JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

JFMIP

1988 Report on Financial Management Improvement

Preface

As I complete my first year at the Joint Financial Management Improvement Program (JFMIP), I find great satisfaction in knowing that agencies have made significant progress in modernizing their financial systems and operations. A central part of the JFMIP mission is to be a catalyst for financial management improvements.

This report highlights the financial management improvement activities during 1988 by the Federal government. We believe that by exchanging information, agencies' efforts in improving their operations and systems are greatly enhanced and facilitated. We welcome and encourage requests for additional information concerning reported accomplishments, either through the JFMIP staff or the agency liaison representatives.

We wish to take this opportunity to thank all of the agency officials who contributed to this report and congratulate you for making significant financial management improvements. We wish you success in facing the challenges for financial management improvements in the 1990's. We also look forward to hearing about your new and significant accomplishments in the future and appreciate your continuing support.

Virginia B. Robinson
Executive Director

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Chapter 1

Joint Financial Management Improvement Program

Background

This year marks the 40th anniversary of the Joint Financial Management Improvement Program (JFMIP), a joint undertaking of the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Department of the Treasury, and the Office of Personnel Management (OPM), working in cooperation with each other and with operating agencies to improve financial management practices. The JFMIP staff is preparing a 40th anniversary publication which will give JFMIP's historical perspectives and highlight significant accomplishments of the past 40 years. Current and planned initiatives will also be mentioned. This publication will focus on increasing public awareness of the Federal agencies coordinated efforts during the past 40 years and highlight major milestones.

Reflecting back on the Joint Program, it was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, became a part of the Joint Program in 1966.

The overall objective of the JFMIP is to improve and coordinate financial management policies and practices throughout the Government so that they will contribute significantly to the efficient and effective planning and operation of governmental programs. Leadership and guidance are provided by the four Principals of the Program—the Secretary of the Treasury, the Director of the Office of Management and Budget, the Comptroller General of the United States, and the Director of the Office of Personnel Management. The program is administered by a Steering Committee, which is composed of representatives of the Principals, the Executive Director of the JFMIP, and a representative from a major Department. In 1988, the Department of Health and Human Services was represented on the Steering Committee. Under the guidance of the Steering Committee, the JFMIP staff develop, direct, and undertake improvement programs and projects in cooperation with central agencies and the operating agencies. Appendices A and B list the key officials and the JFMIP staff members during 1988.

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the central and operating agencies. To fully achieve the necessary coordination and cooperation, the heads of Federal departments and agencies have designated liaison officials. Agency liaison representatives are identified in Appendix C.

Under the direction of the Steering Committee, the JFMIP staff and representatives from Federal agencies undertake special studies and research projects of a governmentwide nature to resolve specific problems. Such projects are often carried out through interagency project teams involving both the central and operating agencies.

In addition to special projects, the JFMIP staff and Federal agencies perform a variety of activities to improve financial management. The JFMIP acts as a clearinghouse for sharing and disseminating information about good financial management techniques and technologies. The JFMIP staff also provides advisory services in dealing with specific financial management problems. These problems may be dealt with by referral to a source of expertise, by referral to the cental agencies or by informal consultation. The JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management practices. These special projects and activities are described below.

Projects Accomplished and Underway

Core Financial System Requirements

In support of the Administration's financial systems program, in January 1988 the JFMIP published the *Core Financial System Requirements* document. By a memorandum dated January 12, 1988, signed by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General, the "Core Requirements" were transmitted to heads of departments and agencies. The memorandum directs that departments or agencies should certify their level of compliance with the "Core" requirements beginning with Fiscal Year 1989 as part of the Federal Managers' Financial Integrity Act reports.

These uniform requirements for financial management systems were developed by an interagency task force, under the auspicies of the JFMIP, to help agencies upgrade their financial management systems and enhance the consistency of the systems and financial information. Task force representatives came from central agencies, as well as programmatic agencies.

These requirements outline minimum processing standards that must be met by all Federal financial systems. The functional coverage includes general ledger, payables and disbursements, receivables and collections, budget execution and funds control, cost accounting, and reporting. The consistency brought about by implementation of these standards will enhance the overall completeness, reliability and comparability of financial data used to manage Federal departments, agencies and specific programs or funds.

As of March 15, 1988, the Comptroller General incorporated the "Core" requirements into the accounting system standards (GAO Title 2, Appendix III), which GAO prescribes by law for the Federal government. In addition, by memorandum dated September 30, 1988, the OMB and GSA jointly established a governmentwide Financial Management Systems Software (FMSS) schedule to assist agencies in procuring software that complies with the uniform, minimum standards provided in the "Core" system requirements. GSA is issuing additional guidance explaining how to use the FMSS schedule. OMB will be issuing further guidance through revisions to OMB Circular No. A-127, "Financial Management Systems" in mid-1989. (Edward Wadding, (202) 376-1099)

Payroll/Personnel Systems Standards

The JFMIP will continue developing and publishing functional requirements for subsidiary financial systems that will build upon and extend the *Core Financial System Requirements.* JFMIP has begun work on payroll/personnel systems standards by using the President's Council on Management Improvement study on "Evaluation of Federal Personnel/Payroll Systems". The Study model was adapted to fully comply with the recently issued core system requirements and the draft standards are being distributed for formal comment. Following the formal comment period, the model will be issued as a companion document to the recent JFMIP *Core Financial System Requirements.* [Edward Wadding (202) 376-1099]

Government Accountants Training

In 1988 the JFMIP began work to develop a training program for Series 510 accountants, approximately 11,000 governmentwide. The project objective is to identify GS-510 accounting training needs and integrate these needs into a core and continuing education curriculum. The underlying objective of this project is to improve the technical and managerial competency of Federal Government accountants.

All Federal departments and independent agencies were asked to comment on draft project statements. These statements cover Federal accountants' functions, emphasizing integrated financial management under the "Core Requirements". They address knowledge, skills and abilities, and training needs. After incorporating the comments, the project report and appendices presenting the updated statements will be reviewed by a panel of education and financial experts. The project report will be published as a model for agencies to adapt for their individual agency needs. This methodology or an adaptation may be used as a basis for projects to address the training needs for other professionals such as budget staff in the financial management area. [Judith Fuerstenberg, (202) 376-5415]

Standardization of Financial Information

In 1988, in support of the Administration's financial systems improvement program, the JFMIP established an interagency task force to make in-depth analyses of central agencies' policies and reporting requirements relating to financial information. The objective of the task force is to make recommendations concerning (1) standard terms and definitions for financial information and (2) minimum uniform financial information requirements needed by the central agencies. These products are intended to be used for future design of a data base system to which operating agencies make uniform input and from which OMB, Treasury and other users extract financial information for their respective use. This data base will be designed to integrate both accounting and budgetary information. The task force, in its analyses, will disclose duplication and overlap, inconsistencies in terms and definitions, and deviations from GAO Title 2 requirements. Also, it is possible that certain improvements to the Standard General Ledger and the Core

Document may result. The Task Force members are from OMB, Treasury, GAO, JFMIP, Department of Health and Human Service, Department of Defense, Department of Energy, Department of Agriculture, and the Federal Energy Regulatory Commission. (Susumu Uyeda, (202) 376-2002)

Information Exchange

Annual Conference

The JFMIP annually sponsors a financial management conference to disseminate information on current financial management issues and improvements. Close to 900 people from the Federal and private financial communities attended the JFMIP's 17th Annual Conference held on March 9, 1988 in Washington, DC. The theme of the conference was "Making Financial Management Work in the Federal Government".

One of the keynote speakers, Mr. Gerald Riso of OMB, then Chief Financial Officer of the United States, highlighted what he envisioned should be accomplished in the next few years by Federal financial managers. He called on agencies to continue to modernize their financial systems and to assure continuity in the future with todays reforms. He concluded by stressing the need to embody the Chief Financial Officer (CFO) structure beyond 1988 in formal legislation.

A panel of three corporate CFOs then shared their experiences. Jack Burley of Heinz U.S.A. described how the accounting and reporting systems in his corporation are being modified to identify and better manage quality factors throughout the organization. Gary Coughlan of Kraft, Inc. and John Quindlen of E. I. duPont de Nemours Company both noted a trend to force accountability and responsibility lower in their organizations. Federal agency leaders also shared their perspectives on Federal financial management. They included: Lawrence Gibbs, Internal Revenue Service, Dorcas Hardy, Social Security Administration, Dale Robertson, U.S. Forest Service, and Terence Golden, General Services Administration. Both public and private sector speakers agreed that they face similar challenges involving resource limitations and technological changes. A common theme was the recognition of the need for better management information in all phases of operation. Panel discussions were held on Financial Auditing; Systems and Technology; and Management Information. One of the highlights of the conference was the presentation of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management. The purpose of these awards is to recognize senior financial management executives who, through outstanding and continuous leadership in financial management, have been principally responsible for significant economies, efficiencies and improvements in Federal, State or local government. Comptroller General Charles A. Bowsher presented the awards to Conrad R. Hoffman, Director, Office of Budget and Finance of the Veterans Administration; and William R. Snodgrass, Comptroller of the Treasury for the State of Tennessee.

Forum on "Managing for the 1990's Using the Information Edge"

The JFMIP, along with the Systems Committee of the President's Council on Management Improvement (PCMI) and the Private Sector Council (PSC) jointly sponsored a one-day forum for 250 senior executives. The forum, held on October 19, 1988 in Washington, DC, highlighted ways in which management in both the public and private sectors were using information technology to improve productivity within their organizations. Future trends and the impact of future technology on management were also presented. The moderator was S. Anthony McCann, an Assistant Secretary from the Department of Health and Human Services. Joseph Wright, Jr., then Deputy Director of the Office of Management and Budget and Chairman of the PCMI, summarized the great strides made in improving Federal Government operations. David Cox, Vice President of Science Applications International Corporation, shared his insights on trends that will affect how we will manage in the 1990's. Dorcas Hardy, Commissioner of the Social Security Administration, spoke on the impact of information technology on her organization. Richard Shriver, Senior Vice President and Chief Technologist at McGraw-Hill, Inc., discussed how information can be used as a resource to achieve organizational and corporate missions. Workshop sessions were conducted on Payroll/Personnel Systems, Human Resources Issues, Expert Systems, Using the Information Edge in Government, Using Electronic Data Interchange, and Using Smart Cards. Concluding the forum, Jimmie Brown, Chairman of the JFMIP Steering Committee, called on all Federal managers to manage their information technology to achieve the "information edge".

Briefings and Presentations

To disseminate information on current financial management issues, the JFMIP staff has participated in workshops, seminars, and forums throughout the year.

The Executive Director and staff have also met with agency financial managers to solicit input for and share ideas of current, past, and anticipated JFMIP projects. The organizations visited during 1988 include the Departments of Defense, Energy, Labor, State, and Transportation; Federal Aviation Administration, National Transportation Safety Board, Environmental Protection Agency, Internal Revenue Service, Federal Energy Regulatory Commission, NASA Ames Research Center, the Supreme Court, and Federal Deposit Insurance Corporation. The JFMIP also participated in meetings with the Financial Managers' Council, which consists of senior financial managers from the 17 largest Federal departments and agencies; the independent Agencies Financial Managers' Council, which represents top financial officials from 20 small Federal agencies; and the Chief Financial Officers (CFO) Council, an advisory group to the CFO that consists of 20 Federal CFOs. In addition, staff members made presentations at various financial management conferences.

Quarterly News Bulletin

To help keep Federal managers up-to-date on the latest developments in financial management, the JFMIP publishes a quarterly news bulletin. The articles cover a wide variety of topics such as central agency initiatives, financial systems, auditing, budgeting, cash management, and other technical subjects affecting financial managers. The JFMIP has been publishing this news bulletin since 1970.

Annual Report

JFMIP began issuing the Annual Report in January 1950. The Annual Report summarizes the activities of JFMIP and the financial management accomplishments of the central agencies and the operating agencies.

Financial Management Directory

First published by JFMIP in 1973, the Directory facilitates the interchange of financial management information among agency officials in the Federal Government. The most recent issue of the Directory was published in April 1987 and it will be updated in mid-1989.

Chapter 2

Governmentwide Initiatives To Improve Financial Management

Office of Management and Budget

The Office of Management and Budget (OMB) continued to lead various governmentwide initiatives to improve financial management policy, systems and operations. A massive task on the agenda is to replace obsolete systems, eliminate redundant systems, and make systems compatible so that financial information can readily be exchanged, aggregated, and reported to all executive and management levels in a timely manner. The ultimate goal is to establish a single, governmentwide financial management system which will provide Federal managers with accurate, current, and compatible financial information for managing operations. Several strategies that were undertaken in 1988 to achieve this goal are described below.

Systems Improvements

Installing A Single Primary Financial System

An overall system architecture was formulated based on a single primary financial system in each major agency. This will provide the capability to aggregate information to an agency-wide level in addition to serving management below the agency level. Electronically linking the primary accounting systems to agency subsidiary systems (such as payroll) and program systems (such as grants) will provide a complete, integrated system architecture for each agency. The primary system concept also provides the opportunity for linking these agency systems to the central systems of OMB and Treasury to form a single governmentwide financial system.

Thirteen agencies now have a primary accounting system in place. The remaining agencies are scheduled to be in place by 1992. Linkages to subsidiary and program systems is also scheduled for completion by 1992. These will replace or consolidate 124 antiquated and incompatible primary accounting systems into 26 primary accounting systems. Roughly 200 separate and duplicative subsidiary financial systems (e.g., payroll, personnel, property) will be reduced to less than half that number. By the end of 1989, two-thirds of the major federal agencies with program financial systems (e.g., food stamp, Federal loan, insurance) will have compatible data elements. All agencies will be covered by 1992. [Dave Gribble, (202) 395-3993]

Emphasizing Cross-servicing

A "cross-servicing" program was instituted to eliminate redundant, obsolete systems by having agencies with proven systems provide financial services to others. The use of cross-servicing arrangements with other agencies to obtain financial services has been firmly established as a key strategy for successful systems elimination and consolidation, and for achieving better service at reduced cost. Cross-servicing and systems consolidation will also help reduce the number of subsidiary financial systems. Seventy-three of 82 small agencies now employ some type of cross-servicing to obtain administrative services, nearly a 40% increase from the number in 1983. The number who now receive all major administrative processing services through cross-servicing (e.g., personnel, payroll, accounting, administrative payments, etc.) has risen from 28% in 1983 to 59% in 1988. Larger agencies have also moved in this direction. In 1988, the Department of Housing and Urban Development and the U.S. General Accounting Office joined the Department of Commerce, Smithsonian Institution, and others in using the Department of Agriculture's National Finance Center (NFC) for payroll/personnel services. In 1989, the Treasury Department will begin a multi-year phased cross-servicing of the entire Department by the NFC for payroll/personnel services. [Albert Seferian, (202) 395-3993]

Using Off-the-Shelf Software

OMB has called for preferential use of commercial off-the-shelf software for building new systems to avoid the time and high cost of custom-built systems. Recently software has become available from commercial vendors that will meet core financial systems needs. Use of off-the-shelf software can improve uniformity and save the Government money. Custom systems are approved only with special justification. Examples of agencies recently acquiring off-the-shelf software as the base for core financial systems include the Departments of Commerce, Interior, Health and Human Services, State, Treasury, Education, Labor and the Environmental Protection Agency.

The General Services Administration (GSA) has awarded multiple award schedule contracts under the Financial Management Systems Software (FMSS) program to provide for commercial, off-the-shelf systems and related support. Use of the schedule contracts is mandatory for all departments/agencies in the Executive Branch of the Federal government (excluding the U.S. Postal Service) for acquisition of commercial software for primary accounting systems and for the acquisition of services and support related to the implementation of such software packages. For agencies holding current licensing agreements that preceded the award of this schedule, FMSS schedule contracts are optional.

Agencies are responsible for conducting a competitive analysis of the schedule contractors and issuing a delivery order to that contractor which best suits the agency's needs. If necessary, agencies shall further delineate the standard functional requirements contained in the JFMIP's *Core Financial Systems Requirements*, and specify additional requirements that are not included in the current specifications.

Agency selection plans shall be established in accordance with agency procurement regulations and should be sufficiently flexible to allow the determination of the FMSS schedule contractor whose softward best suits agency needs. Agencies must consider the total systems life cycle costs of both implementing and operating the software. Such economic evaluation includes costs not directly related to the offeror's proposed prices for an individual order. Agencies, therefore, are not required by the terms of the FMSS program to award to the lowest price schedule contractor; provided that their selection plans, evaluation and award factors, and internal agency procurement regulations allow for selection of other than the lowest price offer.

This commercial software strategy has opened a new avenue for building and maintaining government financial systems. These commerical products can be expected to become better as the government's requirements and standards are optimized and as the commercial vendors gain experience with the government financial environment. [Dave Gribble, (202) 395-3993]

Sharing the Use of Existing Agency Software

To reduce the need to develop new systems, agencies have been encouraged to acquire good software products that are available in other government organizations. The Commerce Department acquired software to process administrative payments from the Department of Agriculture. In 1988 Interior's Fish and Wildlife Service began using the Payment Management System (PMS) of the Department of Health and Human Services (HHS) to make some of its grant payments. The Department of Education is also using software obtained from HHS to process grant payments. In a major program, the Department of Transportation is consolidating the entire Department accounting operations on software developed by the Federal Aviation Administration. This strategy to encourage the use of existing government software will be continued as an ongoing method of keeping costs down and helping to foster standardization of systems and operations. [Dave Gribble, (202) 395-3993]

Internal Controls

A major emphasis was placed on validating and monitoring program delivery through improved management and accounting controls to prevent fraud, theft, and other diversions or misuse of resources. These include: (1) budget, financial, and administrative controls to make sure spending takes place only for approved purposes; (2) separation of duties to make it difficult for one person to divert resources; (3) inventories, audits, cash reconciliations; and (4) physical controls such as cipher locks on doors and secure storage areas.

The 1988 reviews focused on priority problems and opportunities to make improvements. Agencies were encouraged to share successful techniques. All 23 of the major agencies reported their internal control systems in overall compliance. As of December 31, 1988, 1,800 reported weaknesses have been corrected and agencies have committed to correcting the rest by the end of 1992. [Jack Sheehan, (202) 395-3993]

Quality and Productivity Management

A comprehensive productivity improvement program, designed to promote the timely delivery of high quality, error-free, and cost effective products and services to the American people, is underway across government. Agencies initiated improvement efforts in 32 services in 1987, 66 more were added in 1988, 93 additional services were targeted for improvement in 1989, and 74 will be added in 1990. These 265 government services involve over 800,000 Federal employees and include financial areas such as tax return processing, auditing and social security payments. This program encompasses not only financial management services, but all services across the board for the Federal government. Under this program, the unit cost for operations has been reduced by an average of 10 percent.

One example of results that have been achieved is a reduction in the amount of time it takes to process a HUD property improvement loan, down from 86 days in 1985 to just 22 days in 1988.

Agencies making the greatest progress are changing the way they do business; i.e., changing their core technology and altering their authority structure and pushing power, information and rewards downward in the organization—an approach known as "Total Quality Management" (TQM). In 1988, a major effort was launched to educate Federal managers in how to implement Total Quality Management. The Federal Quality Institute was established to provide TQM training and implementation assistance to senior executives. The First Annual Conference on Federal Quality and Productivity Improvement was held in June 1988. Quality Improvement Prototype awards were offered in 1988 to recognize agency successes and showcase their efforts as models that other agencies can apply to their own activities. Thus far Quality Improvement Prototype organizations have been selected from within the IRS, Navy, NASA and the Veterans Administration. More information on this program is detailed in *Management of the United States Government, Fiscal Year 1990.* [Carolyn Burstein, (202) 395-3692]

Credit Management

Federal credit programs have been created to accomplish a variety of social and economic goals. Over the past 20 years, the Government's level of credit support through new direct and guaranteed loans has increased rapidly to a level of $128 billion in 1988.

The need to effectively manage credit programs has been recognized and sound business practices for credit management have been adopted and implemented. A comprehensive Federal credit policy has been established. OMB Circular A-70 (May 1984) establishes standards for evaluating the budget impact of credit programs. OMB Circular A-129, first issued in 1985 and revised and expanded in 1988, defines policies and procedures for managing Federal credit programs. The two circulars are closely linked, and together define the Government's requirements for credit extension, loan servicing, and delinquent debt collection.

Prescreening for Creditworthiness

For Federal programs where ability to repay is an appropriate criterion for extending credit, a strong prescreening program is the most effective way to minimize potential defaults and delinquencies. Applicants for contracts, grants, and cooperative agreements, as well as those seeking loans, must be screened to determine their creditworthiness.

Except where program authority prohibits, agencies are required to purchase private credit bureau reports of credit history for most applicants. In 1988, the major credit agencies reported the purchase of approximately 2 million credit bureau reports. In 1989, agencies will require primary lending institutions to also use credit bureau reports for all federally guaranteed loans.

In addition, all application forms for Federal financial assistance are now required to include a question as to whether the applicant is delinquent or in default on any Federal debt. Agencies cannot provide financial assistance to an applicant delinquent on a Federal debt until payment is made in full or satisfactory repayment arrangements are made with the agency to whom the debt is owed.

In 1989, an initiative will be undertaken to improve prescreening by establishing a data base of delinquent debtors. The data base will be built on the Department of Housing and Urban Development's CAIVRS system (Credit Alert Interactive Voice Response System). This system currently allows lenders for HUD guaranteed mortgages to match applicants against borrowers already delinquent on HUD loans. It will be made available to all major credit agencies and primary lenders.

Loan Servicing and Management

Management of over 180,000 loans has been transferred to the private sector through a loan asset sales program initiated in 1987. In 1987 and 1988 loans with a face value of $17.7 billion were prepaid by borrowers or sold, yielding $13.7 billion gross proceeds. The program will be continued in 1989, with $8.3 billion in loans to be sold or prepaid.

Although most of the attention on loan asset sales has focused on the proceeds to the Government, preparation of the portfolios for sale has identified weaknesses and needed management improvements in agency credit extension and account servicing procedures. Numerous improvements have been made in individual agency procedures, and stronger governmentwide standards were incorporated in the revised A-129.

For those loans that are not sold, either because it is not cost-effective or legislative impediments prohibit sale, efficient procedures must be in place to collect and record payments and provide other services. These activities may be carried out by the credit agency, or obtained through a cross-servicing arrangement with another agency or a contract with a private sector firm. In addition to conventional approaches to contracting for servicing support, agencies will consider selling servicing rights for an up-front fee from private sector firms. Servicers would be compensated by retaining a percentage of collections on the declining portfolio balance.

Another aspect of effective loan management is credit bureau reporting. Credit bureau reporting supports prescreening by enabling both public and private credit experience to be included in an applicant's credit history, providing a very effective deterrent to defaulting on a Federal loan. In 1988, agencies reported to credit bureaus information on 2.4 million accounts valued at $79 billion. In 1989, emphasis will be placed on ensuring that primary lending institutions for guaranteed loan programs also report to credit bureaus.

Delinquent Debt Collection

The Federal government now has in place an efficient system for the collection of delinquent debt. Debt collection techniques include: collection by salary offset, income tax refund offset, use of contractors to collect debts, and litigation. Additional information on the first two techniques can be found under Treasury initiatives in this chapter. Information on the other two techniques is provided below.

In December 1987, the General Services Administration contracted with six private collection firms. All agencies not having existing contracts or statutory prohibitions were expected to refer accounts six months or more delinquent to these collection companies, unless the accounts were already in litigation. A total of $1.4 billion in delinquent debt was placed with these contractors during 1988. Because many of the placements occurred late in the year, only $3.3 million has been recovered to date. In addition, the Department of Education has had its own debt collection contractors since 1982, with total collections of $273 million.

Justice is implementing the use of private attorneys to assist in litigation of delinquent debt collection actions. This three-year pilot project will be operational in five judicial districts in early 1989, and will be extended to five additional districts later in the year.

Budgeting Initiatives

The following budget initiatives, with both substantive and presentational impact, were included in the 1990 Budget.

Federal Credit Programs Treatment in the Budget

The 1990 Budget is again proposing reform of the way Federal credit programs are treated in the budget. The credit reform proposal is essentially the same as it was last year. Generally, beginning in fiscal year 1990, agencies would be required to seek general fund appropriations for the calculated subsidy value of all new direct loan obligations and guaranteed loan commitments. Amounts appropriated for the subsidy value would be paid by the agency to two central funds in the Treasury—one for direct loans and one for guaranteed loans. The direct loan fund would finance the market value of direct loans, and the guaranteed loan fund would serve as a reserve for guaranteed loan defaults. Existing funds would only cover transactions associated with direct loans obligated and loan guarantees committed prior to fiscal year 1990.

Deficit Reduction

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended in 1987, called for a balanced Federal budget by fiscal year 1993. It sets declining deficit targets for each fiscal year and specified a procedure designed to achieve these targets.

Following procedures prescribed by the law, the Director of the Office of Management and Budget submitted reports to the President and the Congress estimating the projected deficit for fiscal year 1989 and the amount of deficit reduction that resulted from laws enacted and regulations promulgated. Due to the combined efforts of the Administration and the Congress that culminated in enactment of all thirteen appropriations bills for fiscal year 1989, OMB reported that estimates of the projected deficit for fiscal year 1989 would fall within the range specified in the law. Since the projected deficit did not exceed the specified target by more than $10 billion, no sequester was ordered by the President.

Reform of the Budget Process

Reform of the budget process continues to be a high priority. Reaffirming the proposals of the last Administration, the President has called for a constitutional amendment to balance the budget and line item veto, as well as other budget reforms. These include enhanced rescission authority, biennial budgeting, a joint budget resolution, and stricter enforcement of the budget resolution. Other areas of reform that will receive increased attention include proposals for ensuring agreement on principles for scoring the budgetary impact of various actions, developing ways to highlight capital outlays, anticipating long-term problems and opportunities, and tracking policy initiatives and priorities from initiation through implementation.

Review of Budget Terminology and Information Requirements

OMB is participating in several efforts to ensure that the Federal Government can communicate effectively on the myriad of complex budget issues and proposals that are addressed in Congressional, Executive branch, and public forums every day.

In connection with the periodic update of the GAO *Glossary of Terms Used in the Federal Budget Process*, OMB was asked last summer to review and comment on the definitions and terms included in the last edition. Last revised in 1981, the glossary needed numerous changes due to the requirements of Gramm-Rudman-Hollings legislation and changes in budget concepts and classifications. OMB has provided extensive comments on significant terms used in the Congressional and Executive budget processes and will continue to work with GAO throughout the editing phase of the project.

Recognizing the need for a long-term study of budget information requirements and presentation, OMB has initiated a process that will develop, study, and implement proposals to enhance data collection and analysis and improve budget presentation. Emphasis will be on proposals that make data collection and processing in OMB's budget information systems (budget preparation system and central budget management system) more efficient; improve the printed presentation of budget data; and reevaluate current budget concepts and basic data elements. The process, now in its initial phase, is focussing on developing an agenda and plan for studying issues to be considered and implemented over the next several years.

Acknowledging the importance of central agency review of the varying financial requirements, terms, and definitions, better linkage between budget and accounting data, and the need for better data for Governmentwide analyses and decisionmaking, OMB has supported the JFMIP project to standardize financial information requirements in the last year. As a participant in the project, OMB has briefed the interagency task force on several occasions on OMB's requirements for budget information and the use of that information. OMB has also assisted in design of the work plan has taken the lead in organizing and administering a subgroup studying the relationship of various budget requirements to one another and to the financial requirements, terms, and definitions of GAO and Treasury.

Improvements in Budget Information Systems

OMB uses multiple aging computer systems in support of the budget process. Because these systems need to be integrated and modernized to achieve greater levels of flexibility and accessibility, OMB has begun an effort, known as the MAX project, to develop the next generation budget support system incrementally. While the project has been constrained by the availability of funds, progress is being made in areas such as function and data modeling, requirements definition, and strategic planning. OMB is vitally interested in the data element standardization efforts of JFMIP and is anxious to insure the compliance of its budget systems with JFMIP recommendations.

Electronic Data Interchange

Using electronic data to conduct business has become an economic necessity. Like major corporations, the Federal government must also use new electronic data technologies. This is especially important in the procurement area, because the Federal government purchases such a tremendous volume of goods and services each year. Conducting those transactions electronically not only saves money, but reduces costs to businesses who have designed their practices around electronic media. Industry giants in transportation, grocery and electronics have converted purchases orders, invoices, bills of lading and material releases to paperless form, thereby slashing time, labor and errors in doing business. It has been estimated that converting just 5 percent of the 66 million Federal procurement transactions will save $100 million a year or speed the transactions.

To assure we do not unnecessarily impose restrictions on what is commonly becoming a "business-as-usual" practice, OMB will shortly issue policy guidance directing agencies to begin adapting to conducting business electronically in conformance with standards developed by national and international voluntary standards organizations. This practice is called "Electronic Data Interchange", or EDI. By encouraging electronic transfer of commercial information and using the standard formats currently in use or being developed, we hope to be ready for the future, when perhaps 75% of the public's transactions with the government will be handled electronically in the year 2000. [Al Seferian (202) 395-3993]

Department of the Treasury

The Department of the Treasury's Financial Management Service (FMS) has made good progress in its governmentwide financial management initiatives during the past year. During 1988 the use of electronic payment and collection mechanisms increased. The government is making payments to vendors through electronic funds transfer (i.e., Vendor Express) with the capability of transmitting the invoice data with the payment data. Through the preauthorized debit mechanism, agencies collect monies on predetermined settlement days electronically. Beneficiaries are receiving payments through the Direct Deposit program. The use of credit cards for purchases and collections has increased. Strides are being made to accelerate the flow of funds through the banking system through various mechanisms. In addition, Treasury's systems modernization, the STAR Project and the System 90 Project, will bring about further integration of the banks, disbursing offices, and government agencies. Highlighted below are the significant accomplishments of the Treasury's Financial Management Service (FMS).

Cash and Credit Management

Cash and credit management and debt collection have been top priorities of President Reagan's management improvement program. By emphasizing good cash management techniques and practices common in the private sector, the Administration made paying the Government's bills on time and collecting and depositing its receipts by the next business day the standard for agencies. During the past 5 years, the cumulative interest savings have increased from $179 million in 1983 to $4.3 billion in 1988.

Cash Management Reviews

Treasury has taken the lead responsibility to meet with each agency and has presented recommendations for improvements uncovered by a cash management review process. In 1988, comprehensive cash management reviews were conducted and 107 new initiatives were identified. Cash management reviews were submitted by all but 4 of the 120 executive agencies. In FY 1988, interest savings in excess of $900 million were realized as a result of cash management improvements Governmentwide. Self-certification packages will be mailed annually to all agencies until the next comprehensive all-agency review in FY 1991. [Donna Jackson, (202) 287-0745]

Electronic Data Interchange

The Financial Management Service is currently working with the U.S. Customs Service to test Electronic Data Interchange (EDI) technology for payments due the Government. EDI will expedite the exchange of payments and invoice information between the Government and private corporations by converting the initial billing into a standardized electronic business transaction. It will also increase efficiency by electronically transmitting accounting information and supporting documentation along with the payments to the Government. [Thomas A. Jones, (202) 287-0751]

Vendor Express Electronic Payment System

FMS implemented an electronic payment system for making vendor and miscellaneous payments in July 1987. This system, termed Vendor Express, permits Federal agencies to make payments using the Automated Clearing House. The Vendor Express system has the capability to carry electronic invoice information with the payment that is machine processable by corporate accounts receivable systems. The Departments of Health and Human Services, Education, Labor, and Housing and Urban Development began using this method of paying vendors. By the end of 1988, Treasury was making more than

118,000 vendor payments by EFT. Once the Government makes all of its vendor payments electronically, annual savings of $18 million are estimated. By 1990, all companies doing business with the Federal government must be able to receive payment electronically. [Loretta Walker, (202) 287-0464]

Automated Clearing House/PreAuthorized Debit (ACH/PAD)

Another cash management initiative is the use of the Automated Clearing House (ACH) with preauthorized debit. Preauthorized debits give agencies the ability to use the ACH, an automated electronic funds concentration and transaction settlement system, to collect monies electronically and to cut costs associated with remittance processing. The agency, with signature authority from the remitter, prepares a request for payment through the ACH system. The Federal Reserve Bank credits Treasury's account and debits the Federal Reserve account of the remitter's financial institution on settlement day. The Internal Revenue Service (IRS) implemented this collection mechanism in 1985; and in August of this year, FMS coordinated the conversion process between the Veterans Administration (VA) and the Federal Reserve Bank to implement ACH/PAD for VA's insurance premiums program. [Harriet Freedman/Angela Vessels, (202) 287-0751/0580]

Cash-Link/TGA Cash Concentration System

During 1988, FMS completed the specifications for a new cash concentration system known as Cash-Link. Since 1984, the Treasury General Account/Cash Concentration System (TGA/CCS) has electronically linked 450 financial institutions through five concentrator banks, accelerating the flow of funds and information to the Treasury account. The Cash-Link system will further enhance collection and depositary services for agencies in a number of ways. It will integrate the reporting of deposits for seven major collection systems. It will streamline the funds transfer and reconciliation processes by eliminating the use of concentrator banks—funds will move directly into Treasury's account at the Federal Reserve. It will provide agencies with on-line, immediate access to all deposits processed by commercial and Federal Reserve banks—thereby accelerating reconciliation of deposit transactions. When fully implemented, anticipated in 1990, Cash-Link will encompass over 2,500 commercial and Federal Reserve bank arrangements receiving $387.5 billion in deposits annually. [Cindy Johnson, (202) 287-0751]

Fedwire Deposit System

FMS continues to espouse Fedwire Deposit System, which it created to improve the handling of wire deposits. The use of wire transfer produces savings of $126 million a year through accelerated funds availability. By the end of 1989, 40 agencies will be able to access, through this system, the accounting information needed to credit a payer's account as soon as the deposit is made at the Federal Reserve. [Thomas A. Jones, (202) 287-0751]

Letter-of-Credit Wire Transfer System

In 1988, Letter-of-Credit (LOC) activity was converted from paper to electronic funds transfer (EFT). The two paper-based letter-of-credit systems have been replaced by the LOC-Treasury Financial Communications System (LOC-TFCS), a two-way wire transfer system that provides for electronic receipt and payment. Cash management savings in terms of increased availability of funds to Treasury is estimated at $142 million for FY 1988. [Dale Walton, (202) 287-0452]

Electronic Benefit Services Access Cards

FMS has taken the lead in developing a Governmentwide program to test the delivery of benefits via plastic access cards, automated teller machines (ATMs), and point-of-sale (POS) terminals. The first such test, in Baltimore, Maryland, involves up to 1,000 Supplemental Security Income recipients who have no bank accounts. If EBS can deliver benefits more efficiently and at a reasonable cost, then the potential volume conversion from paper to electronic benefit delivery via ATMs and POS terminals is in the billions of dollars. This alternative could ultimately be offered to all unbanked recipients in the 70 or so Federal programs that distribute benefits to individuals. [John Galligan, (202) 287-0751]

Imprest Fund Debit Cards

FMS is attempting to modernize replenishment of imprest funds through the use of electronic means via Debit Cards. Currently, there are approximately 9,700 primary imprest accounts in Treasury disbursed agencies within the Government, with cash funds totalling $72 million. In a test program designed to be conducted for a one year period, the imprest fund cashiers at the FMS headquarters office, seven Regional Financial Centers, and selected participating Federal agencies, will be issued magnetic striped debit card to make cash withdrawals through a nationwide automated teller machine network. This method will expedite the replenishment process by eliminating submission of a payment voucher to the Treasury Regional Financial Centers and waiting for checks to be processed and mailed from FMS. [Michael Chew, (202) 287-0336]

Lockbox Collection Network

On February 23, 1988, seven banks in 9 cities were selected to collect Government funds through the FMS Lockbox Collection Network. The Network expanded to 3 additional cities through the rebid process. In FY 1988 lockbox collections provided $32.8 million in program savings. FMS is placing strong emphasis on moving from "paper based" lockbox accounts to the various electronic collection methods. Each new account and existing accounts (at the time of renewal) will be evaluated as to the feasibility of moving some or all of those accounts to automated format. Automated collections are less expensive and less prone to error. [Kathy Aust, (202) 287-0580]

Limited Negotiability of Government Checks

FMS has responsibility for the implementation of Title 10 of Public Law 100-86, which limits the negotiability, claimability, and reclaimability of all government checks. The law requires additional recordkeeping and systems modifications by agencies so that they can receive and process the cancellation credits that FMS will provide them for checks outstanding after 12 months from issuance. The effective date for the implementation of Public Law 100-86 is October 1, 1989. A comprehensive implementation plan is currently underway, with activities ranging from a public awareness campaign to ongoing briefings and meetings with administrative agencies, the Federal Reserve, the financial community, and the private sector to ensure a smooth implementation. [Joan Pesata/Maurice Galloway, (301) 436-6349]

Tax Refund Offset Program

The Pilot Tax Refund Offset Program was extended through June 30, 1988. This 3-year pilot program was initially authorized by the Deficit Reduction Act of 1984. Congress emphasized in the extension legislation that the program, up to now limited to only 12 Federal agencies for collection of individual consumer debt, should be extended to all Federal agencies, and used to collect corporate as well as consumer debt. The program was reauthorized through January 10, 1994 by the Family Support Action of 1988. Exercising its lead agency responsibility in credit management and debt collection, FMS has worked effectively with IRS and the twelve program agencies and will add five new agencies in 1990. Collections since the program began in 1986 total approximately $1 billion. [Ernest Powers, (202) 287-0642]

Federal Salary Offset Program

FMS implemented the Federal Salary Offset Program in 1987, to identify Federal employees that are delinquent on their debts to the Government through a computer matching processes. In 1987, the major credit agencies implemented a Governmentwide program to match their delinquent accounts against the personnel rosters of the Office of Personnel Management and the Defense Department. In 1988, the matches were expanded to include additional credit programs and personnel rosters of the U.S. Postal Service and the Legislative and Judicial Branches. Federal agencies may request the paying agency to collect the debt by withholding up to 15% of the employee's disposable pay. As of March 31, 1989, $74.8 million has been collected. [Joyce Cuppett, (202) 287-0646]

Debt Collection Services

As mentioned earlier in this chapter, goals for the major creditor agencies have been set for 1990 and efforts by FMS will continue to increase the number of referrals from all other Federal agencies. As of March 31, 1989, collections under the current GSA debt collection contract totalled $8 million. [Karen Spaight, (202) 287-0646]

Debt Write-Off Procedures

Recognizing that the agencies' financial statements were not accurately reflecting the status of their receivables, FMS has focused on improving Governmentwide write-off policies and procedures through working with the agencies and through the issuance of guidance documents. FMS published "Guidelines on the Debt Collection

Process and Write-Off," dated February 5, 1988, to assist agencies in clearing uncollectible accounts out of their receivables. The "Governmentwide Task Force Final Report on Write-off," dated August 1, 1988, was developed by an intergovernmental task force convened by FMS to identify and resolve write-off related issues. This report provides guidance and recommendations to agencies in implementing a comprehensive debt collection and write-off program. In FY 1987, agencies wrote off $4.2 billion; in FY 1988 agencies wrote off $28.6 billion. [Kathleen Downs (202) 287-0642]

Treasury Financial Manual Credit Supplement

In January 1989, FMS published a credit supplement to the Treasury Financial Manual (TFM). Entitled "Managing Government Credit: A Supplement to the Treasury Financial Manual," the supplement is "roadmap" for agencies to use in implementing sound credit management and debt collection policies, practices and procedures. FMS, in conjunction with OMB and the Department of Justice, conducted training sessions on the revised OMB Circular A-129 and the TFM credit supplement in San Francisco, Seattle, Kansas City, San Antonio, New York, and Washington, D.C. during February. [Kathleen Downs, (202) 287-0642]

Monitoring Systems Improvements

The Financial Management Service has the lead agency responsibility in the area of financial management systems improvement for reviewing the five-year financial management systems plans of 23 large departments and agencies, monitoring specific agency goals, such as: implementation of the U.S. Government Standard General Ledger; and assisting with formulating and implementing financial management system improvement plans.

The current focus of FMS is to provide tools and advisory services to assist agencies in resolving technical and financial system issues. FMS has developed a database listing the financial systems inventory of each agency. It also maintains a listing of the commercial systems used by agencies and provides assistance to agencies in identifying cross-servicing options and selecting off-the-shelf software. A checklist is being developed which will help agencies to assess the compliance of their accounting and reporting systems with central agency requirements. FMS is developing criteria that will enable agencies to evaluate their financial systems starting with receivable systems. These generic criteria can aid agencies in conducting detailed Federal Managers' Financial Integrity Act reviews, as well as serve as a checklist in system development and design. [Susan Lee, (202) 535-9693]

Systems Modernization

In February 1987, OMB and Treasury signed a Memorandum of Understanding that designated the Financial Management Service (FMS) as the lead agency for financial management systems. The two organizations have forged a partnership that, together with program agencies, has accomplished much to pave the way to establishing fewer, and more modern agency financial systems. [Anthony Deutsch, (202) 535-9693]

STAR Project (Budget Execution System) Modernization

FMS is upgrading Treasury's governmentwide budget execution system to a data base management environment. This system will track the execution of the President's Budget by integrating the fiscal activities of 700 banks, 200 disbursing offices, and over 1,000 agency offices. It is the only source of information related to the Government's monthly receipts, outlays, and resulting surplus or deficit.

The STAR project consists of 7 modules; the first module is the monthly Treasury Statement/General Ledger. This module addresses all the processes FMS uses to aggregate and disclose governmentwide financial information. As of the end of 1988, the functional specifications for the first module had been approved, a prototype had been successfully tested and accepted, and a contract has been issued and started system development and coding. When this module is implemented in 1989, FMS and other central government financial agencies will have the capability of accessing the financial transactions of over 10,000 government programs in an on-line environment. [Charles Barackman, (202) 566-6592]

System 90 Project (Payment System Modernization)

FMS completed functional specifications and data requirements for the "System 90" project to modernize and improve the agency payments system by replacing old hardware and software with an integrated system. A secure nationwide telecommunications network will link the regional financial centers to the Federal Reserve System, FMS headquarters, and central agencies. Modernizing the payments and claims operations will generate operational and cash management savings and enable the Service to improve delivery services. [Frasia Trice, (301) 287-0314]

Government On-Line Accounting Link System (GOALS)

FMS continued the development of the Government On-Line Accounting Link System (GOALS), an electronic communications link between Federal agencies and Treasury for reporting, accumulating, and disseminating financial management information. Beginning with the Fiscal Year 1988 year-end reporting cycle, Federal agencies can telecommunicate the following additional Federal Agency Financial Reports: Report on Obligations (SF 221); Report on Cash Flow (SF 222); and the Report on Reconciliation (SF 223). The Simplified Intragovernmental Billing and Collection (SIBAC) system was incorporated into the On-Line Payment and Collection (OPAC) system on GOALS. All agencies in the Washington, DC area (except GSA) have been converted to OPAC in Fiscal Year 1988. All other agencies will be converted by the end of Fiscal Year 1989. Using GOALS provides for improved accuracy and timeliness in the reporting of information between Treasury and federal agencies. This information is used by agencies to manage the financial aspects of their programs, including financial management and control of the Government's assets and liabilities. Additionally, using GOALS eliminates paper and duplicate key conversions of data. [Della Gottesman, (301) 436-6840]

Federal Agency Accounting Cross-Servicing and Consulting Services

In October 1988, FMS officially commenced Federal agency accounting cross-servicing operations. Two Federal agencies headquartered in Washington, DC, the National Mediation Board and the Board for International Broadcasting, began Fiscal Year 1989 accounting operations via terminal link to a fully supported accounting application housed on a FMS mainframe. The Office of the Secretary of the Treasury also will be using this cross-servicing.

Each agency has access to a secure area within a multiuser database for data entry, inquiry, analysis, and report generation. FMS is also in the process of procuring additional off-the-shelf accounting packages which will allow agencies flexibility in determining which package will best meet their financial management needs.

FMS also provides financial consulting services to Federal agencies on a reimbursable basis. Staff members assist agencies on site in setting or reviewing accounting procedures, analyzing accounts, reconciliations, reports preparation, or other areas of concern. Accounting cross-servicing and consulting services are part of Treasury's commitment to improve Federal financial management systems under the President's Management Improvement Program. Cross-servicing is offered to agencies on a reimbursable basis as an alternative to building and maintaining an agency specific system. All FMS-supported systems will comply fully with the Office of Management and Budget Circular A-127 and with core financial system requirements developed by the Joint Financial Management Improvement Program. [Bruce Turner, (202) 287-0344]

Electronic Certification System

The Electronic Certification System was developed by FMS in conjunction with the National Institute of Standards and Technology and the General Accounting Office. This system, which incorporates state-of-the art electronic signature and data authentication techniques, is the first automated system approved to replace the manual signature certification process. The system satisfies the signature requirements contained in statutory regulations and also improves the ability of certifying officers to meet their responsibilities, because it provides a method to focus on a given payment. During 1988, the system underwent testing involving two Federal program agencies and the Washington Financial Center. Signature verification and payment processing are performed automatically by the host computer system at the Washington Financial Center. There is no paper SF 1166 Vouchers generated for these payments. The system also ensures that the payment data is not changed after being certified. [Jerry Draney, (202) 287-0314]

International Treasury General Accounts

FMS successfully integrated international collections into the existing domestic Treasury General Account/Cash Concentration System. This was accomplished through a personal computer reporting mechanism using specially designed software to improve control over funds and information transfers. At the end of 1988 there were eight sites using the system. All 33 depositary sites are anticipated to be converted by the end of 1989. The projected annual benefits are $1.8 million in combined interest and operational savings. [Gary Spittle, (202) 287-0751]

Improved Financial Management and Reporting

Consolidated Financial Statements

FMS has improved the accrual reporting process for the *Consolidated Financial Statements of the United States Government (CFS)*. Enhancements can be seen this year in the areas of financial highlights, notes to financial statements, and supplemental tables. Overall, the format of the CFS was revised extensively to provide appealing financial presentations of accounting results. Data reported by the agencies was carefully analyzed and defined to meet the reporting needs of users. Consistency with Comptroller General's principals and standards as embodied in Title 2 were also incorporated. [Jose Placer, (202) 566-4531]

Treasury Bulletin

FMS made innovations to the quarterly *Treasury Bulletin*, offering users a far greater selection of information on a host of current topics of interest to economists, business leaders, and others. Much publicized Treasury issues are now spotlighted in a section of the Bulletin devoted to important policy articles and other narratives. Its layout and design have been professionally upgraded with the use of an inhouse desktop publishing system. Next year, FMS in cooperation with the Government Printing Office, will be promoting the publication with a direct-mail campaign to increase its visibility, timed to coincide with the Bulletin's 50th-anniversary celebration. [Thomas Phipps, (202) 566-4531]

Agency Performance Trends Database

The Accounting Database for the Evaluation of Performance Trends (ADEPT) is a database system which provides central and program agencies with the capability to analyze financial report data. The system captures data submitted to Treasury by program agencies as part of Treasury reporting requirements I TFM 2-4100./ Agencies can determine the status of their financial condition and compare their agency's performance to similar programs throughout the government. Users can request pre-established reports from the system or design their own database queries.

Users can also download data to Lotus spreadsheets. [Jean Lewis, (202) 535-9697]

Office of Personnel Management

As a central management agency, the Office of Personnel Management (OPM) has pursued a number of efforts to address the Government's current and projected needs for quality personnel in the financial series. They have continued to assist in this effort through extensive training programs and are involved in some major systems development efforts.

Human Resources Studies

Survey of Personnel Management Programs

OPM completed a five year survey of agency personnel management programs with primary emphasis on improved personnel system effectiveness and productivity. This review was supported by computer based technology and innovative statistical applications. During the five year period, OPM's annual Personnel Management Indicators Report (PMIR) provided each department and major agency with a clear picture of its success in meeting personnel requirements and objectives. The extensive database, used both in analyzing governmentwide trends and in generating the PMIR reports, is drawn in large part from the on-site assessment of nearly 3,400 Federal installations. The head of each of these installations received a report of findings and recommendations for improved personnel management. [Michael D. Clogston, (202) 632-4408]

Civil Service 2000

In September 1988, OPM publically released *Civil Service 2000*, a report prepared under contract by the Hudson Institute. The Institute had earlier written *Workforce 2000* for the Department of Labor. Both studies identify a tightening labor market for skilled, entry-level workers. In the study for OPM, the Institute projects that the civil service will not grow significantly over the balance of the century. At the same time, however, the composition of the workforce will shift. The number of clerical and lower-skilled jobs will decrease. Jobs requiring higher language and math skills will increase. For the financial management community, that means an increase in computer specialists, accountants and analysts and a reduction in data-entry clerks.

To deal with increased competition in the labor market, the Institute recommends improving Federal pay and benefits for shortage fields in certain parts of the country. To accomplish this, they suggest greater decentralization of decisions on pay, continued affirmative action efforts, increased support for employee training, and a cafeteria approach to employee benefits, which could include child care provisions tailored to the needs of an installation. [Mike Carmichael, (202) 632-6817]

Personnel Management Initiatives

OPM has introduced the concept of off-site monitoring for its 1989 evaluation work. New automated file capabilities, as a result of the redesigned Central Personnel Data File (CPDF) and improved retrieval software, have given OPM evaluators the ability to monitor personnel management activity as virtually any Federal installation. During 1989, in addition to scheduled onsite evaluation work at 177 installations, approximately 400 installations will have their personnel activity reviewed primarily through computer based data analysis as opposed to onsite evaluation teams. Where anomalies seem to exist, follow-up work will be undertaken by OPM evaluators. There are two sources of productivity gains from this new evaluation process. First, installations are freed of the burden of data collection for OPM evaluation teams. Secondly, OPM evaluators can reduce their travel and onsite time, reserving these resources for clearly defined problem situations. [Michael D. Clogston, (202) 632-4408]

OPM administers a Governmentwide Presidential honorary awards program that recognizes civilian and military personnel for significant cost saving achievements. Suggestions, inventions and other achievements beyond job requirements that have saved the Government $250,000 or more, receive Presidential letters of commendation. Since the establishment of this program by President Reagan in August 1984, 658 individuals have received such recognition for contributions that have resulted in savings of over $1.6 billion. In addition, individuals recommended by agency heads and approved by the President received Presidential Management Improvement Awards. OPM also provided technical assistance to agencies to improve their suggestion program. [Richard P. Brengel, (202) 632-8950]

OPM Recruiting Initiatives

To help managers recruit the quality personnel needed to provide essential services to the public, OPM has undertaken a number of initiatives to facilitate their recruiting efforts, some of which were previously available only to private sector managers.

Commercial Recruiting Firms

OMB proposed new policies to give agencies recruiting tools previously available only to private sector employers. OPM issued rules allowing the use of commercial recruiting firms to locate qualified job applicants. This significant new flexibility enables agencies to use the expertise of outside firms when their own recruiting efforts have not been successful in finding candidates of the right caliber for their hard-to-fill jobs. The rules were effective January 1989. [Donald L. Holum, 632-6251]

Temporary Employment Firms

Program agencies now have the option to use short-term support from temporary help service firms during employee emergencies, illnesses, and absences for maternity purposes, and to meet critical agency workload needs. Use of outside help will get the work done on time without adding to other employees' duties and will keep a job open for an employee returning after childbirth, illness, or accident recovery. [Donald L. Holum, 632-6251]

New Entry Level Hiring Program

OPM proposed plans for a new entry level hiring program for college graduates. This program covers positions in budget administration as well as other financial related jobs. The goal is to give Federal agencies access to the best talent available in the U.S. labor market. This program provides a variety of ways in which candidates can enter professional positions in the civil service, such as: 1) competitive examinations, 2) on-campus recruiting and job fairs, or 3) internal upward mobility programs. OPM is working out implementation details in conjunction with agencies, unions, and other interested groups and hopes to put the new program into effect in the spring of 1989. [Donald L. Holum, 632-6251]

Simplified Hiring Process

OPM continued its initiatives to simplify the hiring process and give managers greater discretion to hire and utilize employees. OPM has allowed agencies to make on the spot job offers to highly qualified accountants and auditors at the entry level. It has revised rating criteria for these occupations to emphasize academic achievements and simplified the qualification standards for all occupations. In addition, agencies now have the discretion to pay relocation costs of new employees and to offer higher starting pay to candidates with superior qualifications. These improvements have helped to speed up hiring, to improve candidate selection, to improve employee mobility between occupations, and to enable managers to be competitive in the labor market and attract top quality candidates. [Donald L. Holum, (202) 632-6251]

New Examinations

OPM developed a new examination for financial management positions. As part of OPM's efforts to simplify examining and to increase its effectiveness, financial management positions have been grouped together, based on homogeneity of job duties, under one examination. This job grouping, called Business and Program Management, will be part of the new examining package for entry-level professional and administrative positions coming out soon. The examination will improve the effectiveness of the selection system in predicting job performance. [Magda Colberg, (202) 632-5428]

OPM developed a new automated examination for selection of accountants and auditors. This examination provides increased credit for such things as accounting coursework, recency of education, academic achievement and for credentials such as Certified Public Accountant. The examination will assist agencies in hiring highly qualified and competent accountants/ auditors. As a side benefit, agencies will have detailed, objective standards for use in training and performance appraisal development. [John Kraft, (202) 632-6037]

OPM also revised the Criminal Investigator Examination for the Office of the Inspectors General (IG). The exam will include course work in accounting and data processing in order to allow IG's to select better qualified candidates to investigate white collar financial crime within the Federal government. [John Kraft, (202) 632-6037]

Updated Classification Standards

OPM initiated three studies to update and improve the classification standards applicable to three areas of financial management in the Federal Government: the accounting series, GS-510; the payroll series, GS-544; and the military pay series, GS-545. The standards need updating to reflect modern financial management processes and to make them a more useful and streamlined tool for agency managers and personnelists. [George Steinhauer, (202) 632-4516]

OPM Training

In 1988, OPM continued to provide a full range of training services for Federal managers and employees to develop the financial management workforce.

Interagency Training

In 1988 OPM provided interagency financial management classroom training for 16,000 Federal employees at locations throughout the world through OPM's training programs in Washington, D.C., its five regional offices, and in Darmstadt, West Germany. This training included courses in accounting and financial systems, budget preparation and execution, internal controls, productivity improvement and cash and debt management. In 1988, OPM also trained 26,000 Federal employees in information resources management and 17,000 Federal managers and supervisors.

Computer Security Act Training

OPM issued interim Computer Security Act training regulations in July 1988 to provide guidance to Federal agencies on the training requirements in the Act. Final regulations have been issued in February 1989. In addition, OPM, in collaboration with OMB and the National Institute for Standards and Technology (NIST) sponsored two conferences for senior Federal officials on implementing the law. Further, OPM began development of computer security awareness training materials for Federal managers and employees in 1988. These materials will be provided to agencies to assist in training their employees early in 1989.

Study of Auditor Training

OPM and the President's Council on Integrity and Efficiency (PCIE) completed a study of the training needs of Federal auditors in November 1987 and began implementation of the report recommendations in 1988. The report updated a previous skills and training inventory for Federal auditors and incorporated the skills needed to apply the latest computer and telecommunications technology in Federal audits.

Information Resources Management Training

OPM developed a comprehensive set of training and briefing materials for senior Federal managers and other officials on the Administration's information resources management initiative contained in OMB Circular A-130.

These materials have been provided to OPM's five regions for briefing Federal Executive Boards and other senior management groups and have been included in the executive and management seminars at OPM's Federal Executive Institute and three Executive Seminar Centers. OPM is also offering this training through its interagency classroom program where OPM has greatly expanded the number of IRM training courses and the number of classroom computers to provide more hands-on training for Federal employees.

Training Technical Assistance

OPM provides specialized training assistance to departments and agencies to help improve Federal training. This assistance ranges from basics such as helping agencies design employee training needs survey instruments to developing sophisticated computer courseware which will be embedded in an agency's computer operating system. This assistance is provided by training experts in eleven firms under contract with OPM. These experts follow agency-developed training requirements and develop special training products under OPM staff oversight. For example, the OPM developed manuals for the Department of Health and Human Services on their payroll and accounting procedures which will be used as desk aids for their clerks and supervisors. [Thomas Loftis, (202) 632-0255]

Total Quality Management Training

OPM has developed a new training course to meet the training requirements of OMB Circular A-132, "Federal Productivity and Quality Improvement in Service Delivery." The course is designed for financial and other staff specialists who are assisting management in implementing total quality management within their organizations. [Ed Franklin, (202) 632-6047]

Automated Processing For Federal Employees' Retirement System

OPM's Retirement and Insurance Group is in the process of developing a state-of-the-art recordkeeping and processing system for the Federal Employees' Retirement System (FERS). The FERS Automated Processing System (FAPS) project involves the design, development, and implementation of application software and the installation of hardware to support the basic benefit tier of FERS. The FAPS Conceptual Design envisions the use of modern, but proven technology to provide (1) automated recordkeeping via a central data base of member salary and service history; (2) a sound financial framework to support the Group's financial stewardship over the retirement systems; and (3) efficient and flexible support systems for FERS processing. FAPS is structured to provide timely, accurate, and consistent claims adjudication and payment and to facilitate communications about benefits with active and retired employees.

FAPS also includes the development of the Federal Retirement and Insurance Transfer System (FRITS). As a subsystem of Treasury's On-Line Payment and Collection (OPAC) system, FRITS will provide an automated mechanism to capture Federal Employee Benefit Program monies and both financial and management information from agency payroll offices. FRITS will enable payroll offices to enter data either on-line or via bulk transfer and will incorporate edits to ensure that only pure data reaches the Group's systems. Once implemented, FRITS will supersede the present paper-dependent process and materially enhance the Group's financial stewardship over the Federal Employee Benefit Programs while realizing significant operational efficiencies. The targeted implementation date is late fiscal year 1990. The entire FAPS project should be implemented in four to five years. [John Webster, (202) 632-6077]

Financial Reporting

OPM's Retirement and Insurance Group developed a new "Insurance Report" which discloses the financial, actuarial, and statistical status of the health benefits and life insurance programs to the public, Congress, and other Federal agencies. This report is prepared in accordance with generally accepted accounting principles, promulgated by the General Accounting Office, and fulfills statutory financial reporting requirements. The fiscal year 1987 report highlights a sharp increase in health benefit expenses and a corresponding decrease in program reserves.

The report also indicates a continued improvement in the actuarial status of the life insurance fund. [John Webster, (202) 632-6077]

General Accounting Office

In 1988 the General Accounting Office (GAO) issued 825 reports resulting from audits and special studies. About 88 percent of these reports were submitted to the Congress, its committees and members. The remaining 12 percent were addressed to Federal agency officials, but were also provided to interested congressional committees and members. In addition, GAO provided testimony before congressional committees on 227 occasions during the year.

Through its reports, testimonies, and other products, GAO contributed to congressional and agency actions to trim the budget or improve government operations. For those actions which can be easily measured in terms of dollar benefits to the government, GAO's contributions reported in fiscal year 1988 provided substantial dollar benefits. Details on the result of GAO's work are included in the *Comptroller General's Annual Report for 1988.* To assist the Congress and the new administration, GAO pulled together work done in recent years into 26 concise reports to the Congress and President-elect. The reports deal with significant issues such as the budget deficit, the savings and loan crisis, health and safety problems posed by nuclear weapons plants and persistent problems in government procurement.

In 1988, the Comptroller General contributed significantly to bring about reform in the federal budget process and the S&L industry. For example, GAO was the first to sound the alarm on the deteriorating financial condition of FSLIC. Reports and testimonies before the Congress cited the major problems facing the government and the S&L industry and the key actions needed.

Agency Debt Collection/Credit Management Monitored

During 1988, GAO continued to monitor agencies' debt collection and credit management activities. For example, GAO reported on the need for the Department of Health and Human Services to more aggressively collect debts from health professionals. Much of GAO's debt collection work this year centered on the administration's loan asset sales program, and included reports and work underway to assess various completed and proposed sales and loan prepayments. In addition, a government-wide study of agencies' credit management practices and efforts to implement OMB's nine-point credit management program was initiated. [Jeffrey Steinhoff, (202) 275-9454]

Federal Managers' Financial Integrity Act (FMFIA)

GAO's ongoing Financial Integrity Act work shows that Federal agencies have made significant progress in strengthening their internal control systems since passage of the act. Through 1988, agencies reported about 2,200 material weaknesses and correction of about 1,800 of those weaknesses. Federal managers cite many benefits resulting from agency implementation efforts including an increased awareness of the importance of controls, identification of actions needed to improve the efficiency and effectiveness of operations, and better control over operations.

Despite the significant progress made, internal controls over Federal programs, in general, do not adequately safeguard Federal assets or meet the control objectives established by the Act. Administration and top agency officials must continue to stress the importance of strong internal control systems and build upon the progress made over the past six years to help ensure the efficient and economical operation of Federal programs. [Jeffrey Steinhoff, (202) 275-9454]

Prompt Payment Act Amendment

Public Law 100-496 amended the Prompt Payment Act to address recommendations in GAO's 1986 report, *Prompt Payment Act: Agencies Have Not Fully Achieved Available Benefits, (GAO/AFMD-86-69),* and subsequent testimonies. The changes provide added detail regarding due date calculations, elimination of grace periods, and require additional penalties for not voluntarily paying interest owed. The amendments also tighten requirements dealing with construction contracts and extend due-date and interest penalty provisions to prime contractors and subcontractors on such Federal projects. [Jeffrey Steinhoff, (202) 275-9454]

Financial Information and Systems Evaluated

GAO's evaluations to strengthen financial management and accountability included an assessment of the financial systems and structures of the Internal Revenue Service (IRS) and the Environmental Protection Agency (EPA). Key recommendations to IRS were to designate and support a Chief Financial Officer position; to develop an overall financial management improvement plan to assist in setting priorities and fixing accountability; and monitoring financial system operations and improvements. EPA was advised to continue to provide the support and priority needed for financial systems developmental efforts and to institute an annual audit of EPA's financial statements.

In addition, GAO reviewed the Department of Health and Human Services (HHS) financial management environment and the Department's effectiveness in accounting for and controlling funds and other resources and reporting on its operations. The study revealed that key accounting and related internal control systems currently operated by HHS have serious weaknesses which adversely affect the Department's ability to effectively manage its multibillion-dollar operations. Also, many of its financial reports were found to be unreliable and could not be derived from the accounting systems. To help ensure that known system problems are corrected, GAO recommended the Department continue engaging top management support for improving its accounting systems. [Jeffrey Steinhoff, (202) 275-9454]

Progress Made in Audits of Financial Statements

During 1988, GAO completed audits of agency financial statements of the Veterans Administration and of the General Services Administration. GAO also completed its audit of fiscal year 1987 financial statements at the U.S. Department of Agriculture and issued audit reports on the Rural Electrification Administration, the Food and Nutrition Service, and the Farmers Home Administration. In addition, GAO completed an audit of the Environmental Protection Agency's financial statements for fiscal year 1987.

Fiscal year 1988 saw the continuation of several cooperative audit efforts between GAO and IG groups engaged in doing financial statement audits of their respective agencies. For example, at the Department of Labor, fiscal year 1987 financial statements were audited by several CPA firms under the direction of the IG. Within the Department of Health and Human Services (HHS), the fiscal year 1987 financial statements of the Social Security Administration were audited by the HHS IG staff. [Dennis Duquette & Robert Gramling, (202) 275-9406]

Problems in Savings and Loan Audits

In January 1989, GAO issued a report critical of the way CPAs audit and report on savings and loan associations (S&Ls). The report focused on the audits of 11 S&Ls in southwestern states which failed during 1985 to 1987. The CPAs problems involved (1) inadequate audit work in evaluating loan collectibility and (2) inadequate reporting on S&Ls' accounting practices, regulatory compliance, and internal controls. GAO made several recommendations to the American Institute of Certified Public Accountants to help improve the quality of S&L auditing. [John Adair, (202) 275-9359]

Quality Assessment Reviews of the Office of Inspectors General

GAO continued its program of quality assessment reviews of Federal audit organizations with its report on the Department of Health and Human Services' Office of Inspector General (GAO/AFMD-88-36, September 1988) and its current review at the Veterans Administration. The quality assessment reviews focus primarily on whether internal audit organizations are in compliance with generally accepted government auditing standards and other professional standards. [John Adair, (202) 275-9359]

CPA Audit Quality—Procurement of Audit Services

Based on the results of a related GAO study, GAO directed a project under the auspices of the National Intergovernmental Audit Forum to develop a procurement handbook that entities can use when selecting and procuring an outside auditor. The handbook also addresses the use of audit committees, which can assist entities in procuring audit services and overseeing the audit process. The handbook also presents information on how the critical elements of a procurement system can be applied to the special needs of small entities. [John Adair, (202) 275-9359]

Review of Agencies' Compliance with Single Audit Act

Based on a study requested by Congressman Jack Brooks, GAO found widespread compliance with requirements to have single audits performed for the first complete reporting cycle under the Single Audit Act of 1984. In its September 1988 report, Single Audit Act: First-Year Reporting Has Been Extensive (GAO/AFMD-88-60), GAO reported that data showed a high percentage of cities and counties receiving Federal funds had completed single audits in accordance with Attachment P to OMB Circular A-102. [John Adair, (202) 275-9359]

Revision of Government Auditing Standards

In August 1988, GAO released the 1988 revision of the *Government Auditing Standards.* The standards were revised in response to questions and recommendations received from users of the standards; to expand and clarify the responsibilities of the auditor relative to certain standards; and to add requirements for quality control.

The standards apply to audits of government organizations, programs, activities, and functions; to audits of government funds received by contractors; to nonprofit organizations; and to other non-government organizations when required by law, regulation, agreement or contract, or policy. The 1988 revision of the standards supersedes the 1981 revision and was effective for audits starting January 1, 1989.

The 1988 revision of the *Government Auditing Standards* is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401, stock number 020-000-00243-3. [W. A. Broadus, Jr., (202) 275-9425]

New Framework for Setting Standards

GAO is currently reexamining the process by which it establishes the accounting principles, standards, and related requirements contained in Title 2, with a view towards implementing a new, more visible framework. The proposed process will also call for a new Federal Government Accounting Standards Advisory Board to be established as a standing board to advise and make recommendations to the Comptroller General on all matters relating to accounting standard issuances. GAO will issue an exposure draft for comment setting forth a proposed new framework for promulgating Federal sector accounting standards. [Frank Synowiec, (202) 275-9526]

Accounting and Financial Reporting Standards (Title 2)

GAO is developing an illustrative guide in response to a need expressed by Federal agencies for guidance on applying accounting requirements under GAO's Title 2, within the framework of the Standard General Ledger. In addition, the guide will be compatible with the JFMIP Core Financial Systems Requirements and will show a possible solution that simultaneously satisfies these requirements. This solution, while not the only solution, will guide agencies in complying with Title 2 and the Standard General Ledger. [Janett Smith, (202) 275-9585]

Payroll Requirements Guidance (Title 6)

During fiscal year 1988, GAO issued an exposure draft of Title 6, "Pay, Leave, and Allowances," for the *GAO Policy Procedure Manual for Guidance of Federal Agencies* after obtaining agency comments, the comments will be analyzed and the draft revised accordingly, with issuance expected by June 30, 1989. The final version will contain new guidance related to leave sharing, provisions for maintaining time and attendance when staff is highly mobile, and requirements for "paperless" time and attendance systems. [Tom Luter (202) 275-9577]

Fiscal Requirements Guidance (Title 7)

During the past fiscal year, GAO made substantial progress on an exposure draft of a revised Title 7 (fiscal requirements) of the *Policy and Procedures Manual.* These requirements are heavily legally oriented and supplement the accounting, internal control, and system standards prescribed in Title 2 of the manual. [Pete Coy, (202) 275-1967]

GAO's Financial Management Training Plan

In December 1988, the Accounting and Financial Division issued *GAO's Financial Management Training Plan.* The Plan establishes the philosophy and expectations for training of GAO's professional staff assigned to financial management work.

Also, the training plan outlines a curriculum which can be used by financial management audit professionals as a guide for gaining the knowledge, skills, and abilities necessary to maintain currency in financial management matters and to effectively perform their work. [Janett Smith, (202) 275-9585]

Budgeting Practices and Controls Studied

GAO conducted several studies of Federal budgeting practices. A July 1988 exposure draft, *Budget Issues: Capital Budgeting for the Federal Government* (GAO/AFMD-88-44), outlines a proposed restructuring of the budget into operating and capital parts. In a related September 1988 report, *Budget Issues: Trust Funds and Their Relationship to the Federal Budget* (GAO/AFMD-88-55), GAO also recommended restructuring the budget to provide subtotals for trust and non-trust fund activities. The current budget "masks" the effect of trust fund surpluses upon the budget's totals because it focuses on a single surplus or deficit total. GAO is studying current governmental concepts and practices in designating certain accounts as "trust" funds and other accounts asoff-budget government sponsored enterprises. In an August 1988 report, *Budget Issues: USDA's Commodity Certificates Should be Recognized in Budget Totals* (GAO/AFMD-88-27), GAO discussed how the Department of Agriculture finances some activities with commodities rather than cash payments, and how such transactions, involving billions of dollars worth of commodities, are not included in the budget's totals. GAO also addressed the best way to measure the subsidy costs associated with the direct loan and loan guarantee programs. In a June 1988 statement before the Senate Committee on Governmental Affairs, entitled *Budget Reform for the Federal Government* (GAO/AFMD-T-88-13), the Comptroller General set forth GAO's preferred "cost-to-the-government" approach that captures the interest and default costs experienced by the government on its credit programs.

GAO's November 1988 Gramm-Rudman-Hollings Act "compliance report" discussed how a fundamentally different approach to deficit reduction is needed. A report issued in January 1988, *Budget Issues: Overview of State and Federal Debt* (GAO/AFMD-88-11BR), provides factual information on the trends and types of governmental debt at the State and Federal levels, and the types of controls States use to restrict their debt. It notes, however, that comparisons of State and Federal debt matters are limited by the differing roles and institutional procedures of these two levels of government. In other work nearing completion, GAO is examining the budget control implications of statutorily dedicating ("earmarking") certain revenues to particular programs—for example, dedicating gasoline excise taxes to the Department of Transportation's Highway Trust Fund. An objective of the work is to develop suggested criteria to guide the Congress in deciding when to use earmarked funds to finance programs. GAO's budget "capping report" released in February 1989, *Budget Issues: Federal Budgeting Practices Should be Reformed* (GAO/AFMD-89-5), summarizes the above described and other work. [Jim Kirkman, (202) 275-9573]

Interagency Councils

During the past several years, interagency councils have been established to improve the way the Government manages. Many of these interagency counsels have made significant contributions toward improving Federal government financial management. We are summarizing the objectives, structure and accomplishments of these councils in this section.

The Chief Financial Officer Council

This year marks another milestone in financial management—the one year anniversary of the designation of a Chief Financial Officer (CFO) and the formation of a Chief Financial Officer Council (CFO Council). This was the culmination of the efforts of many individuals and groups who saw the need for reinforcing accountability for financial management.

On July 23, 1987, the position of the Chief Financial Officer of the United States was established by administrative action to assure a focus on financial management issues while other longer term legislative or executive solutions were being considered. Placed organizationally in OMB, the first Chief Financial Officer concurrently held the position of Associate Director for Management. The individual selected for this position provided strong leadership and policy direction in support of the development of governmentwide financial policies.

On November 9, 1987, major departments and agencies were asked to designate a Chief Financial Officer. In December 1987, a Council of Chief Financial Officers of the major agencies was formed. The Executive Committee of the Council is composed of a Chair, a Co-Chair and a chairperson from each of four subcommittees: Human Resources, Financial Systems and Information, Legislation, and Central Agency Requirements. Subcommittee membership includes principal and alternate members from the departments and major agencies in the Federal government. Independent agencies and JFMIP also have representatives on the Council.

The primary issues addressed by the CFO subcommittees during the past year are briefly described as follows. The Subcommittee on Human Resources completed work on defining qualifications and standards for financial managers. It has outlined requirements for an agency CFO position and is developing criteria to measure the appropriate experience and knowledge needed to meet the requirements. The Subcommittee on Financial Management Systems and Information Needs began developing policy guidelines for the Executive Branch on the publication and audit of annual financial statements. The Subcommittee on Central Agency Requirements reviewed the Inspector General Act amendments and developed guidelines on how agencies can best implement the new reporting requirements. The Subcommittee on Legislation focused on alternatives for establishing a permanent management organizational structure, including financial management, governmentwide and in each major Federal agency.

As a result of the successful operation of the CFO Council, there exists an overall strategy and the building blocks of a governmentwide financial management system linking every major department and agency system to the central management agencies and the Executive Office of the President. Agency implementation of the U.S. Standard General Ledger and modernized primary accounting systems during 1988 are products of this strong financial support structure. Further information is found in the *Management of the United States Government, Fiscal Year 1990.* [Jimmie Brown, (202) 395-3993]

President's Council On Integrity and Efficiency

After the passage of the Inspector General Act of 1978, the Inspectors General (IGs) were formed into the Executive Group to Combat Fraud and Waste in Government, which was subsequently replaced by the President's Council on Integrity and Efficiency (PCIE). In January 1988, President Reagan signed a new Executive Order addressing the membership and functions of the PCIE.

The PCIE is the main vehicle by which the IGs and other PCIE members work cooperatively to address the twin themes of management improvement and the prevention and detection of fraud and waste. The PCIE is chaired by the Deputy Director of the Office of Management and Budget (OMB). The PCIE membership during the 1988 Fiscal Year reporting period included the 19 statutory Inspectors General (IG), the Associate Attorney General, the Deputy Director of the Office of Personnel Management, the Executive Assistant Director for Investigations of the Federal Bureau of Investigation, the Director of the Office of Government Ethics, the Special Counsel of the Merit Systems Protection Board, and a designee of the Secretary of the Treasury. To provide structure and continuity to the Council's projects and activities, five standing committees were established, each representing a major area of IG operations. These five committees are: Audit, Legislation, Computer, Administration Inspections and Special Reviews, and Integrity and Law Enforcement.

The significant accomplishments during 1988 are highlighted in *The President's Council on Integrity and Efficiency; A Progress Report to the President; Fiscal Year 1988* and are summarized below. Working independently or with other Federal and nonfederal agencies, IGs obtained 4,298 successful prosecutions. A total of 2,481 debarments, exclusions and suspensions were taken against individuals and entities doing business with the Federal government as a result of fraudulent or abusive practices. Recoveries of money or property resulting from investigations conducted totaled $626.5 million. Additional costs and expenses identified as inappropriate or unsupported were placed in accounts receivable for recovery. The PCIE has enabled the Inspectors General to combine their efforts to accomplish more together than the Inspectors General could accomplish on their own. [Sam Adams, (202) 395-6911]

President's Council On Management Improvement

The close of 1988 is a significant milestone for the President's Council on Management Improvement

(PCMI). It represents the fourth year of the PCMI's accomplishments since it was established by President Reagan in 1984 as an integral part of his objective to make the Federal government more efficient and responsive to the public. The Deputy Director of the Office of Management and Budget serves as Chair of the Council, which includes the Assistant Secretaries for Management, or equivalent, of twenty Departments and agencies; the Chairman of the Small Agency Council; and, the Assistants to the President for Policy Development and Presidential Personnel.

The PCMI and its committees meet monthly to address the status of projects, identify new opportunities for management improvement, and develop strategies for Governmentwide implementation.

The Council has made extensive use of interagency work groups serving under the direction of the PCMI committees. Since its inception, the Council has undertaken over 80 projects through its committees. Management improvement priorities have encompassed six broad themes: credit management; financial management; quality and productivity improvement; improved services through technology; procurement management; and management of government operations. A comprehensive credit management and debt collection program has been put in place by the Office of Management and Budget, with the support of the PCMI, to manage the more than $700 billion in direct and guaranteed loans that are the responsibility of Federal Departments and agencies. The Council played a key role in initiating the Bankcard Program and reviewed the Travel Charge Card Program. Their accomplishments can be found in the PCMI annual report, *Government Excellence through Partnership*. Working collectively through the Council, Federal agencies have established a strong partnership directed at mutual assistance and support in bringing about comprehensive management reform in the Federal government. [Shannon Roberts, (202) 366-9844]

Federal Financial Managers Council

The Federal Financial Managers Council (FFMC) is comprised of senior financial managers from major Federal departments and agencies and serves as a forum for financial mangers in these operating agencies to discuss information, share experiences and develop appropriate strategies for implementing financial management improvements. Its broad purpose is to further the goals of financial management government-wide and to promote improvements in Federal financial management. The Council members meet monthly in Washington, D.C. Sessions typically include guest representatives from the central agencies and from regional Financial Managers Councils (FMCs).

The Council has contributed to government-wide financial policy formulation and implementation on such issues as the pending legislation for a Chief Financial Officer and other financial management initiatives and programs. The Executive Director of the Joint Financial Management Improvement Program (JFMIP) is also a Council member and this affiliation has resulted in strong ties between JFMIP and the Council.

The Council has established its own Financial Policies Committee. Now in its third year, the Committee has continued to support the efforts of the Council by establishing a viable program agency network, and maintaining a good communication avenue for the JFMIP and the central agencies to present and discuss current or proposed initiatives.

The Council has placed great emphasis on promoting and supporting new and existing regional Financial Managers Councils (FMCs). This is done by promoting increased involvement of Council members' organizations in the regional councils, by improving communication between the Washington, D.C. Council and the regions, and by encouraging the formation of additional regional councils. There are currently 11 regional councils with active membership and programs. [Dennis Fischer, (202) 245-7084]

Independent Agency Financial Managers Council

The Independent Agency Financial Managers Council was established to provide a forum for discussing common financial management issues among independent agencies in the Federal government and work with the central financial agencies to create positive incentives for better financial management. The Council meets bi-monthly to discuss the unique needs, problems and capabilities of small independent Federal agencies. The Council supports increasing the authority of independent agency financial managers in making financial policy, while emphasizing strict accountability for agency's actions. Some of the goals of the Council are:

- Influence governmentwide financial management policies prescribed by the Congress and central administrative agencies that affect independent agencies;
- Promote creative, innovative and cost-effective solutions to problems peculiar to member agencies, which may call for advocating exceptions to current procedures and policies established by central administrative agencies;
- Eliminating unnecessary paperwork requirements and other inefficient overhead burdens placed on independent agencies;
- Implement innovative changes in the financial management practices of independent agencies through shared resources and the implementation of state-of-the-art technological solutions to financial management problems;
- Support consistency in policies and procedures among independent agencies financial systems;
- Provide a mechanism for exchanging staff among all independent Federal agencies to provide cross-training and expand the experiences of each agency's financial staff; and
- Work closely with the Joint Financial Management Improvement Program by providing advice and assistance on Federal financial management policies. [Dwight Foster, (202) 382-6704]

Agencies' Initiatives To Improve Financial Management

Introduction

The 1988 agency submissions on improvements in financial management reflect a continued effort to modernize and consolidate systems, provide and/or use cross-servicing, and use modern technology to save time and dollars. Also, many new initiatives were reported where agencies implemented off-the-shelf software or are in the process of acquiring a system. Presented in the following sections are descriptions of the more significant or unique management actions in the areas of modernizing financial systems, cash and credit management, debt collection, technology, productivity, auditing and other improvements. Agency contact persons and their telephone numbers are provided in brackets following the project descriptions so that readers can obtain additional information about any of the improvement activities.

Modernization of Financial Systems

The Office of Management and Budget (OMB) Circular A-127 "Financial Management Systems," requires Federal agencies to establish and maintain a modern, single, integrated financial management system. OMB Circular A-130, "Management of Federal Information Resources," requires agencies to acquire off-the-shelf software from commercial sources, unless the cost-effectiveness of developing custom software is clear and documented. OMB is also encouraging agencies to adopt the use of other agencies' systems. Some of the initiatives undertaken by agencies to improve various categories of systems are discussed below.

Primary Accounting Systems

Agriculture's Soil Conservation Service implemented an on-line, real-time, financial system using off-the-shelf financial software as its base. This Program Accounting and Reporting System brings together numerous manual and automated subsystems used previously and has a direct link to Agriculture's National Finance Center (NFC). The software was structured to meet the needs of program and financial managers in 53 state and other administrative offices, including the National Headquarters. Although the system has on-line entry and inquiry capabilities, the vast majority of detailed data is input using a batch interface from the NFC. An average of 23,000 payment and collection records are interfaced each week. Phase II will improve the management reporting of the system and is currently underway. Phase III will provide further enhancements and is scheduled to begin before the end of fiscal year 1989. [Fredrick Kaplan, (202) 447-3857]

The **Defense Department's** Army Materiel Command (AMC) has initiated an accounting system modernization program which will replace the old fragmented systems with modern integrated standard systems. The system will be comprised of four primary segments: Investment, Revolving, Operating, and Entitlements. These segments and related modules will provide the accounting support necessary to support the wholesale logistics, research and development activities of AMC's headquarters, major subordinate commands, depots, ammunition plants, proving grounds, laboratories, and arsenals. The accounting system will also interface with the budget, manpower, and payroll systems. Certain segments are already in place, while other segments are under development and will be implemented within the next few years. [Jack Hartman, (202) 274-9238]

The **Defense Department's** U.S. Army Finance and Accounting Center has developed, and is continuing to enhance, a system to support the Army's posts, camps, and stations. The system is comprised of Commercial accounts, travel, and disbursing functions. During 1988, the system was deployed to four additional sites: Fort Sam Houston TX, Fort Huachuca AZ, Fort Harrison IN, and Fort McCoy WI. Sixteen additional sites are planned for during 1989. The system's hardware configuration was also enhanced to use personal computers at the input stations. In addition, system interfaces were expanded for access by both mainframe and microcomputer systems.
[Barry Baer, (317) 542-3095]

Defense's Department of the Army continues towards its goal of achieving, by the end of FY 1992, a single accounting system which complies with the prescribed accounting and internal control standards. The target system will be comprised of eight subsystems: a primary department-level accounting subsystem; four field-level accounting subsystems (general accounting; financial inventory accounting; accounting for wholesale logistics and research and development functions; and accounting for construction and civil works functions), and three payroll subsystems (civilian, military, and retired military). Significant progress has been made to date. Since the first Financial Integrity Act report of 1983, the Army has reduced its total number of accounting subsystems from 70 to 40, and its noncompliant subsystems from 54 to 11, an 80 percent reduction. During FY 1988, five noncompliant subsystems were eliminated as the result of the Army's overall accounting system improvement program. [Jim Taras, (317) 542-3576]

The **Department of Education** awarded a contract in May of 1988 to bring its Central Accounting System into conformance with GAO accounting principles and standards. The project included replacement of a proprietary accounting system, adoption of the governmentwide standard general ledger, procurement of a fund control and transaction routing system, and adoption of a budget execution system. The system became operational in October 1988 with full conversion to the U.S. Government Standard General Ledger. The new system will improve the reliability of funds control and reporting and reduce operating and maintenance costs. It is estimated that this modification will save approximately $6.7 million over the seven year anticipated life cycle of the system. [Raymond C. Kudobeck, (202) 732-5850]

The **Environmental Protection Agency** (EPA) continues a multiyear effort to replace its current financial management and budget systems with an Integrated Financial Management System (IFMS). During 1988 pilot testing for the system was completed and the Phase I software adaptations and interfaces stage was readied for 1989 implementation. The Phase I stage will allow the system to interface with other administrative systems to transfer payroll, grant, contract and commitment transactions. In 1989, EPA plans to implement additional system enhancements such as cost and project accounting, budget formulation, and to extend the use of the system to include an additional 200 to 300 users in EPA's program offices. In addition, EPA intends to offer its system as a completely integrated approach to budget and financial management under cross-servicing arrangements before the end of 1991. [Sandra Martin, (202) 382-5107]

During 1988 the **Department of Health and Human Services** finalized the Phoenix Project Plan, addressing the accounting systems requirements of the entire Department. The plan calls for each Departmental component to acquire a primary accounting system which may be customized to meet unique agency needs while at the same time meeting the overall Departmental requirements as prescribed in the Department Accounting Manual. The importance of this achievement is that the implementation of this software will standardize, for all components and operating divisions of HHS, its chart of accounts, transaction codes, object class codes, accounting tables, input record layouts and accounting classification code structure, thus creating a single integrated Financial Management System for the Department. [William T. Topolewski, (202) 245-6227]

The **Department of Housing and Urban Development** (HUD) developed a new automated integrated management information and accounting system for their portfolio of Single Family Home properties (SAMS). The system will replace the existing outdated systems for accounting and property management information and tracking. Full implementation is anticipated by October 1, 1989. The system will include an automated interface with other HUD systems, automated posting to the general ledger, on-line interface with 73 HUD field offices, and an automated interface with the Treasury Federal Wire System. [C. Vernon Janisch, (202) 472-4038]

Interior's Geological Survey and the Bureau of Reclamation completed installation and testing of an "off-the shelf" standardized financial management system. As the Department's lead bureaus in this phase of the initiative, they implemented the system effective October 1, 1988. The remaining bureaus and offices are scheduled to be operating under the system by October 1, 1990. When completely implemented, this system will consolidate ten administrative accounting and payment systems into a single efficient one. The system will eliminate duplication of effort among bureaus, provide managers with more efficient, uniform, and responsive accounting nformation, and reduce costs. [Clarence Smith, (202) 343-8425]

Justice's Federal Bureau of Investigation completed the implementation of a new set of financial software which fully integrates the core financial systems requirement. This software (which is commercially licensed) includes a new purchasing system, budgetary control system, financial controller, fixed assets system, and an inventory management system. Additionally, the accounts payable system was upgraded to the technical level of the other integrated core systems. [Kevin P. Kaporch, (202) 324-5974]

In July 1988, the **Department of Labor** completed its procurement of a core commercial accounting system and several subsystems, including travel and procurement. Installation of the system in the Department began in 1988 and full implementation is anticipated in 1989. The acquisition of this system and the related subsystems is designed to maintain an integrated financial management system in the Department. [Joseph Cocco, (202) 523-8324]

The **National Aeronautics and Space Administration** is planning to upgrade its accounting systems to meet internal requirements, the requirements of OMB Circular A-127, and to fully implement the U.S. Government Standard General Ledger. This effort will result in the development of a single, standard system which will replace the nine installation-level systems currently in use. In addition, the six agency-wide systems used at the Headquarters level will be upgraded. During 1988, a Pre-Definition Study was completed which recommended the use of existing NASA software as the foundation for developing the standard system for the installation level. The software will be implemented on a decentralized basis. During 1989, a detailed project plan and requirements specification will be developed. The initial benefit cost analysis indicates that approximately $75 million can be saved over a 15-year life cycle by reducing the number of separate systems. The following benefits will also be derived: the timeliness and accessibility of data will be improved, manual effort will be reduced, capability will be developed which will lead towards a paperless environment, single entry of data will be facilitated and current ADP technology will be maximized. [Arthur W. Frater, (202) 453-2311]

The **Railroad Retirement Board** improved its centralized financial management system by upgrading to an off-the-shelf package that meets the core financial systems requirements established by the JFMIP. Conversion to the system brought the Board into conformance with requirements of the Prompt Payment Act and the U.S. Government Standard General Ledger and will permit modernization of other activities such as the benefits program, accounts receivable, travel management, and cost accounting. [Peter A. Larson, (312) 751-4590]

The **Securities and Exchange Commission** installed an off-the-shelf accounting system which became operational at the start of FY 1989. The financial accounting system was over 12 years old, required batch processing and was not easily adaptable to the new automation and processing standards promulgated by Congress, GAO and the Treasury. Of greatest benefit to the Commission, the system incorporates the standard governmentwide Chart of Accounts; provides an automated payments and budget execution capability; accommodates the decentralized input of financial obligation data; fully automates payment processing; provides capabilities to improve the accounts receivable process; and provides each organization with on-line access to needed accounting and budget data. [Lawrence Hayes, (202) 272-2150]

The **Department of State** has made significant progress toward fully implementing a primary accounting system that meets the core financial systems requirements. An off-the-shelf accounting package was purchased in 1987 and adapted to meet the Department's need. Effective October 1, 1988, the new Central Financial Management System was implemented in four Departmental bureaus. Plans call for Department-wide system implementation by October 1, 1989. The system provides domestic accounting, budgeting, and reporting functions and implements the U.S. Government Standard General Ledger. [Howard A. Renman, (703) 875-6906]

The **Department of Transportation** developed the Departmental Accounting and Financial Information System (DAFIS) using the Federal Aviation Administration's Uniform Accounting System as the baseline system. This system will eventually replace the primary accounting systems of all the Department's operating administrations and the Office of the Secretary. DAFIS has been implemented by the Federal Aviation Administration, National Highway Traffic Safety Administration, and one Coast Guard pilot site. The remainder of Coast Guard is scheduled for implementation by October 1990. Once Coast Guard is completely implemented, 95 percent of all of the Department's accounting transactions will be processed by the DAFIS. The rest of the Department is scheduled for implementation in 1990 and 1991. DAFIS incorporates a standard departmental accounting classification code, uses the U.S. Government Standard General Ledger account structure at the transaction entry level; and incorporates debt collection, cash management, and prompt payment. DAFIS will interface with the subsidiary and program systems of each administration. [Doug Sawin, (202) 366-5644]

Treasury's U.S. Secret Service is continuing the process of implementing an off-the-shelf software package as the Service's Financial Management and Accounting System. The core accounting module, which includes the U.S. Government Standard General Ledger, accounts payable module and budget formulation and execution modules, became operational on October 1, 1988. [Dale Burkett, (202) 535-5939]

Treasury's Bureau of Engraving and Printing Management Information System (BEPMIS) was completed in 1988. BEPMIS enables the Bureau to maximize the benefits of recently implemented, state-of-the-art production processes and provides more accurate and timely information to executives and managers about Bureau operations. This integrated system makes use of off-the-shelf software to meet mandated core financial requirements, Reform '88 initiatives, and the requirements of the Federal Managers' Financial Integrity Act, the Prompt Payment Act, and the U.S. Government Standard General Ledger. [Joel C. Taub, (202) 447-9845]

Treasury's Internal Revenue Service (IRS) has automated its revenue accounting control function. The Revenue Accounting Control System (RACS), a mini-computer based system, is designed to replace the manual journal, general ledger, and reports functions. Two key system improvements have been made during the past year: telecommunication between IRS Centers and the National Office for centralized reporting and the incorporation of the Government On-Line Accounting Link System (GOALS). Planned enhancements to the system include the feasibility to receive data from feeder systems electronically or by means of magnetic tape. [Tony Tullo, (202) 566-3214]

Interface Systems

The **Department of Justice** is phasing in an on-line data entry subsystem (ATOMIC), using microcomputers to format its administrative accounting transactions. This system will serve as a front-end transaction processor to supply clean data to the Department's Financial Management Information System (FMIS), which will serve as a posting repository for transactions. It will eliminate coding, keypunching, and many of the shortcomings of the present entry method. The system includes on-line editing and entry of transactions and provides fiscal control to prevent over-expenditure of obligations by maintaining a running balance on a document basis. [Emil Peront, (202) 724-5909]

The **National Science Foundation** is developing the means by which the procurement staff can electronically update the accounting system with purchase order obligations. The goal is to enable all authorized program officials to input requisitions, proposals, travel orders and training requests and all authorized procurement officials to input contracts, grants, and purchase orders. All such inputs must pass fund certification tests before accepted. [Martin T. Engle, (202) 357-7757]

The **Office of Personnel Management** implemented an automated interface between their primary accounting system and their acquisitions system. The interface generates accounting transactions at the time the procurement action is finalized. The interface reduces the amount of manual coding that is required to enter transactions into the primary accounting system, lowers the chance for data entry error, and provides more timely recording of agency obligations. [Anthony Belliotti, (202) 632-1106]

Payroll/Personnel Systems

Defense's Department of the Army continues to develop a single payroll system to pay all appropriated fund U.S. civilian employees. The system is designed as an integral part of the Army's accounting system and will use single-source entry for time and attendance, labor costs, and performance data. The system will also interface with the personnel system. Completion of system testing is expected early in 1989 at Fort Sam Houston, Texas. [Joe Cambell, (317) 542-3205]

Defense's Department of the Air Force is modernizing the systems it uses to pay appropriated fund civilians. The initial phase provides for updating the current system by improving data collection at sites with civilian employees and by automating manual tasks, where possible. Plans are to centralize civilian payroll processing and disbursing at the Air Force Accounting and Finance Center, Denver, Colorado, reducing the workload and improving pay service. Final implementation is scheduled for mid-1990. [Gary Raisio, (303) 370-5282]

In 1988, the **Environmental Protection Agency** automated a system for recording and paying employee State and local taxes. The new system executes payments of bi-weekly payroll taxes to correspond with each city and state tax collection schedule. As a result, payments are timely and the level of accuracy has improved. [Henritta Dickerson, (202) 382-5157]

Justice's Federal Bureau of Investigation (FBI) is developing an integrated personnel/payroll system using a contractor. The personnel system became operational in early 1989 and the payroll system is scheduled for completion in late 1989. The FBI also developed an administrative time capture system that is integrated with the personnel/payroll system to replace the manual transmission of labor distribution and time and attendance data via the mail. [John H. Skaggs, (202) 324-2865]

The **National Aeronautics and Space Administration** is developing an integrated personnel/payroll system for use at all its installations. Implementation of the system will reduce the number of personnel and payroll systems in use throughout the agency from fourteen to a single uniform system. A prototype installation system has been in operation at the Johnson Space Center since early 1988. With full implementation starting in 1991, an annual reduction of $1.6 million in software maintenance costs for personnel and payroll systems is estimated. [Eva Layne, (202) 453-1790]

The **Office of Personnel Management** (OPM) began a project to develop an automated interface between their payroll and personnel systems. During 1989, the interface will be tested and implemented. The benefits to the agency will include more timely processing of payroll related personnel actions and a reduction in the number of manual interventions required to make a payroll change or correct incorrect data.

OPM also implemented the Payroll On-Line System, which facilitates payroll transaction data entry, error correction, and data inquiry. The system is menu-driven and allows online access by multiple users to a common data base. The new system reduces the amount of manual effort and improves internal controls. [Anthony Belliotti, (202) 632-1106]

In 1988, **Agriculture's** Food Safety and Inspection Service began transmission of Time and Attendance Reports to the National Finance Center (NFC) in New Orleans, Louisiana. NFC developed the user-friendly software for its clients, a disk-operated software package called Personal Computer Time and Attendance Remote Entry (PCTARE). It can operate on any IBM compatible microcomputer with a modem and communications board with 3780 protocol. The new system eliminates mail time, reduces the error rate, and provides greater assurance of timely salary payments. [Chuck Carroll, (202) 382-9853]

The National Science Foundation implemented its Electronic Timecard System in January 1988. The system has eliminated not only paper timecards and leave audits, but also the requirement for overtime for the payroll staff. It has reduced the time the NSF staff spent in monitoring timecards. The system prevents improper data from being input into the payroll system, hence increasing the accuracy of the payroll. The system also provides electronic mail requests for delinquent approvals. [Martin T. Engle, (202) 357-7757]

Treasury's Departmental Offices are developing a new time and attendance system which will provide a fast and convenient means for entering time card and correction data into the Treasury Payroll Information System (TPIS). The system will operate on three personal computers, which have replaced the old data transmission equipment. The system is designed to display an on-screen time card. Each timekeeper will enter their payroll data into a terminal and save the information on a floppy diskette. The diskette will be forwarded to the payroll section and copied to a master file for transmittal to TPIS. [Doug Gandy, (202) 377-9543]

Treasury's Office of the Comptroller of the Currency is developing an automated data entry system for time and attendance reporting to be implemented in 1989. This system will feed into the Treasury Payroll Information System (TPIS) and will eliminate the need for time cards. The system will have strong internal controls, including up front edits, password security at various levels, individual T&A reports, summary reports, exception reports, and automated leave audits. [Mary

Fowler/Larry Beard, (202) 447-1721/1741]

Travel Systems

The **Department of Health and Human Services**, Centers for Disease Control, is phasing into production an interactive, on-line Travel Management System (TMS). The system incorporates the functional requirements as outlined in the Department's Phoenix Project. The system was developed using a modern data base management system and state-of-the-art concepts. The various travel documents and other documents generated as a result of travel are prepared in an on-line, interactive environment and submitted to the appropriate officials for electronic approval. Once approved, the travel documents are then electronically prepared and printed at printers attached to the personal computers. The system is fully integrated with the accounting function. There is a Cashier Module that provides for on-line verification that a traveler is authorized to pick up an advance. This module also electronically prepares any travel related documents required by the cashier. There is an Airline Ticket Module which provides for on-line verification that a traveler is authorized to pick up an airline ticket and handles recording and paying of airline carrier bills. A computer-generated list of travel selected for random audit can be produced on an "as needed" basis. Most importantly, the system automatically records all financial transactions (i.e., obligations, advances and expenditures) in the accounting system. The system will be installed at the first site in early 1989 and will be fully implemented at all sites by the end of FY 1989. [Claude F. Pickelsimer, Jr. (404) 842-6600]

The **National Science Foundation** (NSF) implemented an on-line fund verification system to verify fund availability prior to release of tickets to travelers. This system eliminates the necessity for the travel staff to see the Travel Orders and assures that sufficient funds have been obligated. [Martin T. Engle, (202) 357-7757]

The NSF also implemented a commercial software package that provides Federal Travel Regulations for domestic and foreign travel, household moves, and per diem rates. A site license was obtained and the software was made accessible to every division/ office of the Foundation. This enabled cancellation of the hardcopy NSF Travel Manual. [John D. Stone, (202) 357-9425]

In 1988, **Treasury's** U.S. Customs Service implemented an automated travel system nationwide. The system includes a travel authorization and advance approval process as well as a travel voucher submission and review process. The system eliminates delays in posting accounting data to the general ledger, provides better cash management for travel advances, and allows for more efficient and timely processing of travel documents. The use of Direct Deposit/EFT for travel advances is tentatively scheduled for FY 1990. [Jerry Petty, (202) 566-2494]

Vendor Billing/Payment Systems

On October 17, 1988, the President signed "The Prompt Payment Act Amendments of 1988" (S.328) into law. This law, P.L. 100-496, clarifies and strengthens the Prompt Payment Act of 1982 to assure that vendors supplying goods and services to the Government are paid in a predictable and timely manner. The Act is effective as of April 1, 1989 and OMB will issue final instructions under a revised Circular A-125. Agencies have been making progress in revising or implementing automated systems for compliance with the new legislation.

During 1988 **Agriculture's** Food Safety and Inspection Service, automated their manual miscellaneous obligation and payment system, which includes the electronic transmissions of accrued obligations and payments to the National Finance Center (NFC). The system generates payment transactions upon receipt and approval of services and supplies. The system speeds up the payment to vendors by eliminating manual preparation of hard copy vouchers and mailing at the NFC. The database files also provide for ad hoc reporting. [Chuck Carroll, (202) 382-9853]

The **Federal Emergency Management Agency** (FEMA) developed integrated system reports for prompt payment data. This enables the Agency to report consolidated payment activity for 13 payment centers which significantly improved both Prompt Payment Act reporting to OMB as well as the Agency's own internal monitoring for cash management purposes. FEMA also successfully implemented a new automated check payment process for vendor and travel payments for the Agency's 13 payment centers. This new process warehouses payments until the due date to ensure that payments are not paid too early or too late. Not only has this new method streamlined the Agency's payment process, but it has also significantly reduced the number of SF-224 entries. The automated check payment system automatically posts to the Agency's SF-224 subsystem as tapes are generated and paid. [Jon Wolz, (202) 646-3711]

The **Government Printing Office** developed an automated Government Bills of Lading (GBL) System using microcomputer database software. It allows the accounting staff to enter GBL information into the microcomputer and upload the data to the mainframe. The voucher examination staff processes payments using the microcomputer and produces checks automatically on the specified payment date. [DuWayne D. Brown, (202) 275-2796]

In 1988 the **Department of Health and Human Services's** Food and Drug Administration (FDA) implemented an automated Accounts Payable System designed to facilitate compliance with the Prompt Pay Act and to issue payments under this Act. The system automatically determines the prompt pay date for each payment, as well as any discount or interest penalty. Standard transactions for the general ledger are also generated. Data files provide a base for the preparation of reports and the measurement of accounting technician performance. It is currently operational at FDA headquarters and is used by approximately 20 accounting technicians. This system is characterized by a stringent set of internal controls. [Frank P. Calunts, (301) 443-3260]

In 1988, **Interior's** Office of Aircraft Services (OAS) began replacing manually prepared payment certificates with automated certificates for the procurement of aircraft services and parts. Responsible for procuring aircraft services, parts, and aircraft for client bureaus primarily within Interior, OAS handles vendor payment and recovery of cost from client bureaus. These automated certificates are then used as backup for Treasury check issuance and vendor payment advice. The invoice file is used in the cost recovery billing system. Full installation is anticipated by the end of 1989. [Clifford D. Dalzell, FTS 554-2759 or (208) 389-2759]

In October 1988, **Treasury's** U.S. Mint implemented a mainframe-based Accounts Payable module that will produce a magnetic tape for the payment of invoices at headquarters. Modifications to the Accounts Payable module include provision for Federal cash management and Prompt Payment Act specifications. These modifications will be completed by spring of 1989. [Margie Yanchuk, (202) 376-0415.]

Treasury's U.S. Customs Service implemented the Automated Receiving Report System (ARRS) which eliminates the need for field offices to certify and mail invoices to the National Finance Center (NFC). Payments to vendors are better controlled, resulting in a decrease in Prompt Payment Act interest expenditures. The system includes a subsystem which automates Blanket Purchase Agreement (BPA) call sheets. Each order placed against a BPA is recorded via terminals into the system. [Jerry Petty, (202) 566-2494]

Treasury's Bureau of Alcohol, Tobacco, and Firearms implemented the Warehouse Invoice Tracking System (WITS). This automated payment system allows the Bureau to maintain full compliance with the Prompt Payment Act of 1982. As invoices and receiving documents are entered into WITS, the system automatically computes payment due dates, advantageous discounts, and prompt payment interest charges. In addition, the system prepares accounts payable transactions and automatically generates payment transactions on the date payments are due. An additional benefit of the system is that data retained in the history file is used in generating the Bureau's prompt payment certification reports and internal prompt payment and workload measurement reports. The system became operational on February 16, 1988 and has already brought about productivity and payment scheduling improvements, and improved management information on prompt payment interest payments and their causes. [Carol A. Boitano, (202) 556-9956]

During 1988, **Transportation's** Urban Mass Transportation Administration (UMTA) implemented an automated accounts payable system and integrated this system into their primary accounting system. Implementation has resulted in reduced paperflow and reduced staffing. The features include automatic computation of payment dates, "warehousing" of payment until the scheduled date, and automatic computation of interest and discounts. [William H. Eargle, Jr. (202) 366-9748]

Other Accounting Systems

In June 1988, the **Agriculture Department's** Agricultural Stabilization and Conservation Service began automating the Commodity Credit Corporation's cotton loan system. This eliminated thousands of hours of keypunching, verification, and loan research. There is now direct communication from computers at cotton cooperatives and Loan Servicing Agents to the Department's computers. The timeliness and accuracy of data has improved, and there is substantial reduction in some costs at cooperatives and agents. [Angelena V. Bracht, (202) 447-6163]

During November 1988, **Agriculture's** Farmers Home Administration implemented the Automated Multi-Housing Accounting System nationwide. It provides District Offices with the capability to process cash payments online in order to expedite the update of borrower payment data. This improvement provides better service to borrowers due to more current and accurate billing statements. [John Nassif, FTS 262-6424 or (314) 539-6424.]

The **Defense Contract Audit Agency** is currently developing an automated property accounting system known as "DAISY" that provides for the identification, inventory, and overall management of property. DAISY derives from an off-the-shelf software system that can operate on personal computers. The software includes twenty-four pre-established fields of information commonly used in most property systems. However, the major advantage of this software is that the information fields can be customized by the user to meet any unique requirements of the user's organization. It also permits the user to enter up to fifteen additional lines of text on every property item for relevant information, such as maintenance cost and warranty information. The system provides for on-line query of the property data base. It comes equipped with on-line instructions, help screens, and a comprehensive user's manual. The system can produce up to 25 printed reports that are defined by the user. [Edward Migliore/Paul Earley, (703) 274-5151]

The **Department of Education** made modifications to their Impact Aid Award System to allow for reconciliation of impact aid accounting to the primary accounting system. Impact aid payments are now disbursed via the Automated Clearing Housing (ACH) disbursement system. These efforts have resulted in the acceleration of recipient payments and improved accountability through strengthened reconciliation processes. [Raymond C. Kudobeck, (202) 732-5850]

The **Department of Housing and Urban Development** redesigned the accounting process for Section 202 Housing for the Elderly and Handicapped Program. The system features one-time data entry and automated interface to the primary accounting system, eliminating manual processing and duplicate entries. [Gail B. Dise, (202) 755-1757]

The **Department of State** has developed a new overseas Financial Management System (Overseas FMS) to automate local processing performed at posts, replacing or incorporating nonstandard, antiquated existing systems. The system maintains overseas post accounting records, provides automated support for developing post budgets and financial plans, maintains U.S. Disbursing Officer accountability records as well as preparing payments. The system establishes appropriate controls in accordance with accounting principles and standards prescribed by the Comptroller General of the United States. The system is currently installed in 21 of 24 locations and will be fully installed in 1989. To support the processing requirements of the Overseas FMS, Financial Management Centers (FMCs) are being established around the world. FMS applications will also be installed at the Regional Administrative Management Centers (RAMCs) to serve posts not serviced by the FMCs. All the FMCs and RAMCs will be connected to Washington and each other via the Department's Diplomatic Telecommunications System network. Each Center will handle the financial processing for the post at which it is located and for other posts in the area. [Howard A. Renman, (703) 875-6906]

Treasury's Bureau of Alcohol, Tobacco and Firearms developed an automated property reconciliation system using a microcomputer and database software. The system matches records from the Bureau's property system with those from its Financial Information System and provides reports on records for which there are discrepancies and on records for which there is no match. This system also provides the Bureau with a means of designating property items for which depreciation expense should be recorded. A test implementation of the process was conducted during 1988 and it is anticipated that full implementation will begin in the first quarter of 1989. [Carol A. Boitano, (202) 556-9956]

Treasury's Internal Revenue Service (IRS) is developing a stand alone system that reads OCR Magnetic Ink Character Recognition with image processing capabilities, enabling timely deposit of all remittances received at the IRS centers while capturing data from the source documents to update the master file system. The OCR and imaging capabilities will require fewer workstations, significantly reducing the deposit function staff. The system will encode and endorse all remittances while assigning a recognizable audit trail for both the source documents and remittances. The keystrokes saved by scanning will not only increase the speed of processing, but also will increase the credit availability of revenue receipts and have the capability to electronically transmit data from the deposit ticket to the Treasurer's account. The system will be able to store records of all documents on some form of storage media to ensure the quick retrieval of records for research purposes and to resolve payment discrepancies. The ability to electronically transfer remittance data will result in increased availability; reduced labor cost through more efficient processing; and a reduction in the timeframes to deposit remittances during peak periods. The storage capability will create dramatic savings in storage space and control personnel. [Lee Lawrence, (202) 566-3125]

Tracking Systems

The **Agriculture's** Research Service has automated various financial and resource management functions using a standard database software package which operates on a microcomputer. The applications assist personnel at 130 locations in doing their jobs while capturing the data need for the accounting system as a byproduct. Functions automated include resource planning, preparation of spending authority documents, input of miscellaneous payments, travel vouchers, time and attendance (T&A) reports, funds controls and status reporting, salary projecting, and tracking. The basic software for T&A automation was developed by the Agriculture's National Finance Center and integrated into the menus on the microcomputer. They anticipate doing the same when the Center completes the microcomputer version of their travel system. [J. L. Wilson, (202) 344-3531]

Agriculture's Animal and Plant Health Inspection Service is developing a comprehensive system to provide for electronic processing of administrative actions from the request stage through completion. The system will allow entry of requests and queries from remote locations. The first three modules (purchasing, personnel actions, and property receipts) will be tested during FY 1989. [Joseph R. Taylor, (612) 777-2156]

The **Defense Department's** National Security Agency developed a system to automate program and budget tasks. The system consists of a network of terminals that connect the people involved in the preparation of the budget to a host computer. There are currently 125 users. The system eliminates the cumbersome manual methods used in the past and more effectively provides necessary budgetary information required for decision making. The system was developed with a commercial software product. [John Medford, (301) 688-8469]

During 1988 **Defense's** Department of the Army completed automation of their Command Operating Budget (COB) submission process. The COB schedules are automated into standard data files using off-the-shelf spreadsheet and database software and user-friendly macro programs designed to lead the preparer through the data entry process. Operating budgets are submitted from 35 major commands to meet the Army's internal and external budget requirements. There are some 40 separate schedules involved and a short timeframe between receipt of the field information and the required budget submission. Upon receipt of the field data on diskettes, the information is loaded into a central database for use in preparing the Army budget. [Larry Stopher, (202) 697-6241]

The **Defense's** Department of the Navy, Office of the Comptroller, implemented a system to automate the budget formulation process. The system utilizes off-the-shelf software and utilizes a distributed system of mini-computers connected by a local area network. The system also provides an integrated environment for office automation and data processing support. [Jim Sones, (202) 697-0747]

The Social Security Administration, **Department of Health and Human Services**, developed a budget tracking system that strengthened execution of its $256 million information technology system budget by administratively controlling funds at the project level. Financial reports now track actual against planned spending by project. The status of funds data is available on-line or in hardcopy reports. The enhanced reporting permits the agency to track changes from the legislative to the operating budget, ensure that funds are used only for approved projects, and reprogram budgetary resources in the event they become available. [Charles A. Lewis, FTS 625-0003 or (301) 965-0003]

The **Department of Justice** has installed a procurement tracking system on a local area network which allows the procurement staff to create procurement documents, maintain files, and track each procurement through its various phases. [John Koday, (202) 272-4471]

The **National Science Foundation** implemented an on-line Training Request Tracking System. This system enables program staff to initiate the electronic development of a training request. It requires authorized program officials to electronically approve these requests, thus initiating electronic validation, fund certifications and recording of the training requisition in the accounting system. The system also enables authorized staff to electronically develop the training obligation, which is also electronically recorded in the accounting system. Status tracking and training history are also available on-line. Notifications of required actions are electronically transmitted. [Christine Cataldo, (202) 357-7601]

The **Department of Transportation's** Office of the Secretary implemented a fully automated tracking system departmentwide. This system contains all the A-123 informational requirements (i.e., components, planned evaluations, internal control weaknesses, etc.), thus providing the information necessary for timely oversight. [Rolf Wold, (202) 366-9874]

Treasury's Bureau of Alcohol, Tobacco, and Firearms, utilizes a microcomputer tracking system for audit reports. This menu-driven tracking system was developed utilizing a standard database software package which operates on a microcomputer. For internal audit projects, the system tracks individual staff effort and effort by type of project. This information enhances planning and control of audit resources. [Roger Brown, (202) 566-7966]

Grants Management Systems

The **Department of Education** redesigned their Grants and Contracts Management System (GCMS) and put it into operation in February 1988. Enhancements include integration of all grant and contract processes from planning to closeout and dynamic update directly to their central accounting system. [Margo Koines Anderson, (202) 732-2773]

The **Department of Housing and Urban Development** replaced their old grants management system with an automated management information storage and retrieval system called Program Accountability Library (PAL). PAL is used by the program staff to monitor activity and to respond to external requests for information. PAL is available on a local area network and provides updating, retrieving, and report writing capabilities at individual work stations. [Larry Kruhm, (202) 724-5829]

The **National Science Foundation** implemented a system that automates the monthly stipend payments made by the Foundation to post doctoral Fellows. At time of award to a Fellow, the monthly payments are scheduled on a personal computer. At the end of each month, this electronic schedule is utilized to develop the current payments and electronically place these payment records in the accounting system, resulting in the electronic recording of these payments on a check issue tape delivered to the U.S. Treasury. This eliminates the manual records maintained for this purpose, eliminates the key errors occasionally encountered, and enables NSF to maintain better control over these Fellow obligations and payments. [Martin T. Engle, (202) 357-7757]

In March 1988, **Transportation's** Urban Mass Transportation Administration implemented a new grants management information system. The new system permits rapid response to grantees' information needs, automates the grant monitoring process, permits timely closeout of completed projects, and provides management with an aggregated summary. The system is integrated with the primary accounting system through an automated interface. The expected net savings is $4.5 million over 5 years. [Casimir Bonkowski, (202) 366-4020]

Cash and Credit Management

In 1988 agencies made significant progress in improving the management of Federal dollars. As the largest buyer and seller of goods and services, the Government is increasingly using electronic funds transfer technology. The Government is using credit cards, which are now accepted for payments from the public. The Federal government has also issued credit cards to employees for travel and small purchases, using them in lieu of imprest funds. The delivery of benefits payments via plastic access cards has been studied in 1988 and may not be far off. Technology, along with legislation such as the Prompt Payment Act Amendments of 1988 and the Federal Debt Recovery Act of 1987, are bringing about redesign of billing and collection systems. These new systems bring about cost savings through enhanced management information and controls. Agencies are avoiding interest payments and late penalties through improved payment scheduling. They are consolidating bills by vendor and making one payment transaction. Agencies also are eliminating manual processing and rekeying. Federal agencies are sharing collection system information on government debtors; performing more thorough checks before approving government loans; and recovering debts through salary offset and tax refund offset procedures. Agency initiatives in this area are discussed below.

Credit Cards for Collections

During the past two years, the Federal Government has been using credit card technology to collect Federal funds. This tool, put into operation since 1987, has made collections easier, reduced delinquencies, cut down on bad checks, and improved the information received on collections. Credit card technology has also helped the Federal government make vast improvements in the quality of service it provides to the public.

Agriculture's Animal and Plant Health Inspection Service now accepts credit cards for payments from the public at the Newburgh and Miami Animal Import Centers, at JFK Airport for the pet bird program, and at Hyattsville for the endangered plant species permits. [Karen A. Baker, (301) 436-8738]

Effective October 1, 1988, the **Defense Mapping Agency** began accepting credit cards for purchases of mapping, charting and geodesy products. The Agency accepts credit cards for both new orders and payment of accounts receivable. The gross annual cash flow from these products is approximately $3 million. Estimated card cash flow is $300,000. [William C. Bartel, Jr., (202) 653-1441]

On June 16, 1988, the **Department of Housing and Urban Development** implemented its first use of major credit cards as a payment method for Freedom of Information Act requests of distributive share listings. By the end of 1988, approximately 26 percent of the total requests for these listings had been made by the credit card payment method, resulting in over $240 thousand in revenue. [Kitty Woodley, (202) 755-0941]

The **National Archives and Records Administration** (NARA) accepts credit cards for services and goods provided to the public by the Presidential Libraries, the Archives Museum Store, and the National Audiovisual Center. Each day the bank transfers credit card funds electronically through the Fedwire Deposit System, which enables NARA to receive "next day credit" for all credit card sales. The credit card system was implemented in June 1988. During the first six months there were 8,500 purchases using credit cards with a value of more than $375,000. [Joan E. Ochs, (202) 724-2722]

Transportation's Federal Aviation Administration (FAA) and the Office of the Secretary (OST) implemented the credit card collection program in August and October 1988, respectively. The FAA began accepting credit cards for collections in their Eastern region. The OST began accepting credit card collections for parking fees. All credit card transactions are transmitted electronically, which increases funds availability and reduces collection processing costs. [Dave Thomas/Yash Parekh, (202) 267-8994/366-5760]

Treasury's U.S. Customs Service now accepts credit cards at auctions of property seized as part of its enforcement effort. Auction proceeds are deposited into a special fund established by Congress in 1984 to support the Customs Seized Property Program (P.L. 98-573). In October 1986, Customs began accepting credit cards at major airports for payments made by travelers returning to the United States. Customs is implementing a cash register network which includes automatic credit card authorization and reporting. By early 1989, 52 locations became operational with a total of 80 planned by the end of FY 1989. [Steve Xander, (202) 566-8256]

Credit Cards for Small Purchases

In 1986, the **Department of Commerce** initiated a pilot program to use the U.S. Government Bankcard to make small purchases. As of January 1989, some 48 Federal organizations were participating in the Commerce program with almost 9,000 cards in circulation. Savings are realized through decreased processing costs, elimination of State and local sales taxes, negotiation of vendor discounts and rebates, and reduced burden on imprest fund and purchase order staff. [Randy Blumenschein, (202) 377-3271]

The **Equal Employment Opportunity Commission** has implemented the use of U.S. Government Bankcards throughout the Commission. This has reduced the number of purchase orders and imprest fund transactions for small purchases and resulted in decreased paperwork and cost and increased operating efficiency. [Sandi Park, (202) 634-6540]

The **Department of Labor** has issued credit cards to its employees, following appropriate program indoctrination and training. These employees have authority to purchase goods and services for their agencies. It is estimated that each card transaction saves an average of $20 in direct and indirect costs. The annual cost savings at Labor is approximately $60,000. [Tom Delaney, (202) 523-9631]

Transportation's United States Coast Guard continues to use credit card technology for making purchases under $1,000 in lieu of imprest fund cash payments. In July 1988, approximately 600 bankcards were renewed in the Second and Ninth Coast Guard Districts. [Teresa King, (202) 267-1176]

The **Department of Justice** has implemented a pilot project for the utilization of Automatic Teller Machines (ATM) to provide cash advances to travelers. The ATM project has multiple benefits, including the reduction of outstanding employee advances, and reduced administrative as well as future collection responsibilities. The first Personal Identification Number (PIN) was issued in August. It is expected that between 400 and 600 employees will participate in the pilot program. [Lee Lofthus, (202) 272-5700]

The **National Archives and Records Administration** (NARA) issues credit cards to authorized employees to automate small dollar amount purchases. The use of the credit cards has simplified procurements and reduced the use of imprest funds, purchase orders, and certified invoices. All NARA's procurement rules still apply and funds must be available in the budget before purchases can be made. The program was implemented in February 1988 and since that time the card has been used to make approximately 531 purchases with an average transaction amount of $88. [Monica Brewbaker, (202) 724-2722]

Treasury's Bureau of Alcohol, Tobacco, and Firearms implemented the use of U.S. Government Bankcards effective October 1, 1988. The credit card is intended for small purchases of official supplies and services. Procurement authority is limited to the purchase of expendable supplies, services and equipment repairs not exceeding $1,000 per transaction. [William Wright, (202) 566-7522]

Third Party Drafts

Third Party Drafts are being used in lieu of cash for imprest fund type transactions. Agencies establish a maximum dollar limitation for each draft. The negotiability period is generally "not to exceed 60 days". Drafts are pre-numbered and preprinted with the agency name. Each designated person who issues drafts has a separate authorization code. A draft receipt form is used to control the supply of drafts given to each authorized person. Controls and procedures are also established to handle claims on non-receipt (lost or stolen), stop payments, and issuance of replacement drafts.

The **Department of Health and Human Services** has begun using Third Party Drafts in lieu of cash for paying imprest fund type activities. This method of payment has improved service, strengthened internal controls and eliminated the need to maintain cash on hand by the cashiers. To support this process in the Office of the Secretary, the Department has developed and implemented an automated Third Party Draft system. The system runs on a

PC using a database management system. The system generates accounting transactions, maintains a payee/vendor file, maintains historical information, provides draft clearing and reconciliation capabilities, and produces a variety of transaction and management reports. The system is currently operational in the Office of the Secretary and three Regional Offices. Plans call for implementing the system in all ten Regions during 1989. [Tom Doherty, (202) 245-6031]

The Social Security Administration (SSA) within the **Department of Health and Human Resources**, is conducting a pilot to test the use of Third Party Drafts in lieu of imprest funds. Currently, 16 offices are participating in the pilot, which will be expanded to 70 offices by June 1989. Ultimately, about 1,400 imprest funds totaling $2 million will be eliminated. Results of the pilot will be used to develop and implement a plan for SSA-wide use of the drafts. These drafts are used to pay for small purchases, local travel, monthly telephone service, emergency salary payments, travel advances, and emergency beneficiary payments. Use of the drafts improves cash management, security, and internal control. They offer greater administrative convenience and flexibility. [Leonard A. Fique, (301) 965-0527]

The **National Science Foundation** (NSF) implemented a Third Party Draft system which uses drafts issued by the Foundation in lieu of government checks. By eliminating all cash, the Foundation has eliminated a vulnerability to theft and improved traceability. [Martin T. Engle, (202) 357-7757]

Since February 1987, **Transportation's** Federal Aviation Administration (FAA) has been piloting the Third Party Draft system at their Technical Center in Atlantic City, New Jersey. In 1988, FAA expanded the use of their Third Party Draft system to the Western Region and plan to expand to their Eastern Region in March 1989. Under the system, agencies issue Third Party Drafts in lieu of imprest fund payments for small purchases. This initiative realizes savings in excess of $75,000 per year. [Don Hansen, (202) 267-9004]

Treasury's U.S. Mint implemented a Third Party Draft system at their headquarters in June 1988 for the payment of Imprest Fund transactions not to exceed $1,000. This cost effective system will reduce the risks associated with cash while offering effective cash management benefits and enhancing internal control. [Mike Gordon, (202) 376-0415]

Lockboxes

In 1988 the Treasury Department expanded its network of lockbox banks to increase geographical coverage and provide better service to agencies. Under this program, individuals making payments to the government send their payments to a designated post office box for receipt and processing by the financial institution providing the lockbox service, in lieu of mailing checks directly to the government agency. As specialists in check processing, banks are equipped with the latest technology for processing large volumes quickly. The lockbox banks electronically transfer the funds collected to the Treasury account at the Federal Reserve. By converting deposits to Treasury designated lockbox banks, funds availability to the Treasury is improved and overall collection processing costs are reduced. Some of the significant accomplishments by agencies are described below.

In fiscal year 1988, the **Securities and Exchange Commission** collected about 41 percent of over $249 million in fees (amounting to 42,000 separate payments) through lockbox and electronic transfer facilities, thereby expediting the deposit of Federal funds into Treasury interest bearing accounts. The Commission is working on increasing the percent of fees collected through the lockbox and EFT processes. [Lawrence Haynes, (202) 272-2150]

Transportation's Urban Mass Transportation Administration and the Federal Highway Administration completed conversions to the Treasury's Lockbox Network in November 1987 and November 1988, respectively. Within the past two years the Department has completed four conversions to Treasury's Lockbox Network. The Department's four lockbox accounts processed approximately $235 million in deposits in 1988 and realized approximately $120,000 in savings. [James Bradley/Fred Gessler, (202) 366-9748/2890]

The **Tennessee Valley Authority** (TVA) is piloting a lockbox arrangement with a commercial bank to facilitate timely deposit of receipts from TVA Power sales. Once the system has proved effective in the testing phase, all TVA receipts currently mailed to a post office box in

Chattanooga or Memphis will be directed to lockbox addresses in Chattanooga, Memphis, or Nashville. Nashville has been added as a collection site with a potential savings to TVA of $115,000 annually. Internal processing costs will be reduced by approximately $10,000 annually. [Diane E. Payne, (615) 632-8144]

Other Cash Management Efforts

During 1988, the **Agriculture's** Farmers Home Administration strengthened internal controls to preclude deposit and disbursement delays through new cash management reports to monitor field office performance. As a result of these accomplishments, the Agency's percentage of checks closed within 30 calendar days increased from 92 percent to 96 percent. This increase saved the Agency approximately $500,000 in interest expense. [Eric Joshu, FTS 262-2400 or (314) 539-2400]

During 1988, **Labor's** Employment Standards Administration developed an automated system for management of the collection and disbursement of monies due non-Federal employees from companies who have infringed on one or more labor laws affecting employee compensation. Approximately $26 million is disbursed annually. The new system not only determines the amounts to be paid, but also processes and prepares the SF-1166, Voucher and Schedule of Payments. The system prepares quarterly Internal Revenue Service reports and the W-2, Wage and Tax Statement, for each employee receiving payments where taxes have been withheld. [Alice A. Niner, (202) 523-7060]

The **Office of Personnel Management** (OPM), Retirement and Insurance Group, implemented a system change with both financial and cash management manifestations. Prior to 1988, the Group received thousands of Treasury checks each month under the Department of Labor's Office of Workers Compensation Programs (OWCP). These remittances represented offsets from the benefits paid to Labor's compensationers for debts owed the Civil Service Retirement and Disability Fund. Rather than receiving these remittances via Treasury check, OPM now receives identifying information on magnetic tape which is directly read into the automated accounts receivable system. The actual monies are remitted to OPM via the Government On-Line Accounting Link System (GOALS). The enhancement has accrued significant operational efficiencies, improved financial controls, and eliminated an inappropriate use of Treasury checks.

The OPM Retirement and Insurance Group is also in the process of implementing a letter of credit (LOC) arrangement for payments to the 50 largest Federal Employees Health Benefits (FEHB) plans. When implemented in early 1989, approximately $10 billion in annual premiums will be disbursed via LOC. Thus, rather than immediately leaving Treasury's account upon disbursement, these funds will remain until actually required by the carriers to pay for authorized program expenses. The move to LOC will, therefore, significantly reduce the Government's cash outlays over the next several years. [Bob Yuran, (202) 632-7450]

Electronic Payments

The increasing use of electronic payments are dramatically changing the way corporations, Government agencies, and financial institutions do business. Terms that are often used include: EDI (electronic data interchange), which is the electronic exchange of transactional business information in a standardized format; Electronic Funds Transfer (EFT), and Direct Deposit (DD). In July 1987, Treasury launched the Vendor Express system to make electronic payments via the Automated Clearinghouse (ACH) system available to firms doing business with the Federal government. Electronic payments have helped not only to improve cash management and payment accuracy, but also to reduce administrative costs and document handling and to eliminate manual re-entry of data. By 1990, all companies doing business with the Federal government must be able to receive payments electronically. Some agency activities on this front are reported below.

The **Department of Energy** implemented a debit Automated Clearing House (ACH) application with the Federal Reserve System to collect semiannual interest on maturing certificates of deposit, under their minority financial institution program. Utilization of ACH enables the Department to accelerate the receipt of funds by 10 days. Approximately $2 million in annual interest may be collected through its use. [Mark D. Loop, (301) 353-4832]

In 1988, the **Government Printing Office** (GPO) implemented Electronic Funds Transfer (EFT) for its printing and binding contractors. There are more than 1,600 contractors being paid electronically. Based on the success of this effort, GPO will offer EFT-Payroll to all employees during fiscal year 1989. [DuWayne D. Brown, (202) 275-2796]

The **Department of Housing and Urban Development** (HUD) continues to vigorously support the Direct Deposit/Electronic Funds Program. In 1988, HUD converted several of its internal housing program payment systems to the Automated Clearing House (ACH) payment method. This required modification to six computer systems. Over 25,000 payees were solicited resulting in 10,000 payees signing on to ACH. The annual repetitive payments are $1.6 billion and HUD will achieve $5.3 million in savings annually. Three new programs will be converted in FY 1989. [Ralph Iozzo, (202) 755-6904]

During FY 1988, the **Department of Interior** implemented initiatives which saved the U.S. Treasury approximately $6.0 million. These savings were primarily attributable to the increased use of wire transfers, couriers, and direct deposit/electronic fund transfers. The Department increased employee participation in the direct deposit of salary payments to 61%; lowered the mandatory dollar threshold for wire transfers in the Mineral Royalty Program to $10,000; received approximately $3.9 billion in oil rental and royalty payments by wire transfer; deposited $229 million in offshore bonus bid checks by courier service directly to the Federal Reserve; transferred by wire $631 million in grant advances; and initiated the use of credit card technology to collect user fees. [Phil Daniels, (202) 343-5223]

The **Department of Labor** implemented "Vendor Express" for payment of small purchase invoices. The service was implemented with very few problems and there have been very few complaints from participating vendors. [Michael Griffin, (202) 523-8184]

In December 1987 the **Transportation's** Maritime Administration successfully converted their wire transfer site to the Federal Online Exchange (FOX) System linked directly to the Federal Reserve Bank (FRB) of Richmond. By converting to the FOX System, the Department established a direct disbursing link with the Richmond FRB and retained its capability to initiate wire transfer payments for the Office of the Secretary and six of the nine operation administrations. [Lyn Mason/Rick Polhamus, (202) 366-5105/5629]

The **National Science Foundation** implemented "Vendor Express", an electronic funds transfer system. This system eliminates checks being sent to universities. The Vendor Express tape enables Treasury to transmit the funds electronically to the appropriate bank with the bank notifying the grantee of fund receipt. For the Foundation this meant coordination with approximately 1400 universities to explain the system and to obtain necessary financial information for the computer system. [Leo E. Bownan, (202) 357-7759]

The Social Security Administration (SSA) within the **Department of Health and Human Services**, is now in the process of expanding the international direct deposit service to all foreign countries where the banking structure makes the process feasible. It appears that the service can be extended to 19 foreign countries, including Canada and most of Western Europe. Beneficiaries in Canada are expected to be contacted and informed that direct deposit will be available by April 1, 1989. SSA is now working with the Federal Reserve to develop a request for proposal that will be used to select a processor for direct deposit payments to beneficiaries who reside in Western Europe. [Michael D. Johnson, (301) 965-2863]

Since the **Tennessee Valley Authority** (TVA) began its electronic funds transfer program in 1985, the number of payments processed as corporate trade payments (CTP) has seen enormous growth. During 1988, 3,176 payments were made representing approximately $233 million of payments. By delaying the payment date by one or two days, TVA has achieved annual savings of $46,000. The Tennessee Valley Authority is currently adding additional formats for Corporate Trade Exchange (CTX) and Cash Concentration and Disbursement (CCD) to its Accounts Payable System. This will expand the acceptance of electronic payments by TVA contractors. Standard language has been added to the procurement terms to allow electronic payments to all contractors. When the mechanisms are in place to allow payments in multiple formats, TVA expects participation to increase at an even more rapid pace. [Terrell M. Burkhart, (615) 632-8133]

In July 1988, **Transportation's** Federal Railroad Administration and Urban Mass Transportation Administration began initiating electronic payments through the Automated Clearing Housing (ACH) System to the bank accounts of their vendors, under the Department of the Treasury's Vendor Express Program. Additionally, the Federal Railroad Administration began initiating electronic ACH payments to their employee's bank accounts for travel expense reimbursement. As a result of these conversions, they estimate that they have reduced the number of Treasury checks issued by 35 percent. [Karl Rohrbauch/ James Bradley, (202) 366-9720/9748]

Treasury's Bureau of the Public Debt (BPD) implemented nationwide in October 1988 a system called "EZ Clear" that permits financial institutions to process paid savings bonds through the Federal Reserve Bank's check collection system. The system offers savings bonds paying agents an attractive alternative to a 40-year-old process of accumulating paid savings bonds in special batches and forwarding them to the Federal Reserve Fiscal Department for reimbursements. The system reduces both operating and agent fee costs, improves fund availability, and enhances internal accounting. It is projected that by the end of Fiscal Year 1988, 75 percent of all paid savings bonds will be processed via the EZ Clear System. [Arthur Klass, (304) 429-6515]

Through **Treasury's** U.S. Customs Service Automated Commercial System (ACS), brokers and importers can file merchandise entries using the Automated Broker Interface (ABI), making one payment for estimated duties covering multiple entries. A pilot broker began paying estimated duties via ACH in March 1988, resulting in a cash flow savings of over $84,000 in fiscal year 1988. Customs will expand the service in 1989 to other brokers and importers. [Deborah Anderson, (202) 566-2494]

Debt Collection

The Federal Debt Recovery Act of 1987 has placed increasing emphasis on debt collection. During the past couple years greater effort has been made to recover debt. Agencies are sharing data on debtors and collecting debts through the Salary Offset Program and IRS Tax Refund Offset Program. Systems are being upgraded and procedures are being revised to improve debt management and collection. The government is using private debt collection resources. And finally, debt is being written off in accordance with recently developed government debt write-off procedures. Some of the accomplishments in 1988 are described below.

In September 1988, the **Department of Agriculture** implemented the first phase of their Automated Debt Management System which gathers debt management information entered by field offices. They established a central debt management group responsible for monitoring and tracking collection activities and for referring claims to credit bureaus, to the Internal Revenue Service (IRS), and to other Federal agencies for refund/salary offset. The group is also being trained to assume full responsibility for the operations of these programs and for work-out and writeoff of delinquent debts. With the completion of the second phase the end of 1989, USDA will fully participate in the Administration's Nine Point Credit Management Plan and OMB Circular A-129. [Dale Phillips, (202) 447-4039]

Agriculture's Farmers Home Administration (FmHA) took the lead in consolidating IRS Tax Refund Offset reporting for all participating agencies within the Department. Under this program, FmHA reported all Department past due accounts to the IRS and distributed tax refund information to the participating agencies to be matched to the delinquent accounts. Delinquency information for 5,802 FmHA rural housing borrowers who were 3 or more months behind schedule was merged with delinquent accounts from the National Finance Center, the Agricultural Stabilization and Conservation Service, and the Federal Crop Insurance Corporation to create and submit the consolidated annual certification tape to the IRS. FmHA recovered $1.4 million from the offset program. [Gerald Sulzner, FTS 262-2441 or (314) 539-2441]

In 1988, **Agriculture's** Farmers Home Administration (FmHA) provided its field offices with on-line borrower history inquiry capability which allows field offices to view 15 months of borrower history. With the additional capability of on-line borrower history inquiry, FmHA field offices have the ability to maintain current and accurate loan data and be responsive to FmHA clientele. FmHA continues to report all commercial accounts to credit bureaus. FmHA is also developing programs to report delinquent consumer (rural housing) accounts to credit bureaus. [Larry Kehoe, FTS 262-2402 or (314) 539-2402]

During January 1989, **Defense's** Department of the Army modified the Joint Uniform Military Pay System to accept input of delinquent debts from three Federal agencies: Department of Education, Department of Housing and Urban Development, and the Veterans Administration. The centralized automated military pay system computes and collects 15 percent of the debtor soldier's disposable pay and provides these collections to the agency involved. During fiscal year 1988, the system collected over $2.5 million in delinquent debts from active duty soldiers. In 1989, plans are to expand the number of Federal agencies for which the Army will make collection actions. [Ron Cox, (317) 542-3203]

In January 1988, the **Department of Education** finalized and put into operation a system to monitor and collect defaulted student loans. This new automated process eliminates many of the manual operations of the past and consolidates previously independent systems, thus improving efficiency and managerial controls. This system is currently linked to the primary accounting system via manual data entry. In early 1989, testing will be completed to facilitate magnetic tape transmission to the Department's primary accounting system and to Treasury. This screen entry system will eliminate much of the manual data entry now done through the collections office, thus improving financial controls and efficiency. [Sue May, (202) 732-3776]

The **Department of Housing and Urban Development** (HUD) successfully implemented the IRS offset program and is now providing cross-servicing support for other agencies. HUD entered into interagency agreements with the Department of Interior, Department of Energy, the Railroad Retirement Board, and the Federal Savings and Loan Insurance Corporation to provide oversight and processing support for tax year 1988. Using a PC application to format their data and transmit to the HUD processing site in Rockville, MD, data is merged with HUD data and a tape is mailed to the IRS processing center in Martinsburg, WV. A fee is charged for each successful offset. HUD does a monthly funds transfer of the IRS collections, less the HUD fee. The Treasury's Financial Management Service has asked HUD to expand their support to any new agencies entering the program for tax year 1989.

The **Housing and Urban Development** (HUD) has also been working with Treasury and OMB to pilot a client credit information system. The Credit Alert Interactive Voice Response System (CAIVRS) is a prescreening tool used by mortgage lenders to obtain client credit information as it pertains to previous FHA mortgages. Demonstrations at several of the agencies have elicited enthusiastic responses. The system cost $82,000 to develop and $450,000 a year to operate. Since implementation in June 1987, over 2 million applicants have been screened by the system. As of December 1988 HUD estimates that over $540 million in potential claims and $223 million in potential losses have been avoided.

As a means of debt collection, HUD is now referring to private collection agencies debt which is considered "uncollectible." HUD referred 15,800 Title I consumer debts, totaling $98.8 million, to private collection agencies from May through October 1988. These agencies had collected over $499,000 by December 31, 1988. HUD referred 329 Title I commercial debts, totaling $363,000, to a collection agency in September 1988. By the end of 1988, over $35,000 had been collected. To encourage the payment of debts owed to the Federal government, HUD reports its delinquent consumer debtors to the major credit bureaus throughout the United States. On a monthly basis, about 51,700 delinquent debtors owing approximately $395 million for single family, Title I, and Section 312 loans are reported. [Kitty Woodley, (202) 755-0941]

The **Department of Health and Human Services** has developed a system for the recovery of funds due the National Institutes of Health (NIH) under the National Research Service Award Program. Currently, NIH has over $5 million due from this program, with projected amounts due estimated at $15 million. The new system uses standard database software on a standard personal computer to automatically generate dunning letters, customized reports, accrue interest, and create monthly accounting entries. Preliminary annual savings for administering the collection effort are estimated to be in the $40,000 to $50,000 range. Significant increases in debtor response and improved cash flow have been reported but have not been quantified. [J. Wayne Berry, (202) 496-6101]

In January 1988, **Treasury's** Internal Revenue Service implemented a change in procedures which allowed for the deduction of an offset fee for reimbursement to the Service, from net collections before these collections were transferred to the Office of Child Support Enforcement for disbursement to State agencies. This change has eliminated the need for separate billing and duplicate accounting. This change also standardized the offset fee accounting procedures for all Federal agencies participating in the Federal Tax Refund Offset Program.
[Tony Tullo, (202) 566-3214]

The **Small Business Administration** (SBA) has developed an automated system to process the purchase of guaranteed loans on which the borrower has defaulted. This new system allows SBA to input purchase data on an electronic network and to electronically communicate the purchase authorization. In addition, the system provides for on-line editing of the purchase transaction, as well as automated disbursement processing and accounting. This system replaces a manual process which required the physical transmittal of a paper document. The new system was fully operational October 1, 1988.

SBA is also currently developing a new system to process disbursements for loan program expenses. The system will provide automated disbursement processing and SF 1166 tape creation, as well as automated accounting update for the expense. Prompt Payment Act requirements, duplicate payment controls, and IRS Form 1099 issuance will be included in the system. The system will interface with other SBA systems which track loans in liquidation and collateral acquired during loan liquidation. This automated system will replace a manual process which requires the transmittal of a paper document. Implementation is scheduled in early 1990. [Matthew McCroddan, (202) 653-6225]

Treasury's Financial Management Service is in the process of securing the return of Direct Deposit funds that cannot properly be posted by financial institutions to the accounts of recipients. The Service is considering several regulatory and procedural improvements to enhance the reclamation process. The Service is also urging the Social Security Administration and other benefit paying agencies to continue to work with State governments to receive timely, on-line reports of deaths of beneficiaries so that payments can be stopped when entitlements cease. Additionally, the Service is reminding agencies to use the Debt Collection or similar authorities to collect non-entitled funds from account holders who have withdrawn funds from accounts held jointly with deceased recipients. The Service has met with the Federal financial regulatory agencies and will provide them with self-audit criteria to be passed on to regulated institutions. These criteria will include reclamations and other Automated Clearing House processes. [Richard Cook, (202) 287-0347]

During 1988, **Treasury's** Bureau of the Public Debt expanded its involvement in the Federal Salary Offset Program by entering into agreements with the Department of Defense and the United States Postal Service for debt collection computer matching. The Bureau continued its participation in the Tax Refund Offset Program with the Internal Revenue Service (IRS) that began with 1986 tax returns. Agreements with the Department of Defense and the IRS have resulted in significant recovery of delinquent debts. [Arthur J. Carr, (202) 447-0993]

Treasury's Financial Management Service (FMS) convened and intergovernmental task force on debt write-off in December 1986. This intergovernmental task force issued its final report on August 1, 1988 through a transmittal letter signed by the Department of the Treasury's Fiscal Assistant Secretary. The task force report provides recommendations and guidance to agencies in implementing a comprehensive debt collection and write-off process. The report was utilized by the President's Council on Integrity and Efficiency in their coordinated review of guaranteed loan programs and by OMB in its revision of OMB Circular A-129. The report is being printed and bound for further agency distribution. [Kathleen M. Downs, (202) 287-0642]

Technology

Microcomputers are so widely used within the Government now as tools for a variety of functions ranging from pure calculator functions to self-contained systems on a communications network. Several examples are described below.

The **Environmental Protection Agency** automated the calculation process for payments under the

Relocation Income Tax Allowance (RITA) using an electronic spreadsheet. This system was established to reimburse eligible transferred employees for most of their Federal, State and local tax liability as a result of their moving expenses compensation. Previously, the calculations were performed manually. As a result of automation, the processing time needed to reimburse eligible transferred employees for the additional income taxes incurred has been reduced by approximately 90 percent. [Steve Goldberg, (202) 382-5171]

The **National Science Foundation** (NSF) developed the ability to electronically produce Internal Revenue Service required 1099 forms, utilizing a personal computer (PC). The PC is used to access the accounting system database for selection and download of the required records and to prepare a file for submission to the Internal Revenue Service. The 1099 forms are then printed. This system replaced a system which required manual determination of 1099 requirements, typing of 1099s, and submission of copies of these 1099s to the Internal Revenue Service. [Martin T. Engle, (202) 357-7757]

The **Environmental Protection Agency** is developing a financial records management system using optical disc storage. The Superfund Transactions' Automated Retrieval System (STARS) will provide the Agency with the technology to enhance their ability to produce timely and accurate cost recovery document packages for Superfund cost recovery negotiation or litigation cases. [Jack Johnson, (202) 382-2886]

In 1988 **Treasury's** Financial Management Service procured a records management system utilizing laser disk technology to store and retrieve all bank-related correspondence and financial data overseen by the Service. The system includes a local area network and the use of a "jukebox" environment for record image storage and retrieval. Final installation of the system is expected in 1989. [Kathy Aust, (202) 287-0580]

Treasury's Financial Management Service is also developing and testing an expert system for cash management reviews, currently called CashXprt. CashXprt is designed to show how expert systems can be created to provide speedy and reliable advice for managing cash flows. The program gathers information about an individual cash flow either by asking the user directly or by reading database or spreadsheet files. The program then suggests the most appropriate mechanism for collecting or disbursing funds. The suggestions offered are weighted to reflect the completeness of the data and the agreement between the characteristics of the cash flow and the ideal for each mechanism. [Stephen Vajs, (202) 287-0751]

Productivity

The **Environmental Protection Agency** (EPA) Productivity Improvement Investment Fund has been created to provide money for efficiency and quality improvement projects and to provide an opportunity for employees to submit innovative project proposals that may serve as a model for change. To date, EPA has funded 44 projects totaling $1.6 million with a projected annual savings or cost avoidance of three times the original investment. In fiscal year 1988, 17 projects were approved for funding at a cost of $595,000. EPA is continuing this program in 1989. In addition, a handbook has been published to give a comprehensive overview of productivity and a step-by-step approach on how to apply for money to implement productivity improvement projects. To accompany the handbook, the Agency will publish a brochure highlighting a number of successful projects funded in the areas of human resources development, work processes, ADP systems and labor-saving laboratory equipment. [Ron Bachand, (202) 382-4160]

The **Environmental Protection Agency** has undertaken the goal of increasing the private sector's role in funding the environmental infrastructure. There is a growing recognition within and outside the Agency of the need for innovative and creative solutions to the crisis we face in meeting environmental expectations. One such solution is to effectively utilize public-private partnerships in funding environmental needs. [David Osterman, (202) 475-8227]

The **Department of Commerce's** Pioneer Fund is a productivity investment fund that helps employees implement innovative improvement projects that would otherwise go unfunded. There are only a handful of investment funds like it in the Government. Participants apply to the fund for cash "grants" to perform projects usually designed to solve perceived organizational deficiencies. These projects are small, employee-managed demonstration projects with "grants" of $50,000 or less. Many of these projects succeed in influencing the way Commerce organizations perform. [Stephen C. Browning, (202) 377-3743]

The **Office of Personnel Management** completed a pilot of an agency-wide "Spot Cash Award" program. Under this program, managers can recognize individuals quickly for efforts clearly exceeding job requirements. A survey of participants (both managers and employees) marked the program as a success. Managers viewed the award as an excellent way to (1) provide immediate reinforcement and reward to employees for a job well done, (2) to lift employee morale, and (3) to give management flexibility to reward a greater number of employees with the same amount of resources. Employees felt that (1) recognition for a job well done was good for morale, and (2) the award sends a direct message to recipients that the quality work they perform is appreciated. [Anthony Belliotti, (202) 632-1106]

Treasury's Internal Revenue Service (IRS) is developing the Automated Underreporter System (AUR) to replace the current manual case processing system. This will enhance productivity by providing information return and tax account data on-line, permitting electronic manipulation and calculation during case analysis and control of cases through all phases of the underreporter (UR) operation. Notices will be issued, controlled, and closed through AUR terminals. The automated system is expected to improve efficiency and quality. The reduction in paperwork and associated clerical operations will allow IRS Centers to increase the number of cases that can be worked. [Dan Azzato, (202) 376-4656]

In October, the **Department of Energy**, Western Area Power Administration, completed a series of five productivity reviews of its power system operation and maintenance program. The reviews focused on assessing the efficiency, effectiveness, and economy of the work performed, as well as recommending changes and improvements in organization, equipment, staffing, and work practices that would increase productivity and reduce cost. Through the implementation of more efficient operations, work scheduling, use of staffing resources, and use of updated equipment, estimated annual savings are approximately $2.8 million. [David E. Gest, FTS 327-7908 or (303) 231-7908]

The Social Security Administration (SSA) within the **Department of Health and Human Services**, has tested the feasibility of issuing Social Security cards to newborns in three pilot States. Public reaction to the Enumeration at Birth Service in the pilot States was very favorable. Since most Social Security cards are being issued to very young children, SSA decided that it is logical to link the card issuance operation to the birth registration process. All the information SSA needs to issue a card is found on birth registration forms. If parents permit the States to share this information with SSA, a Social Security card can be issued automatically. Parents who do not elect to use this service may, of course, get a Social Security card for their child at a later date following the usual application procedure. The Enumeration at Birth Service not only provides parents with a convenient method of obtaining a Social Security card for newborns, the process also results in considerable administrative savings to the Federal Government. The Enumeration at Birth Service is now being offered in 34 States. SSA expects to extend the service to the remaining States by the end of 1989. [Michael D. Johnson, (301) 965-2863]

Initiatives to Improve Auditing

The close of fiscal year 1988 marked the tenth anniversary of the Inspector General Act of 1978. The primary objective for establishing statutory Offices of Inspector General (IGs) in 1978 was to provide audit and investigative units the independence necessary to perform audits and investigations in accordance with professional standards without fear of reprisal from anyone responsible for the work or activity being audited or investigated. In 1988 new legislation was enacted that gave greater power and emphasis to the objective of the 1987 Act.

In addition, during the past couple years increased emphasis has been placed on financial reporting and accountability. Several agencies have described their efforts to prepare business-type financial statements that reflect their agency's financial position.

Inspector General Act Amendments of 1988

On October 18, 1988, President Reagan signed the Inspector General Act Amendments of 1988 that creates 38 new Inspectors General.

The Amendments take effect 180 days after enactment, except that the new reporting requirements take effect one year after enactment.

The Act creates 5 new Presidentially appointed Inspectors General (Departments of Justice and Treasury, Federal Emergency Management Agency, Nuclear Regulatory Commission, and Office of Personnel Management). The addition of the above results in a total of 24 Presidentially appointed IGs in the Executive Branch.

It establishes Offices of Inspectors General in 33 designated Federal entities, such as Peace Corps and the Consumer Product Safety Commission. The IGs in these offices have essentially the same powers and duties as Presidentially appointed IGs.

The Act requires semi-annual reports by IGs and agency heads on action taken on audit recommendations. In addition, 62 Federal entities not otherwise affected by the amendments are required to report annually to OMB and the Congress on audits performed on their operations. [Jack Sheehan, (202) 395-3993]

Consolidated Financial Statements

The **Department of Labor** (DOL), using CPAs under contract and OIG staff, prepared and audited consolidated financial statements for the Department for FY 1986 and FY 1987. The Inspector General issued a FY 1986 financial report for the Department which presents the consolidated financial statements, graphic financial highlights, and supplemental financial information. For FY 1987, the Secretary of Labor and OIG produced a financial report which included audited consolidated financial statements, descriptions of DOL agencies and programs, and charts and photographs. These two reports represent a significant step toward improved financial reporting and accountability and stewardship to the public. Department management is committed to produce these reports annually.

Along with the consolidated financial statements, the OIG also audited the separate financial statements of the two largest DOL agencies: the Employment and Training Administration and the Employment Standards Administration. During 1988, the OIG also compiled and audited the first financial statements and program output statistics for a major Department program--the Job Corps. This audit of the Job Corps program compares program accomplishments against program costs for FY 1987. [Robert McGregor, (202) 523-5906]

The **General Services Administration** (GSA) has been a forerunner in the Federal Government in the preparation of consolidated financial statements. These statements have been examined by the General Accounting Office since 1985. For the fiscal year ending September 1988, GSA contracted with a certified public accounting firm to examine their fiscal year 1988 accounting records. This will further strengthen the general public's understanding of the agency's financial position. [Bob Suda, (202) 566-1192]

In 1988, for the first time, the **Social Security Administration** included business-type financial statements in their Annual Report to Congress. These financial statements, which disclosed the financial condition, results of operations, and sources and uses of program funds, were subjected to an independent audit by the Office of Inspector General and their opinion was published with the statements in the Annual Report. Publication of formal financial statements, together with the auditor's opinion, is an integral part of improving financial management of the Agency's programs. The rigor of preparing such statements, and being subject to a detailed audit, introduces professional discipline and provides an accountability as would be expected of a private sector corporation. [Steven L. Schaeffer, FTS 625-0068]

For the second consecutive year, the Comptroller General has rendered an Auditor's Opinion on the **Veterans Administration's** (VA) Year End Financial Statements. These statements, accompanied by disclosure footnotes, have been published in the VA's Annual Report. Managers and accountants at the VA feel that the audited statements are well worth the effort. The discipline builds integrity into VA's accounting systems and a sense of pride that VA's accounts are able to stand the auditor's scrutiny. Federal Government Generally Accepted Accounting Principles (GAAP) are evolving as additional entities' statements are audited. [Jack Gartner, 233-2024]

1988 Officials and Staff of JFMIP

Principals

Director Office of Management and Budget	James Miller, III
Director Office of Personnel Management	Constance Horner
Secretary of the Treasury	Nicholas Brady
Comptroller General of the United States	Charles Bowsher

Steering Committee

Deputy Assistant Director for Management Improvement Office of Management and Budget	Dennis Boyd (Until 4/88)
Chief, Financial Systems and Policy Branch Office of Management and Budget	Jimmie Brown (From 4/88)
Associate Director, Administration Group, Office of Personnel Management	Mark Barnes
Deputy Assistant Secretary for Finance Department of Health and Human Services	Dennis Fischer
Fiscal Assistant Secretary Department of the Treasury	Gerald Murphy
Executive Director Joint Financial Management Improvement Program	Virginia Robinson
Assistant Comptroller General for Accounting and Financial Management General Accounting Office	Frederick Wolf

Permanent Staff

Executive Director	Virginia B. Robinson
Assistant Executive Director	Doris Chew
Senior Project Director	Kenneth Winne
Executive Secretary	MeXandra Hammond
Secretary	Jacqueline Richardson

Detailed Project Directors

Department of the Treasury	Darlene Schongalla
General Accounting Office	Judith Fuerstenberg
Department of the Treasury	Shirley Robinson
General Accounting Office	Otto Williams

Appendix B
JFMIP Liaison Representatives

Department/Agency	***Representative***
Action	Kenneth George
Administrative Conference of the United States	Daniel F. Mann
Administrative Office of the United States Courts	Dewey R. Heising
African Development Foundation	Thomas Wilson
Agency for International Development	Curtis W. Christensen
Agriculture, Department of	Larry Wilson
Appalachian Regional Commission	David E. Meuser
Arms Control and Disarmament Agency, U.S.	William Amoroso
Board for International Broadcasting	Patricia Schlueter
Commerce, Department of	Sonya G. Stewart
Commission of Fine Art	Charles H. Atherton
Commission on Civil Rights	Kathleen Dempsey
Commodity Futures Trading Commission	Madge Bollinger
Congressional Budget Office	Stanley L. Greigg
Consumer Product Safety Commission	Arthur M. Love III
Defense, Department of	Herbert H. Kraft, Jr.
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Energy, Department of	James E. Reid
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Equal Employment Opportunity Commission	Andrew S. Fishel
Executive Office of the President	Ronnie Rasmussen
Export-Import Bank of the United States	James K. Hess
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Federal Communications Commission	Marilyn J. McDermett
Federal Deposit Insurance Corporation	Robert D. Hoffman
Federal Election Commission	Richard C. Pullen
Federal Emergency Management Agency	Jon Wolz
Federal Energy Regulatory Commission	Anthony F. Toronto
Federal Home Loan Bank Board	James B. Deemer
Federal Labor Relations Authority	Clyde B. Blandford, Jr.
Federal Maritime Commission	Frederick F. Trutkoff
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Federal Reserve System	George E. Livingston

Federal Trade Commission	Fred Zirkel
Foreign Claims Settlement Commission of the U.S.	Judith H. Lock
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General Services Administration	Leroy P. Boucher
Government Printing Office	Michael J. Cannon
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Housing and Urban Development, Department of	Donald C. Demitros
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