challenges facing managers across the government and believes that a better focused and more effective government will result. □

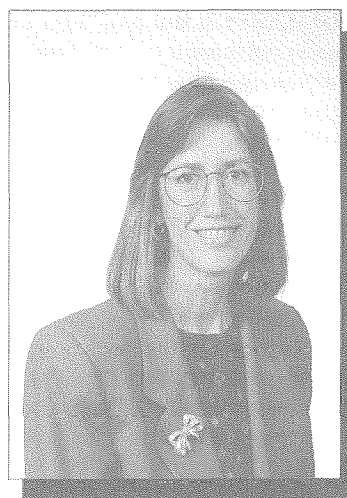
## FINANCIAL MANAGEMENT PROFILE

Ruth A. Leverenz was named the Chief Financial Officer of the Federal Aviation Administration (FAA), Department of Transportation in April 1995. The FAA financial community experienced significant change during fiscal year 1995. The agency's two financial offices were consolidated into the Office of Financial Services under the direction of the CFO. This organizational change integrated financial management and automation functions to utilize financial resources more effectively and to reduce supervisory, management, and organizational entities.

Prior to her current position, Ms. Leverenz was the Director, Office of Budget, and held other positions in the Office of Budget and Office of Management Systems at FAA. She started her federal career as an urban management intern at the Department of Housing and Urban Development in Fort Worth, Texas. She has a masters in public administration from Harvard University, and a BA degree, magna cum laude, in education from Baylor University.

FAA now has authority to remake itself into a model Federal agency since it has been granted long sought flexibility for FAA managers in acquisition and personnel policy. As these changes are being made, the FAA financial community is accomplishing "reinventing" of financial management policies and processes. Currently, there are many different reengineering efforts at FAA. One such effort is the simplification and revision of its travel policy. FAA has also reduced the number of approval levels and streamlined the administrative processes for TDY travel.

Ms. Leverenz stated that the CFO Office thinks of itself as a service organization with its own individual competing needs. The



primary function of this office is to oversee the budget process and accounting operations. This office oversees the implementation of the Chief Financial Officers Act, the Government Performance and Results Act, and the Government Management Reform Act. FAA developed financial statements and is currently working on a cost accounting system and an automated billing and collection system for new user fees. FAA will also be a pilot for franchising and provide a number of services, such as accounting, audio-visual and administrative services.

FAA's financial community is working towards a paperless environment. One initiative is the use of credit cards to enable small purchase transactions to be entered into a personal computer, electronically approved by a designated official, and automatically transmitted to the Departmental Accounting and Financial Information System. A similar system was implemented to allow FAA to electronically receive and pay FedEx invoices and a prototype is being developed for the electronic receipt of utility company invoices.

The future challenges for FAA include providing more services with fewer financial and human resources. The CFO Office has assisted in the development of the agency's strategic plans and business plans, including the milestones and objectives, for each of FAA's seven business lines. FAA would like to have a responsive financial management system to provide accurate and timely data to program managers to help them in managing their operations efficiently and effectively. With limited budgets, FAA financial staff have been creative in arranging financial management training by inviting experts to address financial management topics (for example, appropriation law) at brown bag lunches. □

## FAA Initiatives

### Travel

The Congress exempted the Federal Aviation Administration (FAA) from Title 5 provisions to reform its travel policies. In April 1996, the Administrator chartered a task force composed of all major FAA organizations and union representatives to develop recommendations. The group evaluated current travel practices in FAA under Title 5, researched the best travel and relocation practices in the private and public sectors, and made recommendations for 28 changes in entitlement and administrative procedures. The resultant changes are

expected to cost less, increase agency efficiency, and provide flexibility to management.

FAA's travel reforms include moving towards a substantially paperless travel authorization and reimbursement system which will standardize the method of preparing travel documents, improve accuracy, streamline the reimbursement process and develop centralized databases of travel information.

Many of the recommendations parallel those made by the multi-agency travel improvement group sponsored by JFMIP. Recommendations include changes in temporary duty travel (TDY), permanent change-of-station (PCS) and extended

stays (ES). FAA will offer employees gainsharing options in PCS travel in the form of cash awards. Cash incentives include a 2% cash award to employees who use the amended sale option of the relocation services contract, 3% cash award who sell and close without using the relocation contract and 4% to employees who opt to use property management in lieu of sale of residence for PCS. FAA policy will maximize use of the travel charge card to take advantage of the discounts and use of a split-payment system.

The FAA travel reform initiative is in the implementation stage. Please call Sandi

*continued on page 10.*

## Symposium on Exploring Expert Systems Technology

On September 5, 1996, the U.S. House of Representatives Committee on Government Reform and Oversight and U.S. General Accounting Office sponsored a Congressional Symposium on Technology and Productivity in Government. Government, private sector, and academic representatives discussed the purposes and state of the art in expert systems technology.

Expert Systems (ES) represent the "second generation" of computing, moving from numerical calculations to complex reasoning and logic problem solving, based on designing computer systems with both (1) factual knowledge, rules, laws, etc. coupled with (2) the best heuristic knowledge (i.e., judgmental, experiential, art of "good guessing") of human experts. Many private sector firms and federal agencies are already using or developing ES to "capture the knowledge of the experts and put it at the fingertips of the average performer"—with realized cost savings as high, if not higher, than \$10 for every \$1 invested in ES, with much shorter "learning curves" for decisionmakers and support functions.

Expert systems enable people to "manage problem solving of great complexity" and the hallmark of ES is the ability for these systems to identify the path or line of complex logic or reasoning taken to justify conclusions, often involving elaborate rulemaking, systems of existing laws/requirements, etc.

Applicability to federal agencies is high, as ES can sort through extensive, existing rules and laws for accurate decisionmaking and correct linkage among decisions—which also allows federal

agencies to capture the knowledge of retiring experts who are leaving federal service due to downsizing and budgetary pressures.

Issues include (1) keeping expert systems "refreshed" with the latest knowledge, (2) validation of "how expert" are ES, (3) movement toward "real time" decisionmaking, (4) linkage of artificial intelligence and ES, and (5) reusability of knowledge from one ES to another.

[We would like to thank Steven O. App, Deputy Chief Financial Officer, Department of the Treasury for providing these highlights of this symposium. □

## Government Auditing Standards Advisory Council

On September 30, 1996, Comptroller General Charles A. Bowsher named a 20-member council to provide advice and guidance on government auditing standards. The purpose of the Government Auditing Standards Advisory Council is to work with GAO to keep the auditing standards current through the issuance of revisions, interpretations, and guidance.

Government auditing standards were first issued by the Comptroller General in 1972; major revisions were made in 1981, 1988, and 1994. Certain laws, regulations, and contracts require auditors to follow generally accepted government auditing standards. These standards are also used in audits of state and local government programs, as well as in audits of entities receiving federal assistance.

To meet the demands for more responsive and cost-effective governments, policymakers and managers need reliable

financial and performance information. A critical component of fiscal integrity and accountability is the assurance auditors provide about that information, as well as about systems producing it. Generally accepted government auditing standards are a fundamental necessity to guide auditors and allow others to rely on auditors' work.

The new Council will help ensure the continued development of standards that are generally accepted by the government audit community. The members of the Council are:

James B. Thomas, Jr., Director of Auditing, Office of Chief Inspector General, State of Florida (Chair of the Council)  
 Richard Tracy, Director of Audits, City of Portland, Oregon, (Vice Chair of the Council)  
 Robert H. Attmore, Deputy State Comptroller for Management Audit and Financial Reporting, New York  
 Thomas R. Bloom, Inspector General, U.S. Department of Education  
 June Gibbs Brown, Inspector General, U.S. Department of Health and Human Services  
 Donald H. Chapin, Consultant  
 Patricia A. Dalton, Deputy Inspector General, U.S. Department of Labor  
 Dennis J. Fischer, Chief Financial Officer, General Services Administration  
 Norwood J. Jackson, Deputy Controller, U.S. Office of Management and Budget  
 Daniel G. Kyle, Louisiana Legislative Auditor  
 George A. Lewis, Partner, Broussard, Poche, Lewis & Breaux  
 Philip A. Leone, Director, Joint Legislative Audit and Review Commission, Virginia  
 Nora J. E. Masters, City Auditor, Seattle, Washington  
 Sam M. McCall, Deputy Auditor General, State of Florida  
 John Miller, Partner, KPMG Peat Marwick  
 Roberta E. Reese, Chief Accountant, Office of the State Comptroller, Nevada  
 Kurt R. Sjoberg, State Auditor of California  
 Dr. Midge Smith, University of Maryland  
 Paul M. Thompson, Vice President, AMBAC, Inc.  
 Cornelius E. Tierney, Professor of Accountancy and Director of the Center for Public Financial Management at George Washington University

For more information, contact Marcia Buchanan, (202) 512-9321. □

## 9th Annual Colloquium on Financial Management for National Governments

The ninth annual *Colloquium on Financial Management for National Governments*, sponsored by the U.S. Department of the Treasury, Financial Management Service (FMS), and the Treasury Board of Canada, was held September 30 - October 2, 1996 in Toronto, Canada. The theme of this year's conference was *The Challenges Facing the Comptrollership Function*. The national governments of Australia, Canada, Italy, Mexico, New Zealand, Spain, and the United States were represented.

The Colloquium featured two panel discussions along with various workshops. One panel discussion focused on *Financial Reporting and Budgeting Updates*. Gerald Murphy, Fiscal Assistant Secretary, U.S. Department of the Treasury, discussed the preparation of the Consolidated Financial Statements of the U.S. Government. The other panel discussion focused on defining the Comptrollership function. G. Edward DeSeve, Controller, Office of Federal Financial Management, U.S. Office of Management and Budget; Russell Morris, Commissioner, FMS; and Canadian officials all shared their views regarding a Comptroller/Senior Financial Officer's function, role, and responsibility in a governmental organization.

Workshops at the Colloquium focused on topics such as performance measurement, electronic commerce, public service unions, risk management, management of accounts receivable, implementation of mandatory electronic

funds transfer (EFT), electronic benefits transfer (EBT), and benchmarking.

The Colloquium concluded with a planning session for next year's event in Atlanta, Georgia, with the hosts commending the 1996 participants for continuing the process of learning, sharing, and networking among international governments. For more information on the Colloquium, contact Victoria McDowell, FMS, at (202) 874-6660 or via e-mail at [victoria.mcdowell@fms.sprint.com](mailto:victoria.mcdowell@fms.sprint.com)

## Treasury's Budgetary Accounting Guide

The Financial Management Service (FMS), Department of the Treasury, has issued a revised edition of its *Budgetary Accounting Guide in the Federal Government* (September 1996). The *Guide* replaces the guide that was issued in 1994. The purpose of this guide is to assist personnel in both accounting and budget areas by providing guidance on proper recording of budgetary accounting events and completing common budgetary reports.

This guide incorporates changes based on the new OMB Circular A-34 and updates to the requirements of the SF-133 Budget Execution Report. For information, contact the Financial Standards and Reporting Division, (202) 874-9980.

## On Internet:

*Office of the Chief Financial Officer, Department of Energy*

DOE's Office of the Chief Financial Officer has a home page site reached at <http://www.cfo.doc.gov>

*Federal Statistics Briefing Rooms*

The Executive Office of the President, at internet site <http://www.whitehouse.gov/fsbr> now has available to the public two "rooms": the Economic Statistics Briefing Room and the Social Statistics Briefing Room.

The briefings present current releases of selected economic and social indicators organized not by agency, but themes, e.g., output, income, employment, production, money, prices, transportation, international statistics, demographics, education, health, and crime. Each theme includes key data series on a single WWW page that, in turn, provides hyperlinks to WWW pages at the source agencies' Web sites. Included in each theme are the most current release, graphic displays of the series over time, brief phrases highlighting the trends or noteworthy aspects of the current release, the name of the agency that produced the statistic, and the date of the release.

The Economic Statistics and Social Statistics Briefing Rooms ease and speed access to government information. They were developed by OMB's Interagency Council on Statistical Policy, working with the Office of Science and Technology Policy and Office of Administration.



## FASAB Update

### *Codification*

The first volume of the Codification, *Original Statements*, is nearing completion. Board members have established as goals that it be distributed to as many government users as possible and that an electronic version be made available via Internet and on disk as soon as possible. Achievement of these goals will greatly aid in the implementation of the standards. The first volume will present the original pronouncements with a status page showing any amendments. It also will include a comprehensive index to aid users.

With the first volume substantially completed, staff will begin work on the second volume which will present the standards topic by topic. Volume two is slated for completion by Summer 1997.

### *Interpretations*

At the September meeting, Board members heard a status report on interpretations requested by federal agencies. An interpretation is a document of a narrow scope providing clarification of the meaning of the standard or other guidance regarding the standard. The Board has received requests from several agencies regarding interpretations. Topics include (1) categorizing property, plant, and equipment; (2) accounting for environmental liabilities; (3) reporting on trust funds; and (4) valuing existing property, plant, and equipment. The Board is currently deliberating on the proper process to use for approving and issuing interpretations.

### *Natural Resources*

The Natural Resources project was officially established at the September Board meeting. Membership includes representatives from a number of federal agencies involved in managing or monitoring natural resources. These

include the Departments of the Interior, Energy, and Agriculture. In addition, the task force includes members from FASAB's Principals.

### *Accounting for the Cost of Capital*

In July, the Board issued an Invitation for Views (IF) on *Accounting for the Cost of Capital*. As defined in this IF, "capital" is the amount of funds invested in assets possessed by federal entities, including assets used in operations, held for sale, and maintained for contingent uses. The IF invites views and comments from federal agencies and other interested parties on issues related to the potential uses of the cost of capital information in managerial decisionmaking and in the management of costs and assets. It also solicits comments on approaches for measuring and accounting for the cost of capital.

### *Management Discussion and Analysis*

At the October meeting of the Board, the chairman of the Management Discussion and Analysis (MD&A) task force and project leader, Woody Jackson, led the Board in a discussion of the working draft Exposure Draft. There was a discussion on the proposal to convert the document from a standards document to a concepts document. A concepts statement is preferable to a standard because the MD&A section is developing on many fronts (e.g., the work being done as a result of the Government Performance and Results Act and the pilot Accountability Reports, and flexibility is needed.

The Board discussed a number of other issues, including the relationship between the MD&A and federal reporting in general.

The Exposure Draft will be updated to reflect the Board's input from the October meeting. It will be a concept statement calling for a minimum level of information.

It will call upon management to assert that it is responsible for reliable financial reporting and to describe the status of financial management systems and internal accounting controls. And it will acknowledge that each agency's MD&A can be, to a certain degree, tailored to its needs. The Board anticipates approval of a final Exposure Draft before the close of 1996.

### *Indian Trust Funds*

At the October meeting, the Board also discussed Indian Trust Funds. This followed the basic discussion at the September meeting, when members discussed some issues regarding how trust funds should be reported. It was noted that the term "trust fund" is used rather loosely, and that most funds so designated are not, in fact, true trust funds. The various Indian Trust Funds are among the "true" trust funds, in which government has a fiduciary responsibility for assets that belong to another entity.

At the October meeting, the Board reviewed a paper prepared for the members, which recommended that the various funds of the Bureau of Indian Affairs not be reported on the face of the financial statements of the Department of the Interior, but that footnotes provide summary financial information about the funds, as provided in Statement of Federal Financial Accounting Standard No. 7's discussion of disclosures for dedicated collections (see paragraphs 83-87 of SFFAS 7). The Board endorsed this approach. □



## USDA Annual Financial Conference

Irwin (Ted) David, Acting Chief Financial Officer of the U.S. Department of Agriculture (USDA), hosted the 1996 USDA Financial Management Conference on September 10-11, 1996 at the Kellogg Conference Center, Gallaudet University in Washington, DC. The conference was attended by 175 participants from across the Department. The Conference theme was "Global Change — Are We Ready? How Can We Prepare?"

Many speakers provided their views on what was happening in the financial management arena. Among them were John Koskinen, Deputy Director for Management, Office of Management and Budget; Ron Longo, OMB; Ron Young, Federal Accounting Standards Advisory Board; Edmundo Gonzales, Department of Labor; and Tony McCann, House Appropriations Committee staff. Among topics discussed were changes currently being implemented to follow-on the Chief Financial Officers Act, the Government Performance and Results Act (GPRA), and the Government Management Reform Act; budgetary constraints; and the downsizing of the federal government.

There were discussion groups on some of these topics after the presentations. Several discussion groups were held on partnerships and emerging standards; preparing for global change; human resource issues and training; franchising; and the implementation of the GPRA. Concerns expressed in the human resources issues and training discussion groups include:

- How to leverage training opportunities to get the most for the dollars spent.
- Will training include testing or certification?

- Should continuing professional education be required?
- Is there a way to determine the effectiveness of training?

In the area of implementing the GPRA, issues were raised as follows:

How to tie performance measures to the mission statement and goals of an organization.

- Will GPRA be just a paper exercise to collect more information?
- How do you deal with potential outcomes?
- Is data available to measure outside influence on agency performance measures?
- Linking measured results to the budget is a problem.

In the discussion of franchising, participants stated that:

- There is a need to find more innovative ways to do business.
- Program managers need to be educated on the cost of administrative services.
- Services may be expanded to include non-Federal customers.

There are concerns concerning obtaining adequate resources to provide the best level of services possible, controlling costs, and the perceived lack of control by customers.

At the Conference, the CFO's Excellence in Financial Management Awards were presented, including individual awards for outstanding performance recognizing:

Howard P. Tamborella, National Finance Center

Gary Arness, Rural Development Agency

Richard Pazdalski, Farm Service Agency

Wanda M. Philippi, Office of the Inspector General

Barbara J. Strus, Natural Resource Conservation Service

John Holladay, Office of Chief Financial Officer

Group awards included:

1. The Account Management for Food Stamp EBT Project Development Team, Food and Consumer Services and Federal Reserve Board; project manager Sharon Eldred, FCS.

2. Agreements That Work Team, Agricultural Research Service; project manager L. David Young, ARS. □

## The Center

### Courses at The Center for Applied Financial Management: January/February 1997

#### January

6-7	Dollars and Sense
9-10	Federal Asset and Liability Standards
27-28	Survey of FASAB Concepts and Standards
29-30	SF 1219/1220 Course
31	Reconciling Differences

#### February

3-4	Implications of Federal Appropriations Law
6-7	Managerial Cost Accounting
10-11	Basic Standard General Ledger
12-13	Advanced Standard General Ledger (pilot class)
25	Fundamentals of Cash Management
26-27	Accrual World

To Register for Center courses, submit an SF 182 to the Registrar, The Center for Applied Financial Management, Room 1100 KSB, 401 14th Street SW, Washington, DC 20227. All classes are held at 1411 K Street NW, Room 1100 unless otherwise noted. For information, call (202) 874-9560.

## FAA

*continued from page 5.*

Cavanaugh, (202) 267-9595, for information.

### *Cost Accounting System*

The President's fiscal year 1997 Operations Budget proposed that the FAA collect \$150 million in user fees in FY 1997, with full eventual user fee funding in the year 2003. This approach is consistent with the objective to match the costs of FAA services to the users of these services and to make the FAA operate more like a business.

The existing financial and operational systems within the agency were not designed to provide the cost information needed to calculate the costs of services and to allocate these costs to users. Therefore, knowledgeable senior management officials recognized the need for an integrated cost accounting system to automate the information flow and meet the reporting needs of users who will be charged directly for services.

In recognition of this need, the Associate Administrator for Administration established a new Cost Accounting Systems (CAS) Division. The CAS Division engaged Arthur Andersen to assist the FAA in the definition of the agency's cost accounting requirements and in the design of the system to meet these requirements.

The CAS is being designed to satisfy the following objectives:

- Determine, in an objective, fair, equitable, and transparent manner, the costs the FAA incurs in providing services to each segment of the aviation system.
- Provide detailed support for the calculation of user fees and provide a consistent environment for this calculation.
- Provide cost data to support fee calculations for franchised services.

- Facilitate the development and refinement of useful performance measures that enable the agency to monitor and control the cost of services.
- Provide an interim labor distribution capability and accommodate labor distribution details that will be provided in the future by FAA personnel/payroll systems, without disruption to established coding structures.
- Have the design flexibility to accommodate organizational change, additional data, and a wide range of reporting requirements.
- Have the necessary accounting controls and related disciplines to ensure that the cost information is maintained in balance with the Departmental Accounting and Financial Information System (DAFIS) at all times.

To date, the CAS Project team has developed general functional requirements, and initiated activities preparatory to selecting a commercial off-the-shelf cost accounting software package. Next steps include identifying functional requirements, developing a detailed system design, selecting and installing the cost accounting software, developing system specifications, developing documentation and procedures, conducting user training, conducting system testing, performing initial data loading, and commissioning the system. The CAS Project team anticipates selecting the software within this calendar year and implementing the CAS at the end of FY 97.

For further information, contact Raymond Morris, (202) 267-7580.

### *Billing and Collection System for New Aviation User Fee*

To support the establishment of a new user fee, the Department of Transportation's Federal Aviation Administration (FAA) is implementing a billing and collection system that is unique

to the federal government. Actually, the mechanisms for paying and collecting the fees are familiar to federal financial managers. These include the use of lockbox, electronic funds transfer, check, money orders, credit cards, and drafts. However, the system that will generate invoices and bill users is unlike any other in the United States.

Currently, the FAA collects about \$3 million in user fees, primarily for providing FAA certification outside the United States for aviation-related services. This amount is only a small portion of FAA's FY 1997 budget of \$8.5 billion. However, concern about projected shortfalls in funding in the near future of billions of dollars, and the impetus to reduce the budget deficit, has fueled the Administration and Congress to reevaluate FAA's sources of funding and to consider other user fee possibilities.

Unlike most countries in the world, the United States does not charge for providing air traffic controller services to carriers that fly in U.S. airspace but do not depart or land in the United States. These are called "overflights." For example, a flight that leaves Mexico City and lands in Canada without landing in the United States, currently does not pay a charge to the United States, nor does a flight that flies from the Caribbean to Europe, even though these flights go through U.S.-controlled airspace and are provided air traffic control service, by the FAA. Recent legislation passed by Congress authorizes the FAA to establish overflight fees, and preliminary projections on collections are estimated to be \$96 million annually. For this fee, the "user" is typically a foreign carrier.

Early in the process of looking into a billing system for the proposed overflight fees, it became apparent that an off-the-shelf billing system would not be available. A billing system entails generating data on each flight, literally hundreds each day, for perhaps 200-300 commercial air carriers and commuters, and general aviation. The foundation of the billing system to be

established is an FAA air traffic control system, the Enhanced Traffic Management System, ELMS, which maintains data on flights actually taken. Using ELMS data, a second system generates invoice data by applying the appropriate rate formula. An automated interface is being established that will generate the accounts receivable and update the accounting system. The first billing is expected in February 1997 with collection 30 days later for any fees incurred in December and/or January.

For more information, contact Steve Newborn, (202) 267-8968, or Susan S. K. Lee, (202) 267-9010.

#### *Budget and Accounting Reengineering Projects*

The Federal Aviation Administration's Office of Financial Services has implemented several financial management reengineering projects that have significantly benefited the agency. These projects were developed to meet the objectives of the National Performance Review, i.e., revise policy and procedures, streamline and automate manual processes, and reduce targeted staff.

In May 1996, FAA completed the nationwide implementation of the Third Party Draft System (TPDS), which automates the issuance of drafts, in lieu of cash, for imprest fund type payments, and interfaces with the Departmental Accounting and Financial Information System (DAFIS). The implementation resulted in streamlining the reimbursement of fund type transactions and the closure of 380 imprest fund sites which held \$4 million in cash.

FAA developed the National Automated Credit Card System (NACCS), which captures purchases from the credit card company, allows credit card holders to assign accounting codes and split charges, provides for approving officials to approve purchases, and interfaces with DAFIS. By entering the data at the source; interfacing

with the accounting system; and providing customers with on-line access to change, export, and review the credit card data, NACCS has eliminated redundant data entry and reduced accounting operations resources. In addition, the system has increased customer support and supplied enhanced financial reporting services.

Recently, FAA became one of the prototype agencies that will utilize the GSA "Advantage" Internet ordering system for purchases from commercial vendors. The NACCS is being expanded to accommodate this additional functionality. Similar benefits were derived from the implementation of the Federal Express (FEDEX) system, which utilizes electronic data interchange (EDI) invoices and automates the payment of high volume, low dollar, transportation charges, through an interface with DAFIS.

FAA established a centralized contract for an off-the-shelf software Travel System which will automate the travel document preparation process, i.e., issuance of travel authorizations, advances, and vouchers and utilize electronic approvals. They are also building an interface with DAFIS.

With the mandate for electronic commerce, FAA has begun an EDI pilot project which will implement the use of a standard invoice for utility bills. Lessons learned from this pilot will be incorporated into an overall plan for EDI in FAA. FAA has established a reimbursable agreement with the Federal Transit Administration (FTA) which enables them to take advantage of FTA's automated system for disbursing grant disbursements electronically through the Federal Reserve. This system also interfaces with DAFIS.

Contact Marty Finkelstein, (202) 267-8993, for additional information.□

## Clean Opinions at U.S. International Trade Commission

The United States International Trade Commission (USITC) achieved a significant accomplishment recently after it received its third consecutive unqualified or clean opinion in the audits of its financial operations. The audits, each covering two fiscal years, were conducted by independent auditors who issue the opinion on the Commission's financial statements. The auditors found that the financial statements fairly presented the agency's financial condition and results of operation, the Commission complied with applicable laws and regulations that could have a material effect on the financial statements, and the internal control structure and its operations had no material weaknesses.

USITC Inspector General Jane Altenhofen reported that the audited financial statements brought discipline to the agency's major operational functions. She noted that the audits have enhanced internal operations within the agency and helped them become more efficient since the federal government must have audited consolidated governmentwide financial statements in the future, the USITC has done its part to provide timely, reliable and useful information for this effort.

The USITC is an independent, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent trademark, and copyright infringement. The agency investigates and publishes reports on U.S. industries, and the global trends that affect them. For more information, contact the Public Affairs Officer, Peg O'Laughlin at (202) 205-1819.□

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Crystal Gateway Marriott Hotel