the joint financial management improvement program

in the

federal government

•scope •objectives •methods 1974

FOREWORD

The Joint Financial Management Improvement Program is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Treasury Department, the General Services Administration, and the Civil Service Commission, working in cooperation with each other and with each of the operating agencies to promote improved financial management on a Government-wide scale and in individual agencies.

The Program was initiated in 1948 by agreement of the Comptroller General, the Director of the Bureau of the Budget, and the Secretary of the Treasury and was subsequently given a statutory basis in the Budget and Accounting Procedures act of 1950. In 1966, the Chairman of the Civil Service Commission was asked by the heads of the three financial agencies to join them in the Program to assist in the personnel aspects of financial management. The Administrator of General Services joined the Joint Program in 1973 in recognition of the reassignment by the President of certain financial management functions from OMB to GSA.

JFMIP has initiated an aggressive program for promoting the widespread application of sound financial management practices. JFMIP has also been given important continuing responsibilities in the cooperative program for measuring and enhancing productivity in the Federal Government. In addition, JFMIP has added an important new dimension--consultation with operating agencies on specific financial management problems, including those which involve working relationships with State and local agencies.

This booklet is published to provide a better understanding of the objectives and methodology of the Joint Program.

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of the United States

THE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM:

ITS SCOPE, OBJECTIVES, METHODS

INTRODUCTION

The Joint Financial Management Improvement Program (JFMIP) is a Government-wide cooperative effort. Its purposes are to (1) coordinate central financial management policies and practices, (2) promote the development and use of improved financial management systems in planning, executing, and controlling agency operations so that the systems may contribute to better management in the executive branch, (3) provide more meaningful information for use by the Congress in acting on appropriations and other legislation, and (4) furnish the public with a clearer picture of the financial condition and operations of the Federal Government.

Currently, leadership is provided by the Comptroller General of the United States, the Secretary of the Treasury, the Director of the Office of Management and Budget, the Administrator of General Services, and the Chairman of the Civil Service Commission.

ORIGIN OF JFMIP

The Program began in 1948 by agreement among the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget. The agreement represented a joint effort to seek improved means of carrying out the interrelated activities and responsibilities of these central agencies and of coordinating these efforts with the financial management activities of all Federal operating agencies.

The Program was originally designated "The Joint Program for Improving Accounting in the Federal Government." Initial improvement efforts dealt mainly with the accounting and auditing practices of the Government. However, the central and operating agencies recognized that, if maximum benefits from the accounting changes were to be obtained by the managers at every level of agency operations, the area of improvement had to be broadened to cover the full spectrum of financial management.

This initial experience under the Program led to the development and passage of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 65). The act specifically identified responsibilities for budgeting, accounting, auditing, and financial reporting in the Federal Government, and it also provided the central agencies with broad legal authority for the Program. Section 111 stated, as the policy of the Congress, that:

> "(f) The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government."

With the scope of the Program expanded, efforts were directed toward improving those budgeting, reporting, and related financial management practices that would assist agency managers in their program planning, execution, and control. The program was redesignated the Joint Financial Management Improvement Program in December 1959.

At the request of the Principals of the Joint Program, the Chairman of the Civil Service Commission joined the Program in 1966 to assist in the personnel aspects of financial management and the Administrator of General Services, in recognition of his expanded role of leadership in the financial management field, became a Principal in 1973.

OBJECTIVE AND GOALS

The overall objective of JFMIP is to improve financial management practices throughout the Government so that they will most effectively serve program and general management purposes and achieve maximum efficiency and economy in all operations. The following goals support this objective.

1. Strengthen agency organization and staff capability to provide for the most effective conduct of agency financial management operations.

2. Establish responsibility-oriented agency accounting systems on an accrual basis that will serve fund and cost control needs and include monetary property accounting as an integral part of the systems.

3. Implement coordinated financial systems to support formulation and review of cost-based budgets, productivity analyses, management information systems, and special programs such as cost reduction and management by objectives.

4. Develop and use responsibility-centered, cost-based operating budgets and financial reports.

5. Simplify agency appropriation and allotment structures and develop the most effective methods for controlling appropriations, funds, obligations, expenditures, and costs.

6. Use consistent classifications to bring about effective coordination of agency programing, budgeting, accounting, and reporting practices.

7. Establish suitable internal control practices, including internal audit, in all agencies.

8. Effectively integrate agency accounting and reporting in management information and control systems to satisfy the requirements of the budget process, internal management needs, and the central accounting and reporting of the Treasury Department.

9. Develop accurate and useful agency and Government-wide reports on fiscal status, financial results of operations, and cost of agency performance of assigned functions.

10. Strengthen agency capability and improve techniques for measuring and enhancing productivity.

11. Promote better cash management practices in the agencies.

12. Improve financing methods for meeting special requirements, such as productivity-enhancing capital investments.

13. Improve basic financial management techniques and their application to the Federal Government.

14. Coordinate Federal financial management processes with those of State and local agencies involved in federally funded programs with a view to improving effectiveness of financial management at all levels of government.

15. Educate personnel in effective maintenance and maximum use of these management tools to effect economy in Government operations.

The wide scope and diversity of the activities carried on by the Federal Government preclude establishing a single uniform system for use by every agency. For example, the financial management system required for a manufacturing activity is not appropriate for a lending activity, nor is the system required for a regulatory body suitable for a collection activity. Instead of requiring a uniform system, JFMIP emphasizes broad principles, standards, and guides that will channel the efforts of each agency toward developing systems which are best suited to its particular management needs but which are compatible with the broader needs of total Government management and public information. Thus, within a particular department of the Government, there may be several different kinds of systems--depending on the different management needs within the department--from which data can be consistently developed and consolidated for broader needs.

The underlying concepts of JFMIP are essentially the same as when the Program was originally established. Agency practices have gradually evolved from the traditional cash and obligation basis of budgeting and accounting to the use by some agencies of accrual and cost information in an integrated financial system that is comparable with many of the concepts followed in private industry.

Efforts in recent years to strengthen the planning and budget formulation process represent an extension and further implementation of the program and performance techniques that were adopted in the 1951 budget presentations, the cost-based budgeting developments in 1956, and the 5-year budget projections initiated in 1961. Agency financial management practices--particularly the operating budget, accounting, reporting, and control systems--will need to keep pace with the demands of output-oriented program structures and strengthened planning and budgeting practices. JFMIP continues to encourage and support developments in the financial management field that contribute to strengthened total management systems.

JFMIP has recently assumed a major role in inter-agency efforts for measuring and enhancing productivity in the Federal Government. A July 9, 1973, memorandum from the Director of the Office of Management and Budget, gave JFMIP continuing responsibility for analyzing the factors causing productivity change, preparing an annual report to the President and the Congress, and seeking opportunities to expand coverage and improve productivity measures.

JFMIP METHOD OF OPERATION

Each JFMIP principal has designated a top-level official to act for him on policy issues and to serve on an executive council. Each principal has also designated a representative to serve on a steering committee that is responsible for the general direction of JFMIP. An executive director, under the general guidance of the steering committee, is responsible for developing and directing programs and projects.

The steering committee coordinates central agency efforts on Government-wide matters and selected improvements within individual agencies. It serves as a focal point for considering problems in the financial management field and organizes efforts to resolve such problems and take advantage of opportunities for improvement. The chairmanship of the steering committee rotates at the beginning of every other fiscal year among representatives of the five participating central agencies.

The head of each operating agency has designated a liaison officer for his agency in JFMIP. Liaison officers serve as a point of contact in their agencies on matters related to JFMIP and are used by the executive director and the steering committee for working out problems related to the individual agencies. The liaison officers may also direct problems to the steering committee or the executive director.

JFMIP carries out a variety of activities aimed at achieving its established objective and goals. It sponsors conferences, workshops, and seminars. It publishes a periodic JFMIP bulletin and various other documents to disseminate information on progressive financial management practices and promotes their widespread application. It reviews the management improvement efforts of the operating agencies and coordinates financial activities of the central agencies. JFMIP sponsors and conducts studies on financial management matters and serves as a consulting resource for agencies having financial management problems, particularly problems relating to several agencies where the solutions could have broad application.

Some problems are dealt with through a joint study team, some by referral to a source of expertise, some by assignment to one of the central agencies, and some by informal consultation. JFMIP serves as a catalyst to stimulate action by whatever approach seems most suitable.

Achievement of financial management improvements depends heavily on the interest and active participation of central and operating agency employees. JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts.