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GAO

Report to Congressional Requesters

January 1998

MANAGING FOR RESULTS

The Statutory Framework for Performance-Based Management and Accountability

GAO/GGD/AIMD-98-52

GAO

United States
General Accounting Office
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General Government Division

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January 28, 1998

The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Fred D. Thompson
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Dan Burton
Chairman, Committee on Government Reform and Oversight
House of Representatives

In response to your request, this report provides an overview of certain major statutes that Congress has enacted to instill a more performance-based approach to the management and accountability of the federal government. This statutory framework includes the Government Performance and Results Act; financial management statutes, such as the Chief Financial Officers Act; and information resources management statutes, such as the Clinger-Cohen Act. The framework also includes the Federal Managers' Financial Integrity Act, debt collection and credit reform legislation, and the Inspector General Act.

Our objectives were to (1) summarize the acts' purposes and requirements; (2) provide a time line illustrating the various reporting requirements these statutes call for in relation to the congressional budget process; and (3) identify the status of agencies' implementation of these statutes and compliance with their requirements, if we had done recent work on these efforts.

Results in Brief

Implemented together, these laws provide a powerful framework for developing and fully integrating information about agencies' missions and strategic priorities, the results-oriented performance goals that flow from those priorities, performance data to show the level of achievement of those goals, and the relationship of information technology investments to the achievement of performance goals—along with reliable and audited financial information about the costs of achieving mission results. This framework should promote a more results-oriented management and decisionmaking process within both Congress and the executive branch. It can be useful to Members by providing information that is pertinent to a broad range of management-related decisions confronting them in their

capacities as members of budget, authorization, oversight, and appropriations committees. However, our work has shown that critical implementation issues remain to be addressed. For example, although the statutory framework for more performance-based government is in place, key parts of the framework are in their first years of implementation, and how best to integrate the implementation is a continuing work in progress.

Scope and Methodology

We selected the statutes summarized in this report on the basis of your request and included some additional acts that we believe are important elements of the statutory management framework for the federal government. To describe the acts' purposes and requirements, we analyzed the statutory provisions. To develop the time line, we analyzed the dates and sources for the statutory reporting requirements in conjunction with important dates in the congressional budget process as contained in law. To identify the status of agencies' implementation efforts and compliance with the acts' requirements, we compiled the information from our prior work on the implementation of these statutes. Because we had received agencies' comments on our prior work regarding the implementation status, we did not obtain additional agency comments for this report. We also listed the name and telephone number of GAO officials to contact for further information and listed related GAO products.

We conducted this work during December 1997 in accordance with generally accepted government auditing standards.

The Statutory Framework for Performance-Based Management and Accountability

A key part of this statutory framework is the Government Performance and Results Act of 1993—commonly known as "GPRA" or "the Results Act." Prior to enactment of the Results Act, congressional policymaking, spending decisions, and oversight had been severely handicapped by a lack of sufficiently precise program goals and inadequate program performance and cost information. The Results Act sought to remedy that situation by requiring agencies to set multiyear strategic goals and corresponding annual goals, measure performance toward the achievement of those goals, and report on their progress. (For information on the Results Act's purpose, requirements, and its implementation status, see app. I.)

The most comprehensive financial management reform legislation of the last 40 years is the Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994 (GMRA) and

amended by the Federal Financial Management Improvement Act of 1996 (FFMIA). These statutes provide the basis for identifying and correcting financial management weaknesses that have cost the federal government billions of dollars and have left it vulnerable to waste, fraud, and mismanagement. The expanded CFO Act spelled out a long overdue and ambitious agenda to help the government remedy its lack of timely, reliable, useful, and consistent financial information. It requires 24 agencies to prepare audited financial statements annually, thereby greatly improving accountability over government operations.

FFMIA builds on the CFO Act by requiring financial statement auditors, beginning with the fiscal year 1997 financial statements, to report whether agencies' financial management systems comply with federal financial management systems requirements, federal accounting standards, and the Standard General Ledger. GMRA also requires the Treasury Department to prepare each year, beginning with fiscal year 1997, a governmentwide, consolidated financial statement that we are to audit. A pilot program under GMRA has also begun in which 10 agencies issued accountability reports for fiscal year 1996, consolidating their reporting under several statutes, including the CFO, Federal Managers' Financial Integrity, Results, Prompt Payment, and Debt Collection Acts. The accountability reports include program and financial information, such as the audited financial statements and performance measures reflecting performance in meeting key agency goals, as well as the Inspectors' General semiannual reports. (See apps. II and III.)

Information technology reform legislation, including the Paperwork Reduction Act of 1995 (PRA) and the Clinger-Cohen Act of 1996, is based on the best practices used by leading public and private organizations to more effectively manage information technology. Under the information technology reform laws, agencies are to better link their technology plans and information technology use to their programs' missions and goals. To do this, agencies are to, among other things, (1) involve senior executives in information management decisions; (2) establish senior-level Chief Information Officers who are to, among other things, evaluate information technology programs on the basis of applicable performance measurements; (3) impose much-needed discipline on technology spending; (4) redesign inefficient work processes; and (5) use performance measures to assess technology's contribution to achieving mission results. Also, the Computer Security Act of 1987, as amended in 1996, addresses the importance of ensuring and improving the security and

privacy of sensitive information in federal computer systems. (See apps. IV, V, and XI.)

Congress passed the Federal Managers' Financial Integrity Act (FMFIA) to improve accountability by requiring agencies to evaluate their internal accounting and administrative control systems—broadly defined as management controls. FMFIA focuses agency improvement efforts on management controls to help ensure that programs achieve their intended results; resources are used consistently with the agency's mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained, maintained, reported, and used for decisionmaking. (See app. VI.)

In the area of credit reform and debt collection, Congress revised the budgetary and accounting requirements for federal credit programs in the Federal Credit Reform Act of 1990 to more accurately measure the costs of federal credit programs. In particular, the statute changed the budgetary treatment of loans and loan guarantees so that the government can better measure and control its subsidy costs for loan programs and compare their costs to other programs. The Debt Collection Improvement Act of 1996 provides significant opportunities for improving agencies' ability to collect delinquent debt, including enhanced administrative offset and wage garnishment. In an effort to reduce future delinquencies, it requires agencies to screen potential borrowers—except for disaster loan applicants—and requires denial of credit to anyone who is delinquent in repaying federal debt (except for tax debt). In addition, the Prompt Payment Act is intended to encourage government managers to improve their bill-paying procedures. In response to complaints that agencies were not paying invoices in a timely manner and that this presented severe cash flow difficulties for smaller businesses, the act provides for the use of interest penalties against the operating budgets of programs when managers fail to pay the bills on time. In addition to encouraging managers to make timely payments, interest penalties also compensate businesses when a payment is late. (See apps. VII, VIII, and IX.)

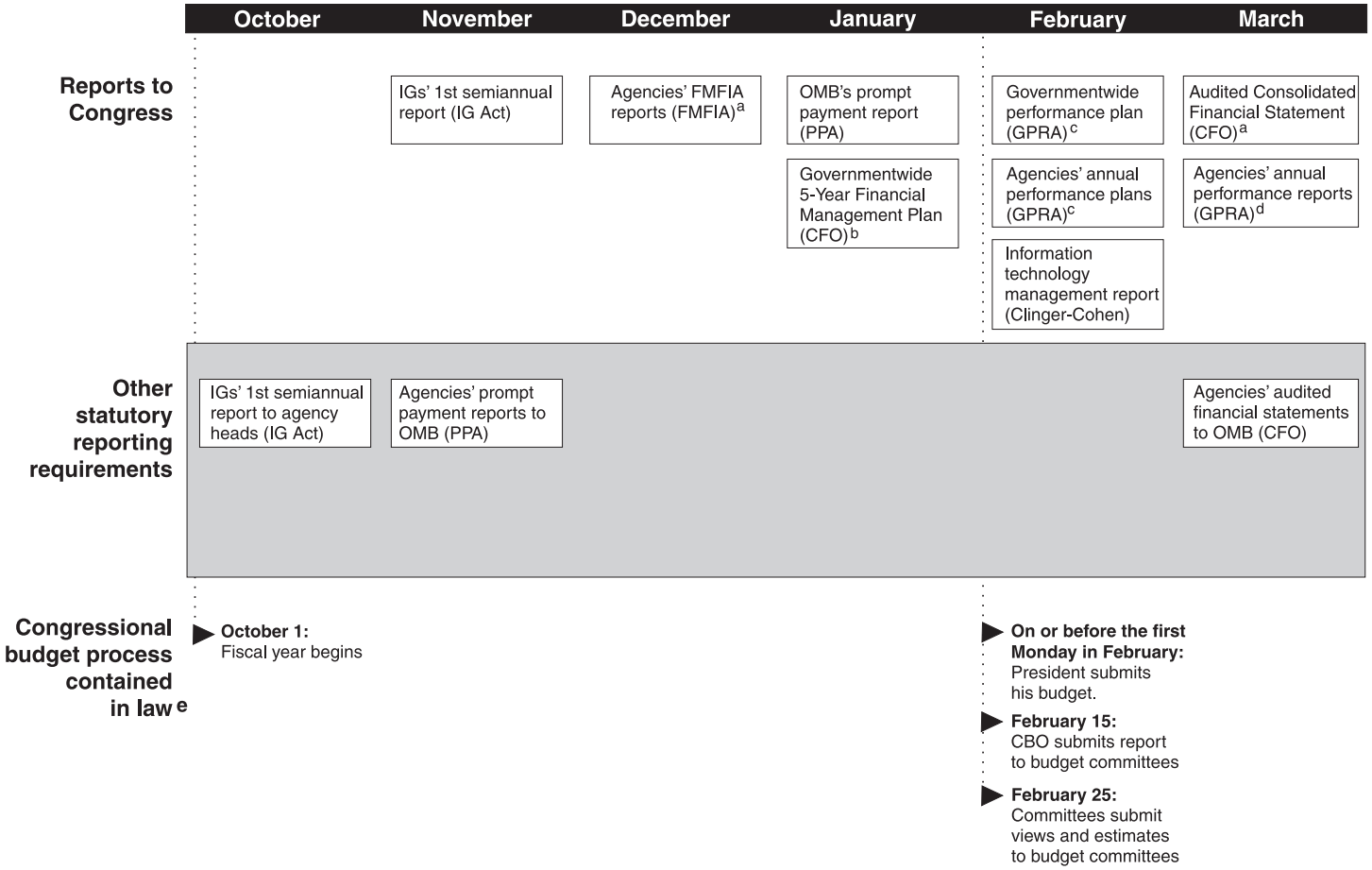
Another component of the statutory framework was put in place in the late 1970s with the passage of the Inspector General Act, which creates the positions of Inspectors General as independent officers within agencies to conduct and supervise audits and investigations; promote economy, efficiency, and effectiveness; prevent and detect fraud and abuse in programs and operations; and keep the agency head and Congress fully

informed about problems and deficiencies. Today, 27 federal establishments and 30 designated federal entities have Inspectors General. (See app. X.)

Timing of Statutory Reporting Requirements and the Congressional Budget Process

The selected statutes contain different reporting requirements that are due at various times during the fiscal year, as shown in figure 1. Some of the required reports provide information to Congress, while others provide information to agency heads and/or the Office of Management and Budget. In addition, figure 1 shows the congressional budget process in relation to these reporting requirements.

Figure 1: Time Line for Selected Statutory Reporting Requirements



Note: Acronyms in parentheses refer to the statutes requiring these reports. See figure 2 and the enclosures for further information.

[a]The law requires their submission to the President at the same time that they are submitted to Congress.

[b]In practice, these reports are generally issued in June or July and include OMB's prompt payment report and a status report on credit management and debt collection required by the Debt Collection Act of 1982, as amended.

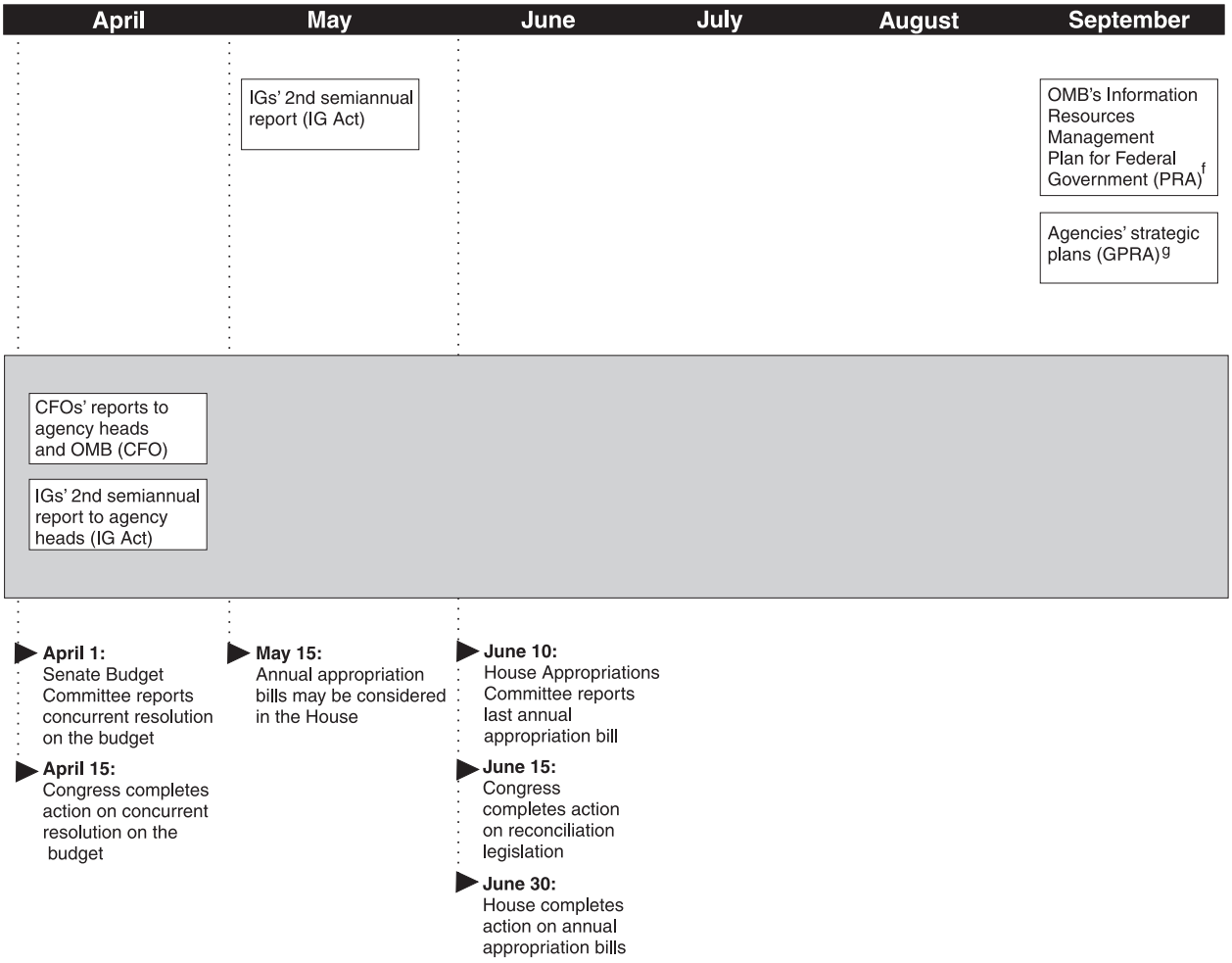
[c]GPRA requires these reports beginning for fiscal year 1999.

[d]The first of these reports, on program performance for fiscal year 1999, is due to Congress and the President by March 31, 2000.

[e]Congressional Budget Act of 1974, U.S.C. sec. 631; this schedule is often modified.

[f] PRA requires an annual report but does not specify when it is due. OMB submitted its most recent report in September 1997.

[g]GPRA required agencies' first strategic plans by September 30, 1997. They are to be updated at least every 3 years and are submitted to OMB and Congress.



Source: GAO review of statutes.

Figure 2 shows the dates and underlying sources of these selected statutory reporting requirements.

Figure 2: Dates and Sources for Selected Statutory Reporting Requirements

October 1	Beginning of fiscal year, Congressional Budget Act, 31 U.S.C. § 1102.
October 31	Inspectors' General 1st semiannual reports to agency heads (see note 5), Inspector General Act, 5 U.S.C. App. 3, § 5.
November 29	Agencies' prompt payment reports to OMB, Prompt Payment Act, 31 U.S.C. § 3906.
November 30	Agencies submit Inspectors' General 1st semiannual reports, including agency heads' comments, to Congress (see note 5), Inspector General Act, 5 U.S.C. App. 3, § 5.
December 31	Agencies' FMFIA Reports to the President and Congress, Federal Managers' Financial Integrity Act, 31 U.S.C. § 3512(d).
January 28	OMB's prompt payment report to Congress, Prompt Payment Act, 31 U.S.C. § 3906.
January 31	OMB's Governmentwide 5-year Financial Management Plan to Congress for the succeeding 5 years, as well as a report on accomplishments for the preceding fiscal year, Chief Financial Officers Act, 31 U.S.C. § 3512(a).
February	OMB must include in the President's annual budget submission to Congress, due no later than the first Monday of February, a report on the net performance benefits achieved due to major capital investments, as well as reports from agencies on their progress in using information technology, Information Technology Management Reform Act, (Clinger-Cohen Act), 40 U.S.C. § 1412.
February	Beginning with the budget submission for fiscal year 1999, and annually thereafter, the President must include agencies' annual performance plans, 31 U.S.C. § 1115(a), and a governmentwide performance plan for the succeeding fiscal year, 31 U.S.C. § 1105(a)(28), Government Performance and Results Act.
March 1	Agencies' audited financial statements to OMB, Chief Financial Officers Act and Government Management Reform Act, 31 U.S.C. § 3515(a).
March 31	Audited consolidated financial statements to the President and Congress, Government Management Reform Act, 31 U.S.C. § 331(e).
March 31	Beginning March 31, 2000, agencies' annual performance reports to OMB, Government Performance and Results Act, 31 U.S.C. § 1116.
April 30	CFOs' reports to agency heads and OMB, Chief Financial Officers Act and Government Management Reform Act, 31 U.S.C. § 902(a)(6).

April 30	Inspectors' General 2d semiannual reports to agency heads (see note 5), Inspector General Act, 5 U.S.C. App. 3, § 5.
May 30	Agencies submit Inspectors' General 2d semiannual reports, including agency heads' comments, to Congress (see note 5), Inspector General Act, 5 U.S.C. App. 3, § 5.
September*	OMB's annual Information Resources Management Plan for the Federal Government to Congress, Paperwork Reduction Act, 44 U.S.C. § 3514. (*The act requires an annual report but does not specify a reporting date; OMB submitted its fiscal year 1996 report in September 1997).
September 30	Beginning September 30, 1997, and every 3 years thereafter, agencies' strategic plans to Congress and OMB covering the succeeding 5 fiscal years, Government Performance and Results Act, 5 U.S.C. § 306.

Note 1: Unless otherwise specified, reports listed herein cover the preceding fiscal year.

Note 2: The Debt Collection Act, as amended by the Debt Collection Improvement Act, requires each agency head to submit an annual report to the Secretary of the Treasury summarizing the status of loans and accounts receivable that the agency manages. It then requires the Secretary to analyze the agency submissions and report to Congress on the progress in agency debt collection efforts. The act does not specify any reporting dates. 31 U.S.C. § 3719.

Note 3: The Debt Collection Improvement Act requires the Director of OMB to report to Congress annually on the deficiencies in agency standards and policies for compromising, writing-down, forgiving, or discharging indebtedness, and the progress made in improving those standards and policies. The act does not specify a reporting date. 31 U.S.C. § 3711 note.

Note 4: Under the Clinger-Cohen Act, agency CIOs must report annually to the head of the agency, as part of the strategic planning and performance evaluation process, on the progress made in improving resource management capabilities of the agency's personnel.

Note 5: The IGs' first semiannual report covers the last 6 months of the preceding fiscal year. The second semiannual report covers the first 6 months of the current fiscal year.

Source: GAO review of statutes.

There are several important dates in the congressional budget process as contained in law, as shown in figure 3. Given that these statutory requirements provide information that can be used in the budget process, it is important to view the requirements in relation to the budget process.

Figure 3: Important Dates in the Congressional Budget Process (as Contained in the Congressional Budget Act)

No later than the first Monday in February	President submits his budget.
February 15	Congressional Budget Office submits report to budget committees.
February 25	Committees submit views and estimates to budget committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriation bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

Source: Congressional Budget Act of 1974, 2 U.S.C. Sec. 631.

The Resulting Information Will Be Useful, but Implementation Issues Remain

These statutes, if effectively implemented, will produce program performance and financial information that has not previously been available to decisionmakers and the public, as well as strengthened management controls and processes to increase accountability. This information will be a valuable resource for Congress to use in carrying out its program authorization, oversight, and appropriations responsibilities, as well as to ensure the public a more accountable and responsive government. However, implementation of some of these statutes is in the early stages, and integration of the resulting information will be critical in effectively implementing this framework. For example, agencies continue to work on developing results-oriented performance goals in conjunction

with the cost accounting systems needed to provide reliable program and cost information.

Ultimately, performance and financial information will be most useful to congressional and executive branch decisionmakers when it is closely linked with the federal government's budget and appropriations processes. To be most useful in this context, the performance information developed in response to the Results Act needs to be consolidated with the critical financial and program cost data in financial statements prepared and audited under the CFO Act.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days after the date of its issuance. We will then send copies to the the Ranking Minority Member of the Senate Committee on Governmental Affairs, the House Minority Leader, and the Ranking Minority Member of the House Committee on Government Reform and Oversight. We will also make copies available to others on request.

The major contributors to this report are listed in appendix XII. Please contact L. Nye Stevens on (202) 512-8676 or Jeffrey Steinhoff on (202) 512-9450, or call the contacts listed in the appendixes, if you or your staff have any questions.

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Contents

Abbreviations

CFO	Chief Financial Officer
CIO	Chief Information Officer
CCA	Clinger-Cohen Act
DCIA	Debt Collection Improvement Act
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
IG	Inspector General
IRM	Information Resources Management
IT	Information Technology
NIST	National Institute of Standards and Technology
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
PRA	Paperwork Reduction Act
SGL	Standard General Ledger

Government Performance and Results Act of 1993, P.L. 103-62

Purpose

The purposes of the Results Act include holding federal agencies accountable for achieving program results and requiring federal agencies to clarify their missions, set program goals, and measure performance toward achieving those goals.

Requirements

Under the Government Performance and Results Act, agencies were required to submit strategic plans no later than September 30, 1997, to the Office of Management and Budget (OMB) and Congress; updates are required at least every 3 years thereafter. The plan, covering not less than 5 years, must contain (1) a comprehensive mission statement for major functions and operations of the agency; (2) general and outcome-related goals; (3) a description of how the agency will achieve the goals and the operational processes and resources required; (4) a description of how the goals relate to annual performance plan goals; (5) an identification of key factors external to, and beyond the control of, the agency that could significantly affect the achievement of goals; and (6) a description of program evaluations the agency used in establishing and revising general goals, with a schedule for future program evaluations. In developing strategic plans, agencies must consult with Congress and solicit and consider the views and suggestions of those entities potentially affected by or interested in the plan.

Annually, beginning with fiscal year 1999, agencies must submit to OMB performance plans covering each program activity in the agency's budget. OMB, using these plans, must prepare a federal performance plan for inclusion in the president's annual budget submission to Congress. The agency plan must (1) establish goals that define the level of performance to be achieved by a program activity; (2) express goals in an objective, quantifiable, and measurable form unless an alternative form is approved by OMB; (3) describe the operational processes and resources required to achieve goals; (4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

Annually, beginning March 31, 2000, agencies must submit program performance reports covering performance for the previous fiscal year to the president and Congress. Reports beginning in fiscal year 2002 must include actual program performance results for the 3 preceding fiscal years. The agencies' reports must (1) review how successfully

performance goals were achieved; (2) evaluate the performance plan for the current year relative to the performance goals achieved during the fiscal year(s) covered by the reports; (3) where goals are not met, explain and describe (a) why the goals were not met, (b) plans and schedules for achieving the goals, and (c) if the goals are impractical or infeasible, why that is the case and what action is recommended; (4) describe the use and assess the effectiveness in achieving performance goals of any waiver under 31 U.S.C. section 9703; and (5) include the summary findings of program evaluations completed during the fiscal year.

Implementation Status

As of September 30, 1997, all major agencies had submitted strategic plans. The agency strategic planning and congressional consultation process provided an important opportunity to establish the foundation for making the needed improvements in federal management. On the whole, the agencies' strategic plans should prove useful to Congress in undertaking the full range of its appropriation, budget, authorization, and oversight responsibilities and to agencies in setting a general direction for their efforts. These plans appear to provide a workable foundation for the next phase of the Act's implementation—annual performance planning and measurement. Nonetheless, agencies' strategic planning efforts and, more generally, the implementation of the Act, are still very much a work in progress. The strategic plans that agencies recently provided to Congress and OMB are only the starting points for the broad transformation that is needed to successfully implement performance-based management, and difficult implementation issues remain to be addressed.

Our work suggests that as Congress and the agencies build on the strategic planning process and other efforts undertaken thus far, several critical issues will have to be addressed if the Act is to succeed in improving the management of federal agencies. As we reported in September 1997, these critical issues include the need to (1) clearly establish a strategic direction for agencies by improving goal-setting and performance measurement; (2) improve the management of crosscutting programs by ensuring that those programs are appropriately coordinated with other related efforts; and (3) ensure that agencies have the data systems and analytic capacity in place to better assess program results and costs, improve management and performance, and establish accountability. The forthcoming annual performance planning and measurement and performance-reporting phases of the Act will provide important opportunities to address these long-standing management issues.

Our September 1997 findings are consistent with our earlier findings, reported in June 1997, that the Act's implementation to that point had achieved mixed results, which would lead to highly uneven governmentwide implementation. In June 1997, we observed several challenges to effective implementation of the Act, including overlapping and fragmented crosscutting program efforts, the often limited or indirect influence that the federal government has in determining whether a desired result is achieved, and the lack of results-oriented performance information. We found that instilling within agencies an organizational culture that focuses on results remains a work in progress and that linking agencies' performance plans directly to the budget process may present significant difficulties. Addressing some of these challenges, we noted, will raise significant policy issues for Congress and the administration to consider, some of which will likely be very difficult to resolve.

GAO Contact

For further information, please contact J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, General Government Division, (202) 512-8676.

Related GAO Products

Managing for Results: Building on Agencies' Strategic Plans to Improve Federal Management (GAO/T-GGD/AIMD-98-29, Oct. 30, 1997).

Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans (GAO/GGD-97-180, Sept. 16, 1997).

Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

Managing for Results: The Statutory Framework for Improving Federal Management and Effectiveness (GAO/T-GGD/AIMD-97-144, June 24, 1997).

Managing for Results: Prospects for Effective Implementation of the Government Performance and Results Act (GAO/T-GGD-97-113, June 3, 1997).

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

GPRA: Managerial Accountability and Flexibility Pilot Did Not Work As Intended (GAO/GGD-97-36, Apr. 10, 1997).

Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997).

Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

Chief Financial Officers Act of 1990, P.L. 101-576, and Government Management Reform Act of 1994, P.L. 103-356

Purpose

The Chief Financial Officers (CFO) Act, with strong bipartisan support, was signed into law on November 15, 1990. The legislation, with an objective of greatly improving and strengthening financial management and accountability in the federal government, represented the most comprehensive financial management reform initiative in 40 years.

The Government Management Reform Act (GMRA) expanded the CFO Act by, among other things, establishing requirements for the preparation and audit of 24 agencywide financial statements beginning with fiscal year 1996 and for the preparation and audit of consolidated financial statements for the federal government beginning with fiscal year 1997.

Requirements

The CFO Act laid the legislative foundation for the federal government to provide taxpayers, the nation's leaders, and agency program managers with reliable financial information through audited financial statements. The CFO Act provides a framework for improving federal government financial systems, with a focus on program results. It centralizes within OMB, through the Deputy Director for Management and the Office of Federal Financial Management, the establishment and oversight of federal financial management policies and practices.

The CFO Act requires 24 federal agencies to have Chief Financial Officers and Deputy Chief Financial Officers and lays out their authorities and functions. The CFO Act set up a series of pilot audits whereby certain agencies were required to prepare agencywide financial statements and subject them to audit by the agencies' Inspectors General (IG). GMRA expands the requirement for a fully audited financial statement under the CFO Act to 24 agencies and components of federal entities designated by OMB. (For example, OMB has designated the military services, Health Care Financing Administration, and the Internal Revenue Service as components of agencies that must prepare audited financial statements.) The first of these statements were due no later than March 1, 1997. Beginning with fiscal year 1997, the Treasury Department is to produce a consolidated financial statement for the federal government. GMRA requires GAO to audit this statement annually, with the first audit due by March 31, 1998.

The CFO Act requires OMB to prepare and submit to Congress a governmentwide 5-year financial management plan. This plan describes the activities OMB and agency CFOs will conduct over the next 5 years to improve the financial management of the federal government. Annually, by

January 31, OMB is to submit to Congress (1) an updated 5-year financial management plan to cover the succeeding 5 fiscal years and (2) a financial management status report. The financial management status report is to provide (1) a description and analysis of the status of financial management in the executive branch; (2) a summary of the most recently completed financial statements, financial statement audits, and reports; (3) a summary of reports on internal accounting and administrative control systems submitted to the president and Congress under the Federal Managers Financial Integrity Act; and (4) any other information OMB considers appropriate to fully inform Congress on the financial management of the federal government. In turn, the CFO Act requires agencies to prepare and annually revise their plans to implement OMB's 5-year financial management plan. Other provisions of the CFO Act address the need for the systematic process of reform; the development of cost information; and the integration of program, financial, and budget systems.

Among other provisions of GMRA is the enhancement of OMB's authority to manage agency submissions of reports to Congress, the president, and OMB. This has resulted in OMB's Accountability Report pilot. This report consolidates the reporting under the CFO, Federal Financial Managers' Financial Integrity, Government Performance and Results, Prompt Payment, and Debt Collection Acts.

Implementation Status

With successful implementation, the audited financial statements required by the CFO Act, as expanded by GMRA, will provide congressional and executive branch decisionmakers with reliable financial and program cost information that they have not previously had. The covered agencies and components are to prepare the statements in accordance with a comprehensive set of federal accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB), including a requirement for cost information, which will be fully effective in fiscal year 1998.[1]

For fiscal year 1996, agencywide financial statements were required by the expanded CFO Act to be prepared by each of the 24 CFO Act agencies and audited by the respective IGs. (An additional 19 components of those agencies were also designated for audit by OMB.) All 24 audit reports were issued; 6 agencies received unqualified opinions on their fiscal year 1996

[1]The Comptroller General, the Director of OMB, and the Secretary of the Treasury created FASAB to recommend accounting standards for the federal government, which the Comptroller General and the Director of OMB then promulgate.

agencywide financial statements. Of the remainder, many received disclaimers of opinion.

A pilot program under GMRA has also begun in which 10 agencies issued accountability reports for fiscal year 1996, consolidating their reporting under several statutes, including the CFO, Federal Managers' Financial Integrity, Government Performance and Results, Prompt Payment, and Debt Collection Acts. The accountability reports include program and financial information, such as the audited financial statements and performance measures reflecting performance in meeting key agency goals, as well as the IG's semiannual reports.

For the fiscal year 1997 requirement that we issue an opinion on the governmentwide consolidated financial statements, plans are well advanced. The 24 agencies are in the process of having their financial statements subjected to audits, and Treasury is preparing the governmentwide financial statements.

GAO Contacts

For additional information on the CFO Act and GMRA, contact Jeffrey C. Steinhoff, Director for Planning and Reporting, Accounting and Information Management Division, (202) 512-9450; or Robert F. Dacey, Director for Consolidated Audit and Computer Security Issues, Accounting and Information Management Division, (202) 512-3317.

Related GAO Products

Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements (GAO/AIMD-96-101, July 11, 1996).

Budget and Financial Management: Progress and Agenda for the Future (GAO/T-AIMD-96-80, Apr. 23, 1996).

CFO Act Financial Audits: Increased Attention Must Be Given to Preparing Navy's Financial Reports (GAO/AIMD-96-7, Mar. 27, 1996).

Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1994 and 1993 (GAO/AIMD-96-22, Feb. 26, 1996).

Financial Management: Continued Momentum Essential to Achieve CFO Act Goals (GAO/T-AIMD-96-10, Dec. 14, 1995).

Financial Management: Momentum Must Be Sustained to Achieve the Reform Goals of the Chief Financial Officers Act (GAO/T-AIMD-95-204, July 25, 1995).

Managing for Results: Strengthening Financial and Budgetary Reporting (GAO/T-AIMD-95-181, July 11, 1995).

Managing for Results: Steps for Strengthening Federal Management (GAO/T-GGD/AIMD-95-158, May 9, 1995).

Financial Management: CFO Act Is Achieving Meaningful Progress (GAO/T-AIMD-94-149, June 21, 1994).

Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994).

Financial Management: Strong Leadership Needed to Improve Army's Financial Accountability (GAO/AIMD-94-12, Dec. 22, 1993).

The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform (GAO/AFMD-12.19.4, Sept. 1991).

Managing the Cost of Government: Building an Effective Financial Management Structure (GAO/AFMD-85-35 and 35A, Feb. 1985).

Federal Financial Management Improvement Act of 1996, P.L. 104-208, Div. A, Title I, sec. 101(f) [Title VIII], 110 Stat. 3009-389

Purpose

The purpose of the Federal Financial Management Improvement Act (FFMIA) is to ensure that agency financial management systems comply with federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (SGL)[1] in order to provide uniform, reliable, and more useful financial information.

Requirements

Beginning with the fiscal year ended September 30, 1997, auditors for each of the 24 major departments and agencies named in the CFO Act must report, as part of their annual audits of the agencies' financial statements, whether the agencies' financial management systems comply substantially with federal financial management systems requirements,[2] applicable federal accounting standards,[3] and SGL at the transaction level. The act also requires GAO to report on implementation of the act by October 1, 1997, and each year thereafter.

Implementation Status

The first audit reports under the act, of the fiscal year 1997 financial statements, to include the auditors' findings required by FFMIA, are due March 1, 1998. OMB and the CFO agencies have initiated efforts to implement the act's requirements.

In our first report required by the act, Financial Management: Implementation of the Federal Financial Management Improvement Act of 1996 (GAO/AIMD-98-1, Oct. 1, 1997), we discussed (1) the act's requirements, (2) efforts under way to implement the act, (3) challenges that agencies face in achieving full compliance with those requirements, and (4) the status of federal accounting standards.

Other audit reports and agency self-reporting all point to significant challenges that agencies must meet to fully implement systems requirements, accounting standards, and SGL. The majority of agencies did

[1]The U.S. Government Standard General Ledger provides a standard chart of accounts and standardized transactions that agencies are to use in all their financial systems.

[2]OMB Circular No. A-127, "Financial Management Systems," July 1993, prescribes the financial management systems policies and standards for executive agencies to follow in developing, operating, evaluating, and reporting on financial management systems. Circular A-127 references the series of publications entitled Federal Financial Management Systems Requirements, issued by the Joint Financial Management Improvement Program, as the primary source of governmentwide requirements for financial management systems.

[3]The Comptroller General and the Director of OMB have issued a comprehensive set of accounting standards that will be fully effective in fiscal year 1998.

not receive unqualified opinions on their fiscal year 1996 financial statements. Fiscal year 1996 financial management systems inventory data, self-reported by agencies and summarized in the CFO Council's[4] and OMB's June 1997 Status Report on Federal Financial Management Systems, reveal that the majority of agencies' financial systems did not comply with federal financial management systems requirements or SGL at the transaction level.

GAO Contact

For further information, please contact Gloria Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, Accounting and Information Management Division, (202) 512-4476.

Related GAO Products

Financial Management: Implementation of the Federal Financial Management Improvement Act of 1996 (GAO/AIMD-98-1, Oct. 1, 1997).

[4]The CFO Council is a governmentwide body that addresses critical crosscutting financial issues. It comprises the CFOs and Deputy CFOs of the 24 largest federal agencies and senior officials of OMB and the Department of the Treasury.

Clinger-Cohen Act of 1996, P.L. 104-208

Purpose

The purpose of the Clinger-Cohen Act (CCA)[1] is to improve the productivity, efficiency, and effectiveness of federal programs through the improved acquisition, use, and disposal of information technology (IT) resources. Among other provisions, the law (1) encourages federal agencies to evaluate and adopt best management and acquisition practices used by both private and public sector organizations; (2) requires agencies to base decisions about IT investments on quantitative and qualitative factors associated with the costs, benefits, and risks of those investments and to use performance data to demonstrate how well the IT expenditures support improvements to agency programs, through measurements such as reduced costs, improved employee productivity, and higher customer satisfaction; and (3) requires executive agencies to appoint executive-level chief information officers (CIO). CCA also streamlines the IT acquisition process by eliminating the General Services Administration's central acquisition authority, placing procurement responsibility directly with federal agencies, and encouraging the adoption of smaller, modular IT acquisition projects.

Requirements

OMB: CCA requires OMB to (1) issue directives to executive agencies regarding capital planning and investment control, revisions to mission-related and administrative processes, and information security; (2) promote and improve the acquisition and use of IT through performance-based and results-based management; (3) use the budget process to analyze, track, and evaluate the risks and results of major agency capital investments in IT/information systems, and enforce accountability of agency heads; and (4) report to Congress on the agencies' progress and accomplishments.

CIO: CCA amends the Paperwork Reduction Act (PRA) to require executive agency heads to appoint CIOs at a senior level, responsible for the agency's information resources management (IRM) activities and reporting directly to the agency head.

A process to select and manage investments in information technology: CCA requires executive agencies to design and implement a process for maximizing the value and assessing and managing the risks of IT acquisitions. It lists specific elements agencies must include in that process and requires integration of the process with the processes for making budget, financial, and program management decisions.

[1]The Omnibus Consolidated Appropriations Act of 1997 (P.L. 104-208) renamed both the Federal Acquisition Reform Act of 1996 (P.L. 104-106, Div. D) and the Information Technology Management Reform Act of 1996 (P.L. 104-106, Div. E) as the "Clinger-Cohen Act of 1996."

Revisions to agency processes: Before making significant investments in IT, executive agencies must analyze agency mission-related processes and administrative processes, revising them as appropriate, and they must benchmark their processes against comparable processes of public or private sector organizations.

Information security: Executive agencies must ensure that information security policies, procedures, and practices are adequate to protect the agency's resources.

Assessment of agency IRM skills: Executive agencies must assess, as part of the Results Act strategic planning and performance evaluation process, (1) requirements for agency personnel regarding knowledge and skills in IRM, and (2) the extent to which positions and personnel at executive and management levels in the agency meet those requirements. Agencies must develop strategies and plans for hiring, training, and professional development to rectify any deficiencies found.

Table IV.1: Clinger-Cohen Act Reporting Requirements

Section	Who reports	What is to be reported
5112(c)	Director, OMB	Submit to Congress (at the same time the president submits his budget request to Congress) a report of the net program performance benefits achieved as a result of major capital investments made by executive agencies in information systems and how the benefits relate to the accomplishment of the goals of the executive agencies.
5112(j)	Director, OMB	"Keep Congress fully informed" on improvements in the performance of agency programs and in accomplishing agency missions through the use of the best practices in IRM.
5123(2)	Executive agency heads	Submit annual report, to be included in the executive agency's budget submission to Congress, on the progress in achieving its goals for improving the efficiency and effectiveness of agency operations and, as appropriate, the delivery of services to the public through the effective use of IT.
5125(c)(3)(D)	Executive agency CIOs	Report annually to the head of the agency, as part of the strategic planning and performance evaluation process, on the progress made in improving the IRM capabilities of the agency's personnel.

(continued)

Section	Who reports	What is to be reported
5127	Executive agency heads	Identify in the strategic IRM plan required under 44 U.S.C. sec. 3506(b)(2) (Paperwork Reduction Act) and reported to OMB under Circular A-130 any major IT acquisition program, or any phase or increment of such a program, that has significantly deviated from the cost, performance, or schedule goals established for the program.
5302	Administrator, Office of Federal Procurement Policy (OFPP)	Submit to Congress detailed test plans of procedures to be used and list any regulations to be waived before executive agencies conduct pilot programs to test alternative approaches to IT acquisition.
5303	Administrator, OFPP	Submit to OMB and Congress, not later than 180 days after completion of a pilot program to test alternative approaches to IT acquisition, a report on the results, findings, and recommendations derived from the pilot program.
5312(e)	Comptroller General	Monitor the conduct and review the results of acquisitions under "solutions-based contracting pilot programs" and submit to Congress "periodic" reports containing the Comptroller General's views on the activities, results, and findings under those pilot programs.
5401(c)(3)	Comptroller General	Review pilot programs to test streamlined procedures for procuring IT products and services through on-line multiple award schedules and report to Congress, not later than 3 years after the date on which each pilot program was established, (1) the extent of competition for orders, (2) the effect of streamlined procedures on prices charged, (3) the effect of such procedures on paperwork requirements for multiple award schedule contracts and orders, and (4) the effect of the pilot program on small businesses and socially and economically disadvantaged small businesses.
5401(c)(4)	Administrator, OFPP	Notify Congress at least 30 days before the date on which OFPP withdraws a schedule or portion of a schedule from the "on-line multiple award schedule contracting" pilot program.

Implementation Status

The sound application and management of IT to support strategic program goals is an important part of any serious attempt to improve agency

mission performance, cut costs, and enhance responsiveness to the public. Increasingly, agencies can, and should, be expected to show how technology is contributing to reducing operating costs, increasing productivity, improving service delivery cycle time, and enhancing overall program delivery quality. Agency track records can be established and form the basis for congressional decisionmaking about appropriate levels for continued funding.

Our testimony in July 1996 noted that numerous activities were already under way across government to implement new management processes required by the law. In particular, a governmentwide CIO Council was created by executive order to provide recommendations to OMB on governmentwide IT priorities, procedures, and standards, and OMB made revisions to two important management and budget policy circulars critical to effective implementation of the law: Circular A-130, "Management of Federal Information Resources," and Circular A-11, "Preparation and Submission of Budget Estimates."

Our testimony in October 1997 raised a number of concerns about executive agency CIOs. Of the 27 federal CIOs then appointed, only 12 had responsibilities focused solely on information management. In the remainder of the agencies, where almost $19 billion of the nearly $27 billion in annual planned IT obligations is spent, the CIOs had additional responsibilities, such as financial operations, human resources, procurement, and grants management. We reported that, in many cases, OMB is not satisfied with the qualifications, reporting relationship to the head of the agency, or multiple responsibilities of many of the CIOs in place. Further, we noted that the CIO Council was off to a good start in discussing major governmentwide IT issues, but it still lacked a strategic plan with specific goals, objectives, and strategies that it wanted to accomplish in the coming years.

We are currently evaluating department and agency documents describing the capital planning and IT investment decisionmaking processes being developed or implemented as required by CCA. We are finding that agency implementation of these new management provisions is uneven and largely focused on selecting new IT projects for funding, rather than on ensuring adequate management control and oversight of ongoing, substantial IT investment projects.

GAO Contacts

For additional information on CCA and related IRM statutes, contact either Jack L. Brock, Jr., Director, Governmentwide and Defense Information Systems, Accounting and Information Management Division, (202) 512-6240; or Dave McClure, Senior Assistant Director, Governmentwide and Defense Information Systems, Accounting and Information Management Division, (202) 512-6257.

Related GAO Products

Executive Guide: Information Security Management—Learning From Leading Organizations, Exposure Draft (GAO/AIMD-98-21, Nov. 1997).

Chief Information Officers: Ensuring Strong Leadership and an Effective Council (GAO/T-AIMD-98-22, Oct. 27, 1997).

Executive Guide: Measuring Performance and Demonstrating Results of Information Technology Investments (GAO/AIMD-97-163, Sept. 1997).

Year 2000 Computing Crisis: An Assessment Guide (GAO/AIMD-10.1.14, Sept. 1997).

Year 2000 Computing Crisis: Success Depends Upon Strong Management and Structured Approach (GAO/T-AIMD-97-173, Sept. 25, 1997).

Medicare Transaction System: Success Depends on Correcting Critical Managerial and Technical Weaknesses (GAO/AIMD-97-78, May 16, 1997).

The System Assessment Framework, Version 1.1, A Guide for Reviewing Information Management and Technology Issues in the Federal Government (GAO/AIMD-10.1.12, May 1, 1997).

Business Process Reengineering Assessment Guide (GAO/AIMD-10.1.15, Apr. 1997).

High-Risk Areas: Actions Needed to Solve Pressing Management Problems (GAO/T-AIMD/GGD-97-60, Mar. 5, 1997).

Assessing Risks and Returns: A Guide for Evaluating Federal Agencies' IT Investment Decisionmaking (GAO/AIMD-10.1.13, Feb. 1997).

Air Traffic Control: Complete and Enforced Architecture Needed for FAA Systems Modernization (GAO/AIMD-97-30, Feb. 3, 1997).

1997 High-Risk Series, An Overview (GAO/HR-97-1, Feb. 1997).

1997 High-Risk Series, Information Management and Technology (GAO/HR-97-9, Feb. 1997).

Managing Technology: Best Practices Can Improve Performance and Produce Results (GAO/T-AIMD-97-38, Jan. 31, 1997).

Information Technology Investment: Agencies Can Improve Performance, Reduce Costs, and Minimize Risks (GAO/AIMD-96-64, Sept. 30, 1996).

Information Security: Opportunities for Improved OMB Oversight of Agency Practices (GAO/AIMD-96-110, Sept. 24, 1996).

Information Management Reform: Effective Implementation is Essential for Improving Federal Performance (GAO/T-AIMD-96-132, July 17, 1996).

Strategic Information Management (SIM) Self-Assessment Toolkit, Exposure Draft, Version 1 (Accession Number 153193, Oct. 28, 1994).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Paperwork Reduction Act of 1995, P.L. 104-13

Purpose

The purpose of the Paperwork Reduction Act (PRA) is to minimize the public's paperwork burdens resulting from the collection of information by or for the federal government, to coordinate federal information resource management policies, to improve the dissemination of public information, and to ensure the integrity of the federal statistical system. PRA also requires agencies to indicate in strategic information management plans how they are applying information resources to improve the productivity, efficiency, and effectiveness of government programs, including improvements in the delivery of services to the public.

Requirements

PRA requires OMB, in consultation with agency heads, to set annual governmentwide goals for the reduction of information collection burdens by at least 10 percent during fiscal years 1996 and 1997 and 5 percent during each of the next 4 fiscal years. It also requires OMB, in consultation with agency heads, to set annual agency goals that reduce information collection burdens imposed on the public to the maximum extent practicable. Agencies cannot conduct or sponsor a collection of information unless the agency has taken a number of specified actions and OMB has approved the collection. OMB may not approve the collection of information for a period in excess of 3 years. PRA requires OMB to conduct pilot projects to test alternative policies and procedures.

PRA requires OMB (in consultation with certain other agencies) to develop and maintain a governmentwide strategic plan for IRM. It requires agencies to develop and maintain a strategic IRM plan that describes how IRM activities help accomplish agencies' missions. It also requires OMB to keep Congress and congressional committees fully and currently informed of the major activities under the act and to report on such activities at least annually. That report is to describe the extent to which agencies have reduced information collection burdens on the public, improved the quality and utility of statistical information, improved public access to government information, and improved program performance and mission accomplishment through IRM.

Implementation Status

Although the January 13, 1997, OMB bulletin 97-03 stated that "agencies have made substantial progress in reducing paperwork burden" since the original PRA was enacted in 1980, the estimated governmentwide burden (measured in hours spent gathering the requested information) actually rose substantially during that period. For example, the governmentwide burden estimate rose from about 1.5 billion hours in 1980 to about

6.7 billion hours in 1996. However, the near tripling of the governmentwide burden estimate during fiscal year 1989 was caused primarily by the Internal Revenue Service's adoption of a new methodology for computing burden, which increased its paperwork estimate by about 3.4 billion hours.

In that bulletin, OMB set a goal of a 25-percent reduction in paperwork burden by the end of fiscal year 1998. However, agencies' burden hour totals indicate that this goal is unlikely to be met. Also, OMB has not kept Congress fully and currently informed of these developments, and did not set governmentwide or agency-specific goals for fiscal years 1996 or 1997 until nearly the end of those years—too late for agencies to plan and implement measures to achieve the goals. Possible major fluctuations in the Internal Revenue Service's burden estimate suggest that, ultimately, governmentwide figures may not accurately reflect the paperwork burden felt by the public.

GAO Contacts

For further information, please contact either Curtis Copeland, Assistant Director, Federal Management and Workforce Issues, General Government Division, (202) 512-8101; or Jack Brock, Director, Governmentwide and Defense Information Systems, Accounting and Information Management Division, (202) 512-6240.

Related GAO Products

Paperwork Reduction: Governmentwide Goals Unlikely to Be Met (GAO/T-GGD-97-114, June 4, 1997).

Paperwork Reduction: Burden Reduction Goal Unlikely to Be Met (GAO/T-GGD/RCED-96-186, June 5, 1996).

Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May 19, 1994).

Federal Managers' Financial Integrity Act of 1982, P.L. 97-255, 31 U.S.C. secs. 1105, 1113, and 3512

Purpose

The purpose of the Federal Managers' Financial Integrity Act (FMFIA) is to establish a framework for ongoing evaluations of agency systems for internal accounting and administrative control.

Requirements

FMFIA requires agencies to establish internal accounting and administrative controls in compliance with standards established by the Comptroller General. It also requires OMB to establish, in consultation with the Comptroller General, guidelines that the agencies shall follow in evaluating their systems of internal accounting and administrative controls.[1]

FMFIA requires the heads of executive agencies to prepare an annual statement on whether their agencies' systems comply with the Comptroller General's internal control standards. If the agency heads identify material weaknesses in the systems, they shall include in the statement a plan and schedule for correcting such weaknesses. FMFIA also requires agency heads to include in the statement a separate report on whether the agencies' accounting systems conform to the accounting standards prescribed by the Comptroller General under 31 U.S.C. sec. 3511. Agencies must submit the statement annually to the president and Congress by December 31.

Implementation Status

OMB Circular A-123, in providing guidance on management's responsibility for assessing controls and implementing FMFIA, defines management controls as the organization, policies, and procedures used by agencies to reasonably ensure that (1) programs achieve their intended results; (2) resources are used consistent with agency missions; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decisionmaking. Circular A-123 requires agencies to monitor and improve the effectiveness of management controls. In addition, it states that agencies should avoid duplicating other reviews that assess management controls, such as IG and GAO reports. However, the circular makes clear that management has primary responsibility for monitoring and assessing controls and that management should use other sources as a supplement to—not a replacement for—its own judgment.

[1]OMB Circular No. A-123, "Management Accountability and Control." OMB issues annual format instructions each summer.

Agencies have been evaluating their internal control systems and reporting to the president and Congress annually for over 15 years. In that time, progress has been made, but concerns over well-documented management control weaknesses remain, as evidenced by our High-Risk Series (listed below) and countless audit reports and management studies.

GAO Contact

For further information, please contact Jeffrey C. Steinhoff, Director of Planning and Reporting, Accounting and Information Management Division, (202) 512-9450.

Related GAO Products

Standards for Internal Control in the Federal Government, Exposure Draft (GAO/AIMD-98-21.3.1, Dec. 1997).

Standards for Internal Control in the Federal Government, "Green Book," (GAO, 1983).

High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

High-Risk Series: Quick Reference Guide (GAO/HR-97-2, Feb. 1997).

High-Risk Series: Defense Financial Management (GAO/HR-97-3, Feb. 1997).

High-Risk Series: Defense Contract Management (GAO/HR-97-4, Feb. 1997).

High-Risk Series: Defense Inventory Management (GAO/HR-97-5, Feb. 1997).

High-Risk Series: Defense Weapon Systems Acquisition (GAO/HR-97-6, Feb. 1997).

High-Risk Series: Defense Infrastructure (GAO/HR-97-7, Feb. 1997).

High-Risk Series: IRS Management (GAO/HR-97-8, Feb. 1997).

High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

High-Risk Series: Medicare (GAO/HR-97-10, Feb. 1997).

High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

High-Risk Series: Department of Housing and Urban Development (GAO/HR-97-12, Feb. 1997).

High-Risk Series: Department of Energy Contract Management (GAO/HR-97-13, Feb. 1997).

High-Risk Series: Superfund Program Management (GAO/HR-97-14, Feb. 1997).

Debt Collection Act of 1982, as Amended, P.L. 97-365, and Debt Collection Improvement Act of 1996, P.L. 104-134, sec. 31001

Purpose

The purpose of these debt collection acts is to require the heads of agencies to collect debts owed the government, to authorize the compromise of some debts, to authorize the suspension of collection actions in particular circumstances, and to authorize federal agencies to use certain collection tools available in the private sector.

Requirements

Administrative offset: These laws authorize governmentwide administrative offset at Treasury. Under this authority, Treasury matches federal payments against federal debts; the payments are subject to offset to satisfy any nontax debt or claim owed to a federal agency. The law requires federal agencies to transfer to Treasury any delinquent debt that is 180 days old for the purpose of administrative offset, and authorizes other collection procedures, as Treasury finds necessary.

Cross-servicing: The Debt Collection Improvement Act (DCIA) requires all agencies to transfer nontax debt 180 days delinquent to Treasury for servicing, collection, compromise, or write-off, in addition to administrative offset. The act also authorizes Treasury to establish debt collection centers. Treasury may refer debts to either a debt collection center, private collection agency, or the Department of Justice, for collection.

Federal salary offset: To ensure that federal employees pay debts owed to the government, the debt collection laws establish annual matching requirements and make federal salary offset mandatory.

Taxpayer identification numbers: DCIA requires agencies to obtain taxpayer identification numbers from all individuals and entities doing business with the government to facilitate the collection of debts.

Denial of credit: Under DCIA, creditor agencies may bar debtors who are delinquent on federal nontax claims from receiving financial assistance in the form of a federal direct loan or loan guarantee (with certain exceptions).

Credit reporting: DCIA requires that creditor agencies report delinquent debt to consumer reporting agencies and also allows these agencies to report current debt as well. In addition, agencies must require any participating lender in a guaranteed loan program to provide information to credit reporting bureaus as well.

Collection services: The debt collection laws permit agencies to contract with persons to locate and recover assets of the federal government, the existence or location of which is unknown, and pay for those services out of the proceeds that are recovered.

Wage garnishment: DCIA authorizes agencies to garnish administratively the wages of delinquent debtors.

Debt sales: Agencies are authorized to sell nontax debt that is delinquent for more than 90 days. DCIA provides for sales of debt when Treasury determines the sale to be in the best interest of the United States.

Dissemination of debtors: DCIA allows agencies to publicize the identity of delinquent debtors.

Tax refund offset: DCIA allows Treasury to merge the tax refund offset and administrative offset programs to allow for more efficient operations. The act also allows Treasury and the Department of Health and Human Services to use offset authorities to collect past-due child support.

Electronic funds transfer payments: DCIA requires agencies to make new federal payments to individuals by electronic funds transfer, except for tax refunds. Agencies must convert existing payments to electronic funds transfer after January 1, 1999.

Reporting: DCIA requires the agencies to report annually to Treasury specified details about the debts owed to them and their efforts to collect those debts. Treasury is required to analyze and report that information to Congress annually. In addition, not later than April 1999, Treasury must provide a onetime report to Congress on the collection services provided by it and other entities collecting on behalf of federal agencies.

Implementation Status

The Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform and Oversight, has held periodic oversight hearings to monitor implementation of DCIA. During those hearings, the Subcommittee has expressed disappointment with the results thus far. As of the hearing held November 12, 1997, Treasury had not issued, in final form, many of the regulations required to implement the act. As of September 1997, Treasury reported that of the $39.5 billion of eligible federal debt greater than 180 days delinquent, agencies had referred to Treasury only $9.1 billion for participation in

Treasury's administrative offset program and only $407 million to a Treasury-designated debt collection center for servicing. In addition, as of September 1997, agencies had referred $7.9 billion of delinquent child support for offset. Furthermore, Treasury has delayed for 1 year its decision on whether to merge the tax refund and administrative offset programs, previously scheduled for January 1998.

GAO Contact

For further information, please contact Gary T. Engel, Acting Director, Governmentwide Audits, Accounting and Information Management Division, (202) 512-8815.

Related GAO Products

Debt Collection: Improved Reporting Needed on Billions of Dollars in Delinquent Debt and Agency Collection Performance (GAO/AIMD-97-48, June 2, 1997).

High-Risk Series: Quick Reference Guide (GAO/HR-97-2, Feb. 1997).

High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

High-Risk Series: Department of Housing and Urban Development (GAO/HR-97-12, Feb. 1997).

Financial Management: Legislation to Improve Governmentwide Debt Collection Practices (GAO/T-AIMD-95-235, Sept. 8, 1995).

National Fine Center: Progress Made but Challenges Remain for Criminal Debt System (GAO/AIMD-95-76, May 25, 1995).

Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine-Point Program (GAO/AFMD-90-12, Apr. 12, 1990).

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved (GAO/AFMD-86-39, May 23, 1986).

Federal Credit Reform Act of 1990, as Amended, P.L. 101-508, 104 Stat. 1388-609 (1990), and as Amended by P.L. 105-33, 111 Stat. 692 (1997)

Purpose

The purpose of the Federal Credit Reform Act is to accurately measure the costs of federal credit programs by placing the cost of credit programs on a budgetary basis equivalent to other federal spending and to improve the allocation of resources among credit programs and between credit and other spending programs.

Requirements

After October 1, 1991, before an agency can make a new loan or loan guarantee (or modify an existing loan or loan guarantee), Congress must have appropriated budget authority to cover the cost to the government of the loan or loan guarantee. The act requires agencies to measure costs as the net present value of cash flows to and from the government, including loan disbursements, repayments of principal, and payments of interest and fees, over the term of the loans and loan guarantees. Administrative costs are budgeted separately on a cash basis.

Implementation Status

OMB's written guidance for implementing credit reform is found primarily in Circulars A-11, A-34, and A-129. Accounting guidance is found in Accounting for Direct Loans and Loan Guarantees, Statement of Federal Financial Accounting Standards, Number 2; and the Department of the Treasury's Financial Management Service has developed illustrative cases showing accounting transactions. In addition, the interagency Credit Reform Taskforce has recently developed implementation guidance to agencies and auditors for estimating and auditing credit subsidy estimates.

Agencies have prepared 7 budgets under credit reform requirements, and there are 5 years of actual data available. Because of different program requirements, resource and expertise levels, and levels of commitment and interest, agencies have taken different approaches to making subsidy estimates. In 1993, we reported that agencies had serious problems meeting credit reform requirements because of limited financial systems and staff. Four years later, most agencies still have difficulty preparing subsidy estimates, and staff continue to say that they lack sufficient computer support and staff resources. Three of the five largest credit agencies received disclaimers or qualified opinions related to their credit programs in the audits of the fiscal year 1996 financial statements.

GAO Contacts

For further information on the Federal Credit Reform Act and the budgetary treatment of credit programs, please contact Susan Irving, Associate Director, Budget Issues, Accounting and Information

Management Division, (202) 512-9142; or Carolyn Litsinger, Senior Evaluator, Budget Issues, Accounting and Information Management Division, (202) 512-3358.

For further information on accounting and auditing credit programs, please contact Linda Calbom, Director, Resources, Community, and Economic Development Accounting and Financial Management Issues, Accounting and Information Management Division, (202) 512-8341; or Shirley Abel, Assistant Director, Resources, Community, and Economic Development Accounting and Financial Management Issues, Accounting and Information Management Division, (202) 512-9516.

Related GAO Products

Credit Reform: Review of OMB's Credit Subsidy Model (GAO/AIMD-97-145, Aug. 29, 1997).

Credit Reform: Appropriation of Negative Subsidy Receipts Raises Questions (GAO/AIMD-94-58, Sept. 26, 1994).

Credit Reform: Case-by-Case Assessment Advisable in Evaluating Coverage and Compliance (GAO/AIMD-94-57, July 28, 1994).

Credit Reform: Speculative Savings Used to Offset Current Spending Increase Budget Uncertainty (GAO/AIMD-94-46, Mar. 18, 1994).

Federal Credit Programs: Agencies Had Serious Problems Meeting Credit Reform Accounting Requirements (GAO/AFMD-93-17, Jan. 6, 1993).

Prompt Payment Act P.L. 97-177, 96 Stat. 85 (1982), Codified at 31 U.S.C. secs. 3901-3906

Purpose

The Prompt Payment Act is intended to encourage government managers to improve their bill paying procedures. In response to complaints that agencies were not paying invoices in a timely manner and that this presented severe cash flow difficulties for smaller businesses, the act provides for the use of interest penalties against the operating budgets of programs when the managers fail to pay the bills on time. In addition to encouraging managers to make timely payments, interest penalties also compensate businesses when a payment is late.

Requirements

The act requires agencies to pay invoices by the contracted due date; if an agency fails to pay on time, the agency must pay an interest penalty. It requires the head of each agency to report to OMB annually, 60 days after the end of the fiscal year, on the agency's payment performance. The act also requires OMB to report to Congress annually, 120 days after the end of the fiscal year, on the government's payment performance.

Implementation Status

OMB has provided guidance to agencies in Circular No. A-125. OMB requires, for cash management purposes, not only that agencies pay by the contracted due dates, but also that agencies pay no more than 7 days prior to the due date. Agencies have payment processes in place and have been providing data to OMB for governmentwide reporting. OMB's most recent Prompt Payment Act report, Appendix II in its Federal Financial Management Status Report and 5-Year Plan covering fiscal year 1996, showed that 91.5 percent of the payments were on time, 1.6 percent were paid early, and 6.9 percent were paid late. That report indicated that the vast majority of interest penalties had been paid to the vendors. Some agencies are also reporting on payment timing. For example, the Social Security Administration provided relevant payment timing statistics in its accountability report for fiscal year 1996, which was prepared pursuant to the pilot program established by GMRA.

GAO Contact

For further information contact Mel Mench, Assistant Director for Report Review and Analysis, Accounting and Information Management Division, (202) 512-9423.

Related GAO Products

Prompt Payment Act: Agencies Have Not Yet Achieved Available Benefits (GAO/AFMD-86-69, Aug. 28, 1986).

The Inspector General Act, as Amended, P.L. 95-452

Purpose

The purpose of the Inspector General Act is to establish inspector general offices in federal departments and agencies in order to create independent and objective units responsible for (1) conducting and supervising audits and investigations; (2) providing leadership and coordination and recommending policies to promote economy, efficiency, and effectiveness; (3) detecting and preventing fraud and abuse in their agencies' programs and operations; and (4) providing a means to keep the agency head and Congress fully and currently informed about problems and deficiencies.

Requirements

Under the Inspector General Act of 1978, the president appoints inspectors general (IGs) for certain specified federal establishments, by and with the consent of the Senate, without regard to political affiliation and solely on each individual's experience in specified areas. Under the Inspector General Act Amendments of 1988, the heads of designated federal entities appoint IGs, without the necessity of Senate confirmation. The IGs perform audits in accordance with generally accepted government auditing standards and report suspected violations of criminal law to the Attorney General. Each IG must prepare semiannual reports that summarize the IG's activities no later than April 30 and October 31 of each year. The head of each agency transmits these reports unaltered to Congress and subsequently makes them available to the public.

Implementation Status

The IG Act identifies 26 federal establishments that are to have an IG appointed by the president with Senate confirmation and 30 designated federal entities that are to have an IG appointed by their agency heads. In 1988, the House Committee on Government Operations reported that in the 10 years since the IG Act became law, IGs have strengthened federal internal audit and investigative activities and improved operations within the federal government by combating fraud, waste, and abuse and promoting economy, efficiency, and effectiveness.

However, during the 1990s, legislation such as GPRA, the CFO Act, and GMRA, have dramatically changed the management and accountability of the federal government and, in turn, have demanded shifts in the IGs' focus and contributions. The Chairman of the House Government Reform and Oversight Committee has observed that it is critical for the IGs to keep pace with such changes and ensure that their work continues to provide meaningful insight for evaluating and measuring the government's effectiveness. The Chairman has asked us to review the IGs' role and potential for increasing government accountability through strategic

planning, performance measures, quality assurance, semiannual reports, qualifications, organizational changes, and independence.

GAO Contact

For further information, please contact Dave L. Clark, Director, Audit Oversight and Liaison, Accounting and Information Management Division, (202) 512-9489.

Related GAO Products

Inspectors General: Information on Resources and Planning at the Department of Health and Human Services (GAO/AIMD-97-125R, Aug. 1, 1997).

Inspectors General: Joint Investigation of Personnel Actions Regarding a Former Defense Employee (GAO/AIMD/OSI-97-81R, July 10, 1997).

Inspectors General: Handling of Allegations Against Senior OIG Officials (GAO/OSI-97-1, Oct. 15, 1996).

Inspectors General: A Comparison of Certain Activities of the Postal IG and Other IGs (GAO/AIMD-96-150, Sept. 20, 1996).

Inspector General Act: Activities of the Federal Entities (GAO/AIMD-95-152FS, June 1, 1995).

Inspectors General: Independence of Legal Services Provided to IGs (GAO/OGC-95-15, Mar. 1, 1995).

Inspectors General: Alleged Misconduct by NASA Inspector General (GAO/OSI-95-9, Feb. 10, 1995).

Inspectors General: Action Needed to Strengthen OIGs at Designated Federal Entities (GAO/AIMD-94-39, Nov. 30, 1993).

Inspectors General: Appointments and Related Issues (GAO/AFMD-93-74FS, May 28, 1993).

Computer Security Act of 1987, as Amended, P.L. 100-235, 101 Stat. 1724 (1988), as Amended by P.L. 104-106, 110 Stat. 701 (1996)

Purpose

The purpose of the Computer Security Act is to improve the security and privacy of sensitive information in federal computer systems.

Requirements

The National Institute of Standards and Technology (NIST) must develop standards and guidelines for computer systems, for promulgation by the Secretary of Commerce, to control loss and unauthorized modification or disclosure of sensitive information and to prevent computer-related fraud and misuse.

All operators of federal computer systems, including both federal agencies and their contractors, must establish security plans.

The Office of Personnel Management must issue regulations requiring mandatory periodic training related to security awareness and accepted security practices for all persons involved in management, use, or operation of federal computer systems that contain sensitive information.

The act establishes a Computer System Security and Privacy Advisory Board within the Department of Commerce. The purpose of the Board is to identify emerging managerial, technical, administrative, and physical safeguard issues. The Board is to report its findings to the Secretary of Commerce, the Director of OMB, the Director of the National Security Agency, and the appropriate congressional committees.

Implementation Status

Agencies have developed information security plans, and NIST has continued to issue standards and other guidance. However, the most recent reports from agency IGs and us (1996 and 1997) show that all 24 major agencies (CFO agencies) have significant information security weaknesses. These weaknesses pose risks of fraud, disruption, and disclosure of sensitive data associated with federal operations.

GAO Contacts

For further information, please contact either Jack Brock, Director, Governmentwide and Defense Information Systems, Accounting and Information Management Division, (202) 512-6240; or Bob Dacey, Director, Consolidated Audit and Computer Security, Accounting and Information Management Division, (202) 512-3317.

Related GAO Products

We have been reporting on federal information security and on compliance with the Computer Security Act for years. The list below includes reports issued since September 1993. There are other reports, restricted to official use, that are not listed here.

Executive Guide, Information Security Management: Learning From Leading Organizations, Exposure Draft (GAO/AIMD-98-21, Nov. 1997).

Social Security Administration: Internet Access to Personal Earnings and Benefits Information (GAO/T-AIMD/HEHS-97-123, May 6, 1997).

IRS Systems Security and Funding: Employee Browsing Not Being Addressed Effectively and Budget Requests for New Systems Development Not Justified (GAO/T-AIMD-97-82, Apr. 15, 1997).

IRS Systems Security: Tax Processing Operations and Data Still at Risk Due to Serious Weaknesses (GAO/T-AIMD-97-76, Apr. 10, 1997).

IRS Systems Security: Tax Processing Operations and Data Still at Risk Due to Serious Weaknesses (GAO/AIMD-97-49, Apr. 8, 1997).

High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

Information Security: Opportunities for Improved OMB Oversight of Agency Practices (GAO/AIMD-96-110, Sept. 24, 1996).

Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements (GAO/AIMD-96-101, July 11, 1996).

Tax Systems Modernization: Actions Underway But IRS Has Not Yet Corrected Management and Technical Weaknesses (GAO/AIMD-96-106, June 7, 1996).

Information Security: Computer Hacker Information Available on the Internet (GAO/T-AIMD-96-108, June 5, 1996).

Information Security: Computer Attacks at Department of Defense Pose Increasing Risks (GAO/AIMD-96-84, May 22, 1996).

Information Security: Computer Attacks at Department of Defense Pose Increasing Risks (GAO/T-AIMD-96-92, May 22, 1996).

Security Weaknesses at IRS' Cyberfile Data Center (GAO/AIMD-96-85R, May 9, 1996).

Tax Systems Modernization: Management and Technical Weaknesses Must Be Overcome To Achieve Success (GAO/T-AIMD-96-75, Mar. 26, 1996).

Financial Management: Challenges Facing DOD in Meeting the Goals of the Chief Financial Officers Act (GAO/T-AIMD-96-1, Nov. 14, 1995).

Financial Audit: Examination of IRS' Fiscal Year 1994 Financial Statements (GAO/AIMD-95-141, Aug. 4, 1995).

Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-95-117, June 12, 1995).

Department of Energy: Procedures Lacking to Protect Computerized Data (GAO/AIMD-95-118, June 5, 1995).

Financial Management: Control Weaknesses Increase Risk of Improper Navy Civilian Payroll Payments (GAO/AIMD-95-73, May 8, 1995).

Information Superhighway: An Overview of Technology Challenges (GAO/AIMD-95-23, Jan. 23, 1995).

Information Superhighway: Issues Affecting Development (GAO/RCED-94-285, Sept. 30, 1994).

IRS Automation: Controlling Electronic Filing Fraud and Improper Access to Taxpayer Data (GAO/T-AIMD/GGD-94-183, July 19, 1994).

Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1993 and 1992 (GAO/AIMD-94-131, June 30, 1994).

Financial Audit: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

HUD Information Resources: Strategic Focus and Improved Management Controls Needed (GAO/AIMD-94-34, Apr. 14, 1994).

Financial Audit: Federal Deposit Insurance Corporation's Internal Controls as of December 31, 1992 (GAO/AIMD-94-35, Feb. 4, 1994).

Financial Management: Strong Leadership Needed to Improve Army's Financial Accountability (GAO/AIMD-94-12, Dec. 22, 1993).

Communications Privacy: Federal Policy and Actions (GAO/OSI-94-2, Nov. 4, 1993).

Document Security: Justice Can Improve Its Controls Over Classified and Sensitive Documents (GAO/GGD-93-134, Sept. 7, 1993).

IRS Information Systems: Weaknesses Increase Risk of Fraud and Impair Reliability of Management Information (GAO/AIMD-93-34, Sept. 22, 1993).

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