

JOINT FINANCIAL MANAGEMENT IMPROVE-
MENT PROGRAM JOINT FINANCIAL MA-
NAGEMENT IMPROVEMENT PROGRAM JO-
INT FINANCIAL MANAGEMENT IMPROVE-
MENT PROGRAM JOINT FINANCIAL MANA-
AGEMENT IMPROVEMENT PROGRAM JOINT

ANNUAL REPORT 1982

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

FOREWORD

In this time of financial management reforms, we at JFMIP have observed that many agencies are making a variety of significant and innovative improvements to enhance their agency financial management systems and processes. We are publishing this report to fulfill one of our objectives of sharing and disseminating information among managers so that an exchange of ideas and some lessons learned on system development can be made.

Due to various reasons, the 1981 Annual Report was not issued. This report describes financial management initiatives undertaken in 1981 and 1982, by the JFMIP and its principal agencies, which are the Office of Management and Budget, the General Accounting Office, the Department of the Treasury and the Office of Personnel Management. In addition, the report highlights some of the major financial management improvements accomplished and currently underway in operating agencies throughout the Federal Government. Each write-up is followed by the name of the responsible official and his or her telephone number to encourage direct contact and exchange of more detailed information. The area code for the telephone number is 202 unless otherwise designated.

We take this opportunity to express our appreciation to all of the agency officials who contributed to this report. We wish you success in your agency initiatives to make financial management improvements, and we look forward to hearing of your significant accomplishments in the near future.

Susumu Uyeda
Executive Director
June 1983

CONTENTS

	Page
Foreword	i
CHAPTER	
I JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM	
A. Background	1
B. Joint Financial Management Improvement Program Staff	2
C. Office of Management and Budget	7
D. General Accounting Office	13
E. Department of the Treasury	18
F. Office of Personnel Management	21
II AGENCY INITIATIVES TO IMPROVE FINANCIAL MANAGEMENT	
A. Accounting Procedures and Systems	23
B. Auditing	34
C. Budgeting	39
D. Cash Management	43
E. Payroll and Personnel Systems	48
F. Productivity	52
G. Specialized and Other Systems	55
APPENDIX	
A Key Officials of JFMIP During 1982	61
B JFMIP Staff	62
C Single Audit Steering Committee	63
D JFMIP Publications	64

NOTE: The area code for the telephone numbers listed in this report is (202) unless otherwise designated.

CHAPTER I

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

A. BACKGROUND

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices. The Program 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 overall objective of 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 Comptroller General of the United States, the Secretary of the Treasury, the Director of the Office of Management and Budget, 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 and the Executive Director of the JFMIP. Under the guidance of the Steering Committee, the Executive Director and his staff develop, direct and undertake programs and projects for JFMIP on a day-to-day basis. Appendix A is a listing of key officials and Appendix B lists the JFMIP staff members during 1982.

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the principal and operating agencies. The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices. To fully achieve the necessary coordination and cooperation, the head of each Federal agency has designated a liaison official to serve as a point of contact on matters relating to the JFMIP. Agency liaison representatives are identified in our annual Financial Management Directory.

The JFMIP and its staff perform a variety of activities aimed at achieving its objective of financial management improvement. JFMIP reviews and coordinates central agencies' activities and policy promulgations to preclude possible conflict, inconsistency, duplication and confusion. It acts as a clearinghouse for sharing and disseminating information about good financial management techniques and technologies. In this respect, JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management

practices. Working closely with agency liaison representatives, JFMIP reviews the financial management efforts of the operating agencies and serves as a catalyst for further improvements.

In addition, JFMIP undertakes special studies and research projects of a Government-wide nature to resolve specific problems. Such projects are carried out through interagency project teams from both principal and operating agencies. Sometimes, project teams include representatives of State and local governments, depending on the nature of the projects. JFMIP 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 assignment to the principal agencies, or by informal consultation.

During the past two years, the JFMIP staff and the principal agencies--the Office of Management and Budget, the Department of the Treasury, the General Accounting Office and the Office of Personnel Management--have undertaken many activities to improve financial management. In the balance of this chapter, some of their major accomplishments and initiatives are highlighted.

B. JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM STAFF

1. Special Projects Completed in 1981

Financial Handbook for Nonfinancial Executives in the Federal Government. In March 1981, a handbook was prepared to enlighten nonfinancial managers as to general legislative requirements and services provided by financial managers, and specific ways to take advantage of financial services. It contains a series of questions that nonfinancial managers can ask to obtain full and responsive services from financial managers.

Payroll System Study. As a result of a study on civilian payroll systems, a booklet, Do It Yourself -- Compare and Improve Your Payroll System, was published in April 1981. The study report serves as reference material for agencies redesigning and updating their payroll systems. The report highlights the special and innovative features of the systems.

Productivity Measurement. The JFMIP staff assisted in developing a productivity measurement system for finance and accounting offices for the Department of Commerce. The inter-agency project team members were from the Office of Personnel Management and three entities in Commerce: Office of the Secretary, Economic Development Administration and Maritime Administration. The system utilizes a random work sampling technique to compile labor time for input and uses the existing system to collect output measures. Commerce implemented this system in April 1981.

As a result of a survey in this area, a booklet, Measuring Productivity in Accounting and Finance Offices was published in September 1981. This booklet summarizes four different approaches used in the Federal Government to measure productivity in accounting and finance offices.

Review of Revised Statute 3679 Process--Reporting of Over-obligations and Overexpenditures (Letter-type report). This project was initially requested by the Department of Defense based on the opinion that there was a need for changes to the procedures for investigating potential violations of Section 3679 of the Revised Statutes. The law requires that all overobligations and overexpenditures be reported to the President and the Congress. The JFMIP undertook this study to find out whether there was a Government-wide need for changes. Defense officials stated that the present procedures are costly and cumbersome. The process also puts some minor violations out of perspective, since all alleged violations are handled in the same manner regardless of the dollar amount. The study concluded that no change to the Revised Statutes was necessary at this time, since the problem was not Governmentwide. The study report, issued in October 1981, recommended that the Defense Department work out certain administrative procedures within the Department and with OMB to overcome their problems.

2. Special Projects Completed in 1982

Review of Property Management Systems. A survey was completed on selected property systems in the Federal Government, and a booklet on property management systems was issued in March 1982, to assist agencies in evaluating, redesigning and updating their property systems. The report highlights the special and innovative features of the systems.

Self-Evaluation Guide for Property Management System. In conjunction with the study on property systems, a guide was developed to provide assistance to agencies in performing reviews of property systems, especially in accounting, internal control, pre-purchase decision process, inventory management, usage analysis, etc. This publication was released in March 1982.

Study on the Use of Bar-Coding Technology. A survey on the use of bar-coding technology in Government activities, especially in inventory management, was completed. A booklet on bar coding was published in May 1982, and it contains descriptions of the application of bar-coding in inventory management, materiel handling, document control, etc. This booklet enlightens Federal managers of the benefits of the relatively inexpensive technology that is a tremendous labor saving device.

Study on the Use of Statistical Sampling Procedures. In October 1982, a study on how agencies are using statistical sampling procedures to improve productivity in finance and

accounting areas resulted in a booklet, Using Statistical Sampling To Improve Productivity in Financial Management. Two different approaches on how agencies conducted feasibility studies and various agency applications of statistical sampling procedures in voucher examination, inventory and quality control are highlighted.

Study on Pass-Through Grant Data. At the request of the Office of Management and Budget, the JFMIP undertook a study to determine the feasibility of tracking subgrants i.e., pass-through grants, as part of the Federal Assistance Award Data Systems. The study report, issued in February 1982, provided a conclusion that such an information system would be extremely costly and complex, and that the information, when captured, would not be very reliable.

Single Audit Implementation. An Intergovernmental Steering Committee was established under the sponsorship of the JFMIP to facilitate the implementation of the single audit approach by resolving and disseminating solutions to implementation problems. Task groups were established to study and review the following areas:

- Inconsistencies in the principal documents, which are guidelines for the single audit approach (GAO's "Red Book," Attachment P to OMB Circular A-102 and the NCGA Statement No. 1),
- Policies and practices for audit reimbursement,
- Compatible Federal, State and local government criteria and approach under single audit,
- Selection of auditors with special attention to small and minority firm participation in audit efforts, and
- Cognizant agency responsibilities under single audit.

Reports were issued on these areas. The Single Audit Steering Committee was disbanded in August 1982. All open items, such as audit reimbursement and questioned cost criteria were referred to the National Intergovernmental Audit Forum.

3. Projects Underway

Review of Grant Cash Management. JFMIP is conducting a study of Federal assistance program cash management practices at the Federal and State levels of government. The objectives of the study are to develop an understanding of cash management policies, procedures and practices; evaluate the effectiveness of these policies, procedures and practices; identify opportunities for more efficient cash management; and determine if the States are receiving Federal cash as needed to meet immediate disbursement requirements.

Study teams have completed their reviews in four States: Tennessee, New Jersey, Illinois and California. Final reports were issued to the States of Tennessee and New Jersey, and draft reports were issued for Illinois and California.

Review of Treasury Fiscal Regulations. At the request of the Office of Management and Budget, the JFMIP performed a study on the Treasury Fiscal Requirements Manual as part of the Administration's Reform '88 project to reduce intragovernmental paperwork. A survey on agency views was conducted to identify areas in which improvements can be made in the Treasury Fiscal Requirements Manual. A draft report was issued in January 1983.

Accounting Systems Packages. JFMIP took an inventory of transferable accounting system software packages that are being used by smaller Federal agencies. The objective of this study is to publicize what systems and softwares are available, so other agencies can share existing software instead of having the same or similar type systems redesigned.

Integrated Systems. Another JFMIP project surveyed agencies on the use of integrated management systems and the use of single point entry of data at the earliest point. The single point entry concept eliminates duplication of entry of redundant data into several systems and decreases the potential for errors. The study report will identify and describe some of these data base systems, so that agencies can take advantage of each others experiences and knowledge.

4. Annual Financial Management Conference

The JFMIP sponsors a Financial Management Conference each year to enhance the spirit of cooperation among Federal agencies and to share new ideas and developments in financial management. The Eleventh Annual Financial Management Conference, with the theme of "The Lean Budget--A Challenge to Financial Managers," was held on March 22, 1982, in Washington, DC.

The two keynote speakers emphasized that more can and has to be done with fewer resources. Denis Karnoski, Deputy to the Under Secretary for Monetary Affairs, Department of the Treasury, highlighted the Administration's viewpoint and policy on the economy and explained the reasons for the austere budget. Gerald Miller, Director, Department of Management and Budget, State of Michigan, shared how his State had painfully and painstakingly faced lean budgets in recent years by prioritizing programs and cutting services.

The highlight of the conference was the presentation of the Donald L. Scantlebury Memorial Award for exceptional financial management improvement to David Sitrin, Deputy Associate Director for National Security, Office of Management and Budget and Thomas W. Hayes, Auditor General, State of California.

Four workshops on various aspects of financial management were also held. They included:

- The Administration's Emphasis on Financial Management Improvements.
- Improving Productivity Through New Techniques and Technologies.
- Financial Aspects of Intergovernmental Relations.
- Lessons Learned in Closing Down or Scaling Down Government Operations.

5. JFMIP Workshops

Periodically, the JFMIP sponsors workshops on current technical issues. The JFMIP and the Federal Audit Executive Council sponsored a workshop on "Vulnerability Assessment and Risk Analysis" in November 1981. JFMIP and the Denver Federal Executive Board sponsored a workshop on "Improving Productivity in Accounting and Finance Operations" in April 1982. The workshop served as a forum for financial managers in sharing their experiences on productivity measurement systems, and innovative techniques and procedures to increase productivity. JFMIP and the Association of Government Accountants sponsored a workshop on the "Prompt Payment Act" on September 13, 1982. This workshop highlighted the policies, responsibilities and techniques for implementing the Act.

JFMIP has actively participated in conferences and symposiums sponsored by other Federal agencies and private organizations. Presentations on such subjects as JFMIP, single audit concept, Federal grant administration, internal control, and other financial matters were given. JFMIP continues to participate, with observer status, in the meetings of the National Intergovernmental Audit Forum.

6. Agency Meetings

Throughout the year, JFMIP meets with top financial management personnel from major departments and agencies to learn about agency concerns, problems and initiatives in financial management. These visitations enable JFMIP to bring together agencies that are working, or have worked, on similar projects for the purpose of sharing and exchanging experiences and knowledge. Through this cross-fertilization effort, we hope to minimize systems developmental costs and to elevate the quality of the financial management systems. Meetings were held with the following organizations in 1981 and 1982.

1981

- ACTION
- Agency for International Development
- Department of Education
- Department of Energy
- Department of the Interior
- Department of Labor
- Export-Import Bank of the United States
- Federal Communications Commission
- Federal Emergency Management Agency
- Federal Prison Industries (Justice)
- General Services Administration
- Health Care Financing Administration (HHS)
- Internal Revenue Service (Treasury)
- National Science Foundation
- Rural Electrification Administration (USDA)
- Veterans Administration

1982

- Bureau of Engraving and Printing (Treasury)
- Environmental Protection Agency
- Department of Housing and Urban Development
- Department of Justice
- General Services Administration
- National Credit Union Administration
- National Labor Relations Board
- National Science Foundation
- United States Information Agency

We met with officials from Australia and Canada in 1981 and 1982. In 1981 we met with Saudi Arabian officials, and in 1982 we met with officials from Nigeria.

The JFMIP provides advisory and referral services to answer specific financial management problems. The number of advisory services was 377 in 1981 and 229 in 1982, while the number of referrals was 422 in 1981 and 424 in 1982.

C. OFFICE OF MANAGEMENT AND BUDGET

1. Reform '88

The Office of Management and Budget, under direction of the White House, planned and facilitated the implementation of several "Reform '88" projects within departments and agencies. Reform '88 is the Administration's concentrated effort to improve the management process and the administrative systems of the Federal Government. The program calls for further enhancement of ongoing initiatives as well as design and implementation of new management systems to ensure that they operate more efficiently.

Some of the initiatives under the Reform '88 program include: (a) implementing an administrative on-line communication system between the White House and departments to report and schedule major management improvements, (b) reviewing and trimming control agency regulations, (c) promoting sharing of good agency management systems, and (d) enhancing and improving upon existing projects such as cash management, debt collection, excess property sales, waste, fraud and abuse, Federal employment, procurement practices, unliquidated obligations and excess paperwork.

2. Cash Management

Prompt Payment Act. The Prompt Payment Act (Public Law 97-177) was signed by the President on May 21, 1982. The Act required Federal agencies to establish systems to make payments to contractors in a businesslike manner, neither early nor late. The Act also required agencies to pay interest penalties when payments are made late and to take discounts only when payments were made within the discount period. On August 10, 1982, OMB issued Circular A-125, "Prompt Payment," to implement the Act. The Act and the Circular require agencies to more adequately control disbursements by ensuring that payments are made as close as possible to the due date or within 30 days after receipt of a proper invoice. Agencies which fail to make timely payments or take discounts after the discount period will automatically pay interest to the vendor.

Cash Management Project. In November 1982, OMB initiated a Government-wide cash management project to improve the practices and systems Federal agencies use in collecting and disbursing Federal funds. The Government's cash flow amounts to approximately \$1 trillion per year. The primary goal of the cash management project is to reduce the interest expense on the public debt by managing cash inflows, outflows and available balances more effectively. It is expected that savings to the taxpayers from the use of more businesslike methods in managing the Government's cash flow will amount to hundreds of millions of dollars annually, without adversely affecting program funding levels. OMB is working with the 20 largest agencies to identify businesslike techniques that will accelerate receipts, control disbursement and reduce or eliminate idle Federal cash balances.

3. Debt Collection

OMB directed Executive Branch agencies to initiate aggressive programs to recover delinquent debts and improve the administration of Federal credit activities. OMB's Debt Collection Staff focused its attention on credit and debt management of 16 agencies. Certain programs and activities in each of the agencies were assigned targets for increasing collections over 1981 levels. These targets totaled \$1.5 billion.

To provide agencies with greater authority and more flexibility to pursue delinquent debts, the President signed the Debt Collection Act of 1982 (Public Law 97-365) on October 25, 1982. The Act permits agencies to:

- Refer delinquent non-tax debts to credit bureaus;
- Contract with private firms for collection services;
- Require applicants for certain Federal loans to supply their taxpayers' identifying numbers;
- Offset the salaries or annuities of current or retired Federal employees to satisfy delinquent debts owed the Government;
- Screen applicants under certain loan programs against the Internal Revenue Service records to check for tax delinquencies;
- Turn over Internal Revenue Service mailing addresses of delinquent debtors to private collection contractors;
- Extend, from 6 to 10 years, the statute of limitations for collection of delinquent debts by administrative offset; and
- Charge interest, penalties and administrative costs on delinquent nontax debts.

4. Internal Control

OMB issued Circular A-123, "Internal Control Systems," which prescribes the policies and standards for Federal agencies in establishing and maintaining internal controls in their administrative activities. The Circular defines internal controls as the plan of organization, and all of the methods and measures adopted within an agency, to safeguard its resources, assure the accuracy and reliability of its information, assure adherence to applicable laws, regulations and policies, and promote operational economy and efficiency. Among other things, the Circular calls for:

- Issuance of internal control directives by agency heads;
- Performance of vulnerability assessments;
- Conducting of reviews of internal control systems; and
- Reporting to OMB, when requested, on inadequacies in internal control systems.

Also, in the area of internal control, OMB worked with GAO to issue "Guidelines for the Evaluation and Improvement of and

Reporting on Internal Control Systems in the Federal Government." The guidelines were issued in accordance with the passage of the Federal Managers' Financial Integrity Act of 1982 and built upon existing requirements in Circular A-123. These guidelines provide general steps agencies should take in organizing, implementing and reporting on internal control reviews and systems as required by the Act.

5. Improvements in Organization-Wide Audits (Single Audits)

Compliance Guidelines. In December 1982, OMB issued a supplement to the uniform audit guidelines to be used in performing organization-wide audits of Federal assistance programs. The supplement presents information on the major compliance requirements of the largest 60 Federal assistance programs that make up more than 90 percent of aid to State and local governments. It includes Public Law or Code of Federal Regulations reference for each requirement plus a suggested procedure for the auditor to test compliance.

Uniform Audit Guidelines. OMB, GAO and the American Institute of CPA's (AICPA), working together, prepared a draft of a major document to be used in organization-wide audits entitled, "Guidelines for Financial and Compliance Audits of Federally Assisted Programs." The document will be published in fiscal year 1983 after it has gone through the AICPA's exposure draft process.

Responsibility of Audit of State and Local Governments. Working with the Federal Inspectors General, groups representing State and local governments and others, OMB assigned responsibility for audit of all 80,000 units of general and special purpose governments. In doing so, OMB also assigned a "cognizant" Federal agency responsibility for the oversight and review of the organization-wide audits.

Audit Training. OMB worked with the General Accounting Office, the Municipal Finance Officers Association, the American Institute of CPA's, the Association of Government Accountants and a number of other groups to conduct nationwide seminars on improvements in audit policy and practices.

Evaluation. The President's Council on Integrity and Efficiency, which was established by Executive Order on March 26, 1981, to strengthen the Inspector General program, initiated a project to evaluate the progress of implementation of the requirements of Attachment P, OMB Circular A-102 on Single Audit. This Attachment provides for the concept of organization-wide audits rather than audits of individual grants and contracts. The Council effort is also addressing the quality, impact and usefulness of single audits as a new way of auditing Federal assistance recipients. The group developed a detailed questionnaire which was sent to those Inspectors General with

Federal cognizant audit responsibilities. During the latter stages of the effort, the group sought information from other Federal officials and auditors, and independent public accountants. They found inconsistencies in the way the single audit was implemented. As a result, the group developed a single audit training program for auditors Governmentwide.

6. Budgeting

Long-Range Budget Planning and Current Services Estimates.

The OMB has continued to shift the focus of budget planning away from the traditional emphasis on the budget year to include years following the budget year. For example, Part 3 of the 1984 Budget considers major budget aggregates, their influence on the deficit, and their relationships to the Gross National Product through 1988. These data increasingly reflect specific Presidential policy determinations, particularly for proposed legislation regarding entitlement and other mandatory spending programs. Thus, they provide the Congress and the public a longer range perspective of the Administration's programs and priorities.

The 1984 Budget included long-range current service estimates (1985-1988) based on account level detail for the first time. Previously, these data were estimated only at a high level of aggregation. The use of account level detail for the 1985-1988 projections under current services assumptions provides a much greater ability to analyze the data -- not only relative to the President's budget policies -- but relative to Congressional "baseline" estimates and various Congressional policy alternatives, since the Congress has also placed greater emphasis on the longer-range implications in its budget resolutions.

Improvement and Expansion of Data on Federal Credit. The Administration is committed to controlling the growth of Federal credit and is continuing to focus attention on this problem. In this regard, information presented in the Budget has been enhanced to allow for a more meaningful and comprehensive consideration of this issue.

There have been significant changes to the data included in the credit budget and how they have been presented since the 1982 Budget. The most important change in the 1984 Budget was the addition of long-range data up to 4 years beyond the budget year for direct loan and guaranteed loan activity. In addition, the number of lines of data in the credit schedules in the Budget Appendix was increased to distinguish more fully between credit activity with the public and credit transactions with the Federal Financing Bank.

The improvements of the credit budget presentation in Part 5 of the 1984 Budget involved three major changes:

--In prior budgets, double-counting of loan transactions was included in the credit tables and then deducted. For example, if an agency made a loan and then sold it to the Federal Financing Bank, the loan was counted as new lending by both the originating agency and the Bank. This double-counting was eliminated from the Part 5 credit tables to reduce confusion, but the details are still available in Special Analysis F of the 1984 Budget.

--In addition to new direct loan obligations and new guarantee commitments, the credit tables now show net outlays for direct loans, direct loans outstanding, net changes in guaranteed loans and guaranteed loans outstanding by program.

--The credit tables now show estimates for two additional years beyond the budget year.

Expansion of Data on Federal Physical Capital Investment.

In response to a growing interest in public capital investment, Special Analysis D of the 1984 Budget has been revised to reflect a new data series on major Federal physical capital investment. While the basic tables are similar to those in previous years, a section has been added showing long-range trends in Federal outlays for public physical capital investment. The additional data enhances the capability to analyze long-term capital investment trends and to evaluate them from a historical perspective. The new data series on major Federal physical capital investment is available in a new historical tables package issued by OMB.

Improved Estimates of Budget Outlays in Constant Prices.

The new data series on major Federal physical capital investment permits OMB to refine its estimates of outlays in constant prices. The physical capital investment data are now deflated by price indexes related to investment costs, while the noninvestment components are deflated by price indexes that exclude investment costs.

Improvements Due to Automation. OMB uses computers, including those that support the electronic word processing, extensively to support formulation of the budget materials and preparation of the budget documents. Some of the most significant applications of the computer are:

--To use as an on-line, two-way telecommunications network between major agency budget offices and OMB. This network is available for future transmission of technical and budget justification data;

--To serve as a management control system that monitors the progress of data changes, identifies errors and indicates reports from the system that are in use and who is using them at any time;

- To provide an automatic comparison of Treasury data with actual year data that are published in the Budget;
- To prepare economic assumptions for the budget and to analyze the effect of changing economic conditions on the budget estimates;
- To generate the data base used for the budget documents;
- To provide a central planning and budgeting capability to support the formulation of Executive Branch budget policies through the Central Budget Management System; and
- To prepare narrative and tabular material, including printing much of the budget documents, through electronic word processing and photocomposition.

Over the coming year, new data and word processing technology will be applied to expand and improve budget automation. For example, OMB plans to improve and expand the linkage (via magnetic tape) of its data and word processing systems with the Government Printing Office's photocomposition system. This increase in automation of budget preparation will provide needed additional time to meet Congressional deadlines for transmittal of the budget documents.

D. GENERAL ACCOUNTING OFFICE (GAO)

1. Review of Federal Government Program Management

During the year, GAO issued 949 reports on audits and special studies with 610 of these reports being submitted to the Congress, its committees, or Members. Copies of many of the 339 reports addressed to Federal agency officials were also provided to interested committees or Members. Table 1 (page 14) shows the number of audit reports, by major audit area, issued during fiscal year 1982.

TABLE 1

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1982 1/

	<u>Number of Reports</u>
Administration of Justice	20
Agriculture	18
Automatic Data Processing	24
Commerce and Housing Credit	20
Community and Regional Development	24
Congressional Information Services	3
Education, Training, Employment and Social Services	36
Energy	102
Financial Management and Information Systems	65
General Government	116
General Purpose Fiscal Assistance	7
General Science, Space and Technology	13
Health	52
Impoundment Control Act of 1974	26
Income Security	37
International Affairs	52
Multiple Functions	2
National Defense	192
National Resources and Environment	60
Non-Discrimination and Equal Opportunity	5
Procurement Other Than Defense	31
Transportation	32
Undistributed Offsetting Receipts	1
Veterans Benefits and Services	<u>11</u>
 TOTAL	 <u>949</u>

When actions taken by the Congress or an agency can be measured in dollar amounts, GAO records them. However, it should be realized that the full impact of GAO's activities on improvements in Government programs and on spending matters cannot be measured. The increase in governmental effectiveness from actions taken in response to GAO's work simply cannot be stated in dollars and cents. The following tabulation summarizes the \$5.9 billion in collections and other measurable accomplishments attributable to the work of GAO.

1/ This listing excludes certain reports classified for national security reasons for which unclassified digests have not been prepared.

Amount in Millions

Accomplishments through:

Collections	\$ 10.7
Congressional actions	4,881.8
Agency actions	<u>1,043.9</u>
Total	<u>\$5,936.4</u>

Of the \$5.9 billion listed, about \$3.6 billion represent non-recurring accomplishments that will have a one-time budgetary impact. The benefits of the other \$2.3 billion are recurring and will affect budgets in future years. Often, GAO is not alone in advocating a particular action leading to dollar accomplishments. Of the \$5.9 billion which the agency identified through its work, about \$1.0 billion involved actions advocated by others as well as GAO.

Further details on the results of GAO reviews and studies are included in the United States General Accounting Office Annual Report for 1982.

2. Approval of Accounting Systems

As part of its overall responsibility under the Budget and Accounting Procedures Act of 1950, GAO had been approving agencies principles and standards and accounting system designs.

In late 1982 GAO undertook an assessment of its policies and practices with respect to its approval function to streamline the procedure and to make it more compatible with the Federal Managers' Financial Integrity Act's emphasis on agencies' operating systems. The modification to the approval function has been completed and was promulgated by the Comptroller General to heads of departments and agencies in a letter issued on April 18, 1983. The letter also contained a description of accounting systems subject to GAO approval. 2/

3. Accounting, Financial Reporting, and Internal Control Standards

In accordance with the requirements of the Federal Managers' Financial Integrity Act of 1982, GAO has been working on issuing internal control standards. On December 29, 1982, GAO issued an exposure draft containing proposed internal control standards.

2/ This letter was issued subsequent to the period covered by the report.

GAO intends to finalize the draft in 1983 and subsequently will provide guidance in interpreting and applying the standards. 3/

GAO is also drafting a revised Title II, Accounting Principles and Standards of GAO's Policy and Procedures Manual for Guidance of Federal Agencies. A staff draft of the revised standards is anticipated to be released for exposure during 1983. 4/

4. Auditing Standards and Guidelines

The 1981 revision of the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," better known as the "Yellow Book" was issued by the Comptroller General of the United States on February 27, 1981. The standards were revised in part to:

- Expand the explanations of some standards,
- Separate the standards for financial and compliance audits from those for economy and efficiency audits and program results audits,
- Add additional financial and compliance audit standards in addition to the standards of the American Institute of Certified Public Accountants,
- Incorporate standards relating to audits in which automatic data processing systems are used by the entity, and
- Add a standard to make more specific the auditor's responsibility for detecting fraud and abuse in Government programs and operations.

These generally accepted government auditing standards (GAGAS) must be followed by Federal auditors for audits of Federal organizations, programs, activities, and functions. The standards are recommended for audits performed by State or local government

3/ "GAO issued the standards in final on June 1, 1983."

4/ "In response to the Act, GAO also issued on April 18, 1983, a memorandum to the heads of departments and agencies on the subject of accounting principles and standards. The Act requires agencies to report annually on whether their accounting systems complied with the GAO accounting principles and standards. The memorandum conveyed an attachment containing a summary of the significant accounting principles and standards in the current Title 2. The enclosure will be helpful to agencies in assessing and reporting on their accounting systems as required by the Act."

auditors or by public accountants of State and local government organizations, programs, activities, and functions. The standards have been cited in OMB Circular A-73 as the basic audit criteria for Federal executive departments and agencies. Also, most grant regulations require that these standards be followed in auditing grant funds. Further, Federal legislation requires that the Inspectors General comply with the audit standards established by the Comptroller General and that any audits of Federal funds performed by non-Federal auditors comply with these standards.

The standards have received wide acceptance by Federal, State and local government auditors and public accountants. Several State and local audit organizations, as well as several foreign nations, have officially adopted the standards. The American Institute of Certified Public Accountants has generally adopted the standards and has issued auditing interpretations concerning the standards.

5. Review of Operating Systems

The results of reviews in the areas of financial management and internal control systems disclosed that administrative and financial controls needed to be improved in many Federal departments and agencies to insure that agency programs and functions are carried out efficiently and economically. Control weaknesses were found in practically all functions performed by the organizations visited. Responsible officials at the agencies reviewed agreed to take actions to strengthen internal controls over operations.

GAO is continuing to find that amounts owed the Federal Government were not fully and promptly collected by the responsible department or agency. GAO identified many actions that have been taken or were planned by agencies to improve operations. For example, one agency is implementing policies and procedures to identify items with Government-furnished silver and require agency components to use the market value of silver for pricing. Another agency had a system which had major weaknesses which inhibited the timely collection of billions of dollars of royalty fees due the Federal Government. Ongoing efforts are underway which should provide the foundation for resolving these long standing problems.

To prevent fraud, waste and abuse, Federal managers need to periodically evaluate their internal control systems. In fiscal 1982, GAO found many problems occurred, because managers did not make such assessments. For example, GAO found that a department had lost control over \$187 million in Government-owned property in the hands of private contractors. This department also operated a multi-billion dollar grants program contrary to Federal guidelines which resulted in the premature release of \$23 million to grantees. Another agency lost control over hundreds of millions of dollars of grant, contract and trust funds, because its automated accounting and finance system produced unreliable information.

Under the Federal Managers' Financial Integrity Act of 1982, Federal managers will be required to make ongoing evaluations of the adequacy of their agencies' systems of internal administrative and accounting controls and forward to the Congress annual statements reporting on these systems. GAO plans to monitor and report on the Federal departments and agencies efforts to comply with the requirements of the Act beginning in 1984.

E. DEPARTMENT OF THE TREASURY

1. Cash Management

Lockbox System. Treasury is developing a nationwide network of eight regionalized lockboxes that all Federal agencies could use for collecting and processing their receipts. The lockboxes will accelerate receipts and provide accurate and timely information for updating the Treasury's accounting records. The development of this system would provide an alternative to the existing collection systems for those situations where the use of the Treasury Financial Communications System is not possible. Two lockboxes are currently operating, one in Atlanta and the other in Los Angeles. Treasury plans to phase in the remaining six sites by the end of fiscal year 1983. The two lockboxes process millions of dollars each month and generate about \$1.3 million in savings in interest to the Government each year. (Cynthia Johnson, 634-5514.)

Treasury Financial Communications System. This system permits agencies to receive large dollar collections and make large dollar payments electronically. In fiscal year 1982, the total dollar receipts increased by 80 percent to \$94.5 billion, and payments increased by 24 percent to \$101.6 billion over the prior fiscal year. Using the conservative estimate that funds received electronically are available on the average of 3 days earlier than with paper transactions, savings to the Government are estimated at \$148 million in interest for fiscal year 1982. For payment transactions, the system enables an agency to specify a future payment date, up to 10 calendar days in advance, on which date, it will automatically make payment. Agencies will be required to use this system for large dollar vendor payments over \$25,000 beginning October 1, 1983. (Ellen Todres, 634-5755.)

Letter-of-Credit -- Treasury Financial Communications System. This application of the Communication System allows grantees and contractors to request and receive letter-of-credit advance payments by electronic funds transfer. During fiscal year 1982, approximately 15,000 payments were made under this system. This system allows Federal agencies to preaudit requests and make timely payments. It also enables improved control of the timing of cash outflows which results in increased daily availability of funds to Treasury. The system is now used nationwide with four Federal agencies. During fiscal year 1983, several other agencies are scheduled to implement the system. Regulations to formally

establish the system will be issued in fiscal year 1983, and all Federal letter-of-credit activity will be handled through this system by the end of fiscal year 1985. (Sean Spillane, 634-5776.)

Competitive Banking Arrangements. Treasury solicits competitive proposals from commercial financial institutions to accept and process large dollar volume deposits from Federal agencies for credit to Treasury's General Accounts. Treasury selects the financial institution which proposes the most advantageous banking arrangement to the Government in terms of the least cost and better availability of funds to Treasury. During fiscal year 1982, about \$80 billion in deposits were processed through 12 Treasury's General Accounts established under the competitive bid process. The Government saved about \$33.5 million in interest as a result of accelerating the availability of deposited funds to Treasury. (Ellen Todres, 634-5755.)

Cash Flow System. During 1981 and 1982, Treasury coordinated the design and implementation of the Cash Flow System for the recoupment of interest earnings from financial institutions that improperly process Federal tax deposits received from corporations. Under the Federal tax deposit system, financial institutions are required to date stamp each Federal tax deposit form obtained from the taxpayer with the date the funds are received. However, the institution may not have changed its date stamp from the previous day or otherwise may have dated the tax deposit forms with the correct date and held the deposit for a few days which allows the financial institution free use of Federal funds. The Cash Flow System will recoup the lost interest and alert financial institutions to properly process Federal tax deposits. This system requires that, on a monthly basis, the Internal Revenue Service send a magnetic tape of Federal tax deposit data to local Federal Reserve Banks. The Banks will, in turn, make appropriate charges for improperly processed Federal tax deposits through the reserve account mechanism. The system started to operate in January 1983 and is expected to collect \$2 to \$4 million, annually. (Michael Backert, 634-5782.)

Liaison Program. Started in 1981, this program, through liaison visits and contacts, assists agencies in complying with cash management regulations in the Treasury Fiscal Requirements Manual, provides a means of sharing knowledge, and introduces new cash management tools and techniques to agencies. The liaison staff provides assistance to agencies in developing cash management regulations and evaluates the agencies' monitoring and reporting systems for cash management. The liaison staff also coordinates with the efforts of the Office of Management and Budget in responding to the provisions of legislation such as the Debt Collection and Prompt Payment Acts. The liaison network is now established with over 100 agencies and organizations that impact on the Government's \$6 billion daily cash flow. (Bruce Budlong, 634-5131.)

2. Accounting Procedures and Systems

Deposit-in-Transit. The new Deposit-in-Transit System, which started in January 1983, makes agencies responsible for auditing and reconciling their own deposits in a manner similar to the way they presently reconcile their disbursing and letter-of-credit transactions. To assist agencies in the reconciliation, Treasury provides a statement of differences and supporting detailed listing of deposits and debits processed within the Federal Reserve System. Agencies can better resolve problems on a more timely basis. They will also be able to identify the quality of banking services provided by financial institutions maintaining Treasury's General Accounts. (Michael Merson, 566-8374.)

Automated SF-224 Report. A pilot program was initiated to have agencies transmit the monthly "Statement of Transactions," SF-224, to the Bureau of Government Financial Operations electronically. The "Statement of Transactions" provides Treasury with a monthly statement of the payments and collections of departments and agencies for which Treasury disburses, classified by appropriation, fund and receipt account. The system is similar to the one designed by the Environmental Protection Agency, which was implemented in its 14 nationwide accounting offices. The system has automated edit and balancing features to verify and cross check the data in the report. This system will reduce the number of errors and the volume of paper that flows through the Treasury's Central Accounting and Reporting System, since the data do not have to be key entered at Treasury. Complete conversion to this system is scheduled for April 1984. (Michael Merson, 566-8374.)

Recertification. Treasury is planning to redelegate to agencies the authority to certify second payments when the original checks are lost, stolen, mutilated or forged. The timing of payment recertification will be up to each agency based on its assessment of the urgency of the payee's need and the agency's ability to recover overpayments from the payee. Currently, Treasury plays a major role in replacing checks for agency payees and processing associated claims. This re delegation will provide efficient service to the payees and reduce Government losses on duplicate payments. (Charles McClelland, 447-1082.)

Conversion of Nontape Disbursing Office Check-Issued Reporting to Magentic Tape Reporting. This project will change the automated reconciliation of checks issued and checks paid from blocks of checks to an item-for-item reconciliation. Agencies and disbursing offices responsible for issuing U.S. Treasury checks will be required to submit checks-issued data on magnetic tape or in an optional character recognition (OCR) machine-readable format. This project will be implemented in three phases: Phase I - Agencies and disbursing offices that issue more than 20,000 checks each month will be converted not later than March 1983;

Phase II - Agencies and disbursing offices that issue between 2,000 and 20,000 checks each month will be converted not later than December 1983; and Phase III - All other agencies and disbursing offices will be converted not later than July 1984. Overall, this project will improve the timeliness and efficiency of Treasury's check reconciliation. (Stanley P. Ginsberg, 566-8374.)

Interagency Payments. The procedures for the SF-1081, and GSA Form-789, both titled "Voucher and Schedule of Withdrawals and Credits," are used to transfer funds between Federal administrative agencies. These forms have been revised so that Treasury Disbursing Offices will no longer participate in the process. After February 1, 1983, the billing agency will send the SF-1081 to the paying agency which, in turn, will report the complete transaction to Treasury on the monthly "Statement of Transactions," SF-224. Then, Treasury will process the information in the central accounting system. The same procedure will be implemented for the GSA Form-789 on April 1, 1983. (Michael Merson, 566-8374.)

F. OFFICE OF PERSONNEL MANAGEMENT (OPM)

1. Financial Management Training

During 1982, the Office of Personnel Management's Management Sciences Training Center expanded its financial management training curriculum of over 30 courses to include 3 new offerings:

- Improving Federal Payment Systems - based on the passage of the Prompt Payment Act (PL 97-177);
- How to Improve Your Agency's Debt Collection Practices and Debt Collection By Telephone - based on the Administration's and GAO's interest in improving Federal debt collection; and
- Budgeting and Accounting for Nonfinancial Managers - based on OPM's recognition of the increased importance of the financial process to program managers.

In addition to these new courses, an existing course entitled Internal Control was revised based on the issuance of OMB Circular A-123 and the passage of the Federal Managers' Financial Integrity Act of 1982. Also, a conference attended by over 300 Federal managers was conducted in June 1982 that provided guidance on computer matching to avoid fraud, waste and abuse.

2. Financial Classification Standards

The Office of Personnel Management developed new classification standards for Auditors, GS-511 to replace Part II of the classification standard for the Accounting Series, GS-510.

Standards for two new series have been developed from the former Accounting Clerical Administration Series, GS-501. One covers analytical administrative and program work of a two-grade interval nature and is called the Financial Administrative Series retaining GS-501 series designation. The other covers miscellaneous clerical and technician work of a one-grade interval nature, and is called the Financial Clerical and Assistance Series, with a GS-503 designation.

New classification and qualification standards are being developed for the Tax Examining Series, GS-592. OPM has developed some classification standards for the Budget Clerical and Assistance Series GS-561. This occupation concerns procedural and clerical work commonly performed in agency budget offices.

In addition, OPM is working on the Payroll Series, GS-544, the Military Pay Series, GS-545, and the Time and Leave Series, GS-590.

CHAPTER II

AGENCY INITIATIVES TO IMPROVE FINANCIAL MANAGEMENT

INTRODUCTION

Agency submissions of information on improvements to agency financial management practices and systems reflect significant achievements and major undertakings. Overall, the agency reports reflect a strong commitment to make improvements in financial management.

Descriptions of the more significant or unique management actions in areas of accounting procedures and systems, auditing, budgeting, cash management, payroll and personnel, productivity and other systems are presented in the following sections. Publication of all reported improvements was impractical. However, the JFMIP staff, upon request, will provide assistance to agencies in identifying additional financial management improvement activities.

Agency contact persons and their telephone numbers are provided in parentheses following the project descriptions so that the readers can obtain additional information about any of the improvement activities. For the telephone numbers, the area code is 202 unless otherwise designated.

A. ACCOUNTING PROCEDURES AND SYSTEMS

Activities in this area cover agencies' interest in providing more accurate, useful and timely accounting information to management for increasing program economy and efficiency. Generally, procedures and systems are being reinforced and upgraded with improved data collection and data integration. A sampling of improvement activities accomplished and underway are presented in the following paragraphs.

1. Accounting Improvements Accomplished

The ENVIRONMENTAL PROTECTION AGENCY developed and implemented an automated data transmission system for reporting the Agency's monthly "Statement of Transactions," SF-224, to the Department of the Treasury. The system has eliminated mail delays, reduced the reporting burden and greatly improved the data accuracy. Currently, the Treasury Department's Bureau of Government Financial Operations has requested EPA's system software for a pilot test in several Federal agencies. If successful, the Treasury Department will attempt to implement it Government-wide. (Robert Dodson, 382-5131.)

The NATIONAL PARK SERVICE, within the Department of the Interior, completed the design phase of its new Financial and

Cost Tracking System. The design documentation was approved by GAO on November 22, 1982. Some of the major features of the system include:

- Formalized checking of fund status at specified levels and reports showing the status of obligations and expenditures;
- Cost accounting to assist management in controlling Service-wide costs, measuring resources consumed in relation to outputs achieved and evaluating planned activities and projects against actual costs incurred;
- Single entry of each transaction so that all subsidiary functions such as accounts receivable, accounts payable, labor distribution and open-orders activities will be posted from the same transaction for control purposes;
- Centralized maintenance of accounting records;
- Decentralized data collection;
- Expedited time and attendance processing;
- Automated disbursement so that after a voucher is scheduled for payment, a date is assigned using appropriate cash management guidelines. On the date it is scheduled for payment, an automated record is prepared for certification and forwarded to Treasury disbursing office for payment;
- Remote inquiry of accounting information; and
- Use of a data-base management system which can provide standard and ad hoc reporting, better security and backup systems, and better file maintenance. (Stan Smith, 523-5119.)

Treasury's BUREAU OF ALCOHOL, TOBACCO AND FIREARMS is using minicomputers to control data throughout its Financial Management Division. One application involves the monthly coding of documents directly into the computer system as opposed to coding manually on batch control sheets. This system identifies errors before data are encoded into the automated accounting system. This system is also programmed to produce "Voucher and Schedule of Payments," SF-1166, and has increased the quantity and improved the quality of the Division's daily output. Other software developments have produced more accurate monthly "Statement of Transactions," SF-224. During the month, payment documents are coded into the system and stored on a floppy disk. At the end of each month, the system generates appropriations listings by paid date of all payment transactions. This has eliminated most clerical functions associated with producing this report. (Dan Hamm, 566-9956.)

The FEDERAL EMERGENCY MANAGEMENT AGENCY implemented its own automated accounting system on small computers. The new system has ensured accuracy and integrity of data entry for accounting transactions. Other benefits include:

- Timely and accurate report generation;
- Greater flexibility in reformatting financial reports to meet budget and program requirements;
- Reduction of the financial data entry backlog to less than a two-week period and the error rate to less than one percent;
- Easy verification of financial information through on-line capability;
- Direct entry of budget data through terminals; and
- Simplified procedures for financial data entry. (John Hoban, 287-0623.)

The DEPARTMENT OF STATE published an Account Structure and Classification Codes providing a uniform set of classifications, codes, titles, and definitions to accommodate: (a) organization and management changes; (b) management information systems; (c) accounting, budgeting, payrolling and financial reporting; (d) personnel management; and (e) equipment, property and supply accountability and management. This project was established to assure that the Department's Account Structure and Classification Codes are uniform and completely up to date at all times. The codes are on a minicomputer, and changes are made immediately upon receipt of requests. This eliminates the previous task of publishing a new booklet on "Allotment and Account Patterns" each fiscal year. (Howard C. Holland, (703) 524-1188.)

The DEPARTMENT OF STATE also completed the design and documentation of a system for the "Automation of Source Data Input to the Accounting System." The purposes and benefits of this subsystem are to:

- Automate source data input to the Department's accounting system;
- Prepare the official source documents for advice of allotments, miscellaneous obligations, temporary duty travel authorizations and other transactions on the Department's standard minicomputer system and, at the same time, generate the transactions for input to the accounting system;
- Transmit electronically the required input transactions to the accounting system;

- Eliminate the manual preparation of all accounting source documents and keypunching, both in the Department and by contractors;
- Increase accuracy and comprehension of accounting, budget, and management information by validation, proofing and balancing of input data, and electronic processing; and
- Be fully integrated into the Department's new Financial Management System.

The system will be implemented for programs both in the Department's overseas and domestic operations. (Howard C. Holland, (703) 524-1188.)

The NATIONAL SCIENCE FOUNDATION automated its Proposal and Award Tracking System. This system identifies each proposal for a research project or application for a grant that is recommended for award and automatically formats and passes an appropriate commitment transaction to the accounting system. The automatic interface of this system with the accounting system eliminates the duplicate key-entering of approximately 10,000 commitment transactions a year and enables production of more up-to-date fund status information. This enhancement was implemented during the first quarter of 1982. (William H. Ward, 357-7753.)

The NATIONAL AERONAUTICS AND SPACE ADMINISTRATION implemented the Space Transportation and Reimbursable Cost System at the Johnson Space Center in October 1981. This system was designed to provide for the collection and reporting of total cost for all reimbursable efforts including allocations for center overhead, headquarters overhead, and other indirect costs. The new system provides cost information at a sufficient level of detail for management control and verification of billings to reimbursable customers. Another advantage of the system is the increased mechanization of accounting for reimbursable work as opposed to the burdensome manual effort required from the increased workload. In addition, the system provides (a) a comparison of the estimated cost of reimbursable work and the actual costs and (b) a basis for reviewing actual costs and adjusting future price estimates for reimbursable work. (Sam Gibson, FTS, 525-3026.)

The BUREAU OF ENGRAVING AND PRINTING, within the Department of the Treasury, automated its Fixed Asset Accounting System. The software used by the Bureau of Public Debt to operate its automated Fixed Asset Accounting System was obtained and modified to more fully meet the Bureau's requirements. The newly implemented system has resulted in the more timely generation of fixed asset information required for financial purposes. In addition, staff requirements to maintain the Bureau's fixed asset records have been reduced by 50 percent. (Norman Caulder, 447-0320.)

2. Accounting Improvements Underway

The DEPARTMENT OF COMMERCE is consolidating its payroll, personnel and administrative payment systems throughout the various bureaus, agencies and programs offices. They had six different automated payroll systems and five different automated personnel systems. During 1981, a study was undertaken which pointed out that the continued use of multiple, nonstandard systems had created several problems. Thus, the staff undertook the following activities:

- Five of the existing automated payroll systems were consolidated into a single Departmental payroll system, using the system operated by the National Oceanic and Atmospheric Administration (NOAA) as the host system for the systems development effort;
- Five existing personnel systems were consolidated into a single Departmental system using the automated personnel system operated by NOAA as the host system for the system development effort;
- Processing of all administrative payment vouchers was centralized, adopting the automated system developed by the Department of Agriculture at its National Finance Center in New Orleans; and
- A systems consolidation project team was created to design, develop and implement the systems.

During 1982 and 1983, several accomplishments have occurred including (a) establishment of the Management Service Center, (b) expansion of the service center concept through the selection of regional processing centers, (c) establishment of a departmental administrative payment system, (d) centralization of travel advance and travel claim processing, (e) initiation of consolidated payroll services and personnel processing services and (f) refinement of the host personnel system.

Several more accomplishments are in process and will be completed by the latter part of calendar year 1983. These include (a) expansion of the administrative payment system to process payments related to the handling of Government Bills of Lading, Government Transportation Requests, and Fedstrip Requisitions, and payments related to purchase orders, (b) completion of the regionalization concept and (c) expansion of the personnel action processing system. (Jimmie Brown, 377-1299.)

The DEPARTMENT OF STATE initiated a project to develop a worldwide financial management system. A network of 32 financial management centers will be established around the world which will be connected to Washington using the Department's Diplomatic Telecommunications Systems Network. Each center will handle the

financial processing for the post in which it is located and for other assigned posts in the area. Detailed accounting and budget transactions and reports will be processed at the posts. Transactions will be consolidated and transmitted to Washington via microcomputers which will be located at each site. The financial system will utilize an integrated data-base structure that will enable the Department to obtain accounting and budgeting information on one report as well as information from other systems and subsystems. The new system will also include an interface with payroll and other existing financial management systems. The system is intended to provide the Department with important new capabilities such as being able to determine automatically the impact of foreign currency fluctuations on resources. The new system is intended to:

- Improve the availability of financial information needed to make management decisions,
- Establish sound financial controls,
- Modernize costly and inefficient existing systems, and
- Provide standardization and technical control over organizationally decentralized financial functions.

Pilot tests at several centers began in April 1983. It is expected that 14 centers will be operating by September 1985. (Roger Feldman, 632-7490.)

The DEPARTMENT OF STATE has contracted for the development and installation of a Real Estate Management System. The project will determine the information requirements of departmental real estate managers and will design and implement a system to meet their operational and financial management needs. Specifically, the project will include:

- A comprehensive, integrated planning process to prepare and maintain long, mid, and short-term plans for the real estate program,
- A structural process to analyze financial options in support of real estate management decisions,
- An accounting system for fixed assets and property inventory design,
- A property management information data base maintenance system, and
- A property management reporting and early warning system.

Full implementation of the system will give the Department a comprehensive, systematic approach to managing its buildings

program. The system will also include all information concerning phases of the buildings' life such as acquisition, operation, maintenance, rehabilitation and disposal. (Marvin Smith, 235-9493.)

The FEDERAL AVIATION ADMINISTRATION, Department of Transportation, is implementing a new automated Uniform Accounting System (UAS). It is designed as an on-line system with a single data base that is centrally managed. Accounting data are entered into the system via cathode ray tube terminals at 11 locations throughout the contiguous United States and Alaska. Key features of the system include the use of transaction codes and single-line entry which updates 11 relevant files simultaneously; an automatic adjustment process for differences in final payments and accrued expenditures or undelivered orders; a centralized disbursement function; immediate inquiry capability to all files and document histories; and on-line recurring reports.

The system is being implemented on a phased basis by location. Pilot site implementation began in November 1982 with the operating accounting office at the Mike Monroney Aeronautical Center in Oklahoma City and the central accounts at the Office of Accounting in the Washington headquarters. The remaining implementation plan will begin at the regional accounting office pilot site in February 1983 followed by the Metropolitan Washington Airports accounting office in March 1984. (Steve Newborn, 426-8154.)

The KENNEDY SPACE CENTER of the National Aeronautics and Space Administration is developing and implementing the Space Transportation Accounting and Resources System (STARS). STARS will provide management, at all levels, with financial data required to support operational and reimbursable accounting. The system uses a dedicated minicomputer and a modular designed data-base management system with on-line, real-time update. The travel module was implemented October 1980. During fiscal year 1982, cost, property and general accounting modules were implemented on October 1, 1982. Currently, a set of on-line reports is being developed which will allow accounting and resources personnel to retrieve more timely information on their terminals. A reimbursable module is also planned to be designed and programmed during fiscal year 1983. This module is expected to be tested and implemented in fiscal year 1984. (Albert Cleveland, 823-3857.)

The DEFENSE NUCLEAR AGENCY has undertaken a three-phase initiative to design, develop, program and implement a totally integrated programming, budgeting and accounting data base for the Agency and its components. The first phase resulted in the general design and identification of the system's requirements. The Agency is now in the second phase of this effort which is the detailed design of the system. Functional documentation and program specifications have been developed for each aspect of the

effort. The third and final phase began in April 1983, and full operation of the system is anticipated by October 1984. The overall effort will result in real-time data input, an electronic link of all the financial components of the Agency, a totally integrated data base and a reporting base which will provide financial management data to the appropriate recipient in an accurate, yet timely manner. (Lt. Col. L. R. Danielski, (703) 325-7146.)

The INTERNAL REVENUE SERVICE, Department of the Treasury, is modernizing its financial management systems Service-wide. The goal of this effort is to design and implement a new system, called Automated Financial System, which incorporates the state-of-the-art EDP and office automation technology to improve the timeliness and quality of financial information available to managers and the productivity of fiscal management operations. The development of the system is planned in four phases. Phase one will be to install a microcomputer system in fiscal management offices Service-wide by September 1983. This system will allow the Service to automate certain desk procedures currently performed manually and to perform financial analysis, graphics and other routines not currently possible. Phase two consists of transferring the Service-wide data bases and summary accounting and budget execution processing to the IRS Data Center. The data bases will be enhanced with a data-base management system to provide on-line query capability for regional fiscal management offices and certain offices in the National Office. The expected date of implementation is October 1983. Phase three will be to replace the hardware used for the present financial planning, accounting and budget execution systems Service-wide. The Service expects to install new, state-of-the-art equipment with existing software. The expected date of implementation is October 1984. The final phase will include the redesign and integration of several systems that make up the Service's financial management system. The expected date of implementation is October 1986. (Mike Noble, 566-3599.)

The NATIONAL INSTITUTES OF HEALTH, Department of Health and Human Services, is making several improvements to the accounts payable system to accommodate the cash management requirements of the Prompt Payment Act and provide a monitoring mechanism to improve the overall efficiency of the system. The specific enhancements are described as follows:

--The NIH is revising its cash management procedures so that the computer will automatically determine payment due dates, schedule vouchers for payment, compute cash discounts and make interest calculations. Also, reporting mechanisms have been developed to monitor the aging of invoices and to report interest paid and cash discount transactions.

--A project is underway to microfilm all paid vouchers and index the microfilming process directly to computer output. The objective of this system is to discontinue maintenance of hard copy payment files through the development of a capability to retrieve the vouchers from the microfilming process.

--An open market component is being developed to support the NIH requisitioning process. Functions expected to be performed as a part of this development include:

- a. Terminal entry in an on-line, interactive environment at the requisition point of origin,
- b. Processing transactions through the fund control system for fund certification,
- c. Automatic development of procurement worksheets for open market requisitions and automatic communication of data to the purchase agent,
- d. Automatic test for stock availability and preparation of supply pick lists, and
- e. Generate and forward commitment transactions to the financial management system.

--A Stock Inventory System is under development which will support all NIH material and supply inventories to include engineering inventories, pharmaceutical inventories, self-service store inventories, and all other miscellaneous supplies. The following functions are to be included:

- a. System assurance by performing reconciliation between subsidiary inventories and general ledger accounts,
- b. Line item perpetual inventory,
- c. Automatic reorder mechanism,
- d. Maintain economic reorder points,
- e. Provide for periodic physical inventory, and
- f. Application of current prices to all issues.
(Sam George, (301) 496-3368.)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES is developing a Standard Accounting System which will provide that the policy, procedures and computer software for financial transactions common to all operating divisions of the Department be recorded, stored, standardized and developed once, and centrally for all Operating

Divisions. In recognition that some functions are not common, each Operating Division could be permitted to supplement the system for their unique requirements.

The Standard Accounting System consists of several application and support modules. The application modules are: budget execution, travel, commercial, receivables, grants, cashier, working capital fund, property and cost accounting. The support modules are: security, reports, interfaces (providing linkages with satellite systems, for example, payroll) and tables. Significant features and benefits of the system which will improve the operating efficiency of financial management include:

- Transactions recorded directly in the system are captured, where feasible, at the "point of origin," e.g., budget offices, grants or procurement offices, program or administrative offices, etc.
- One transaction input automatically updates all general ledger subsidiary accounts in real time through a "single transaction concept."
- Input, editing and error correction of financial transactions occurs on-line in "conversational mode."
- The system stores information for its users and prompts the user through terminal messages.
- Selected data are immediately accessible to users through a software query capability.
- Reports and documents are automatically generated and, where feasible, printed at the user site.

Initially, the Department will develop a basic "core" of modules (i.e., budget, travel, umbrella, security, reports interfaces, and tables) which will become the start-up system. These modules will be implemented in the Office of the Secretary and the Office of Human Development Services in late spring or early summer 1983. During fiscal year 1984 through 1986, they plan to develop the remaining modules and to phase the system first into the 10 regions in fiscal year 1984 and then into the remaining operating divisions beginning in fiscal year 1985. When fully implemented, the system is expected to yield annual savings of \$1.5 million in computer processing costs and additional savings in staff resources due to a reduction in the number of programmers needed to maintain nine separate systems. (David V. Dukes, 245-7084.)

In 1982, the DEPARTMENT OF THE INTERIOR implemented the Advanced Budget and Accounting Control and Information System, which operates as a basic allotment and general ledger accounting system. At the present time, the automated accounts payable and

disbursements aspect of the system is in the process of being implemented, and the automated billing and accounts receivable management aspect of the system is in the definition stage.

The automated accounts payable and disbursements subsystem generates magnetic tapes containing payment records as specified in the Treasury Fiscal Requirements Manual and the Treasury Disbursing Office specifications. A disbursement record is generated based upon input of a valid, certified invoice in the normal process of posting to the system and based upon an automatic analysis of the various invoice record data elements, i.e., date invoice received, anticipated payment date and discount terms. Appropriate computations pursuant to the Prompt Payment Act requirements will also be done.

The automated interface in disbursing with Treasury is expected to be completed by March 1983. Combined with the document control aspect of the system, wherein all accounting documents including invoices are microfilmed and recorded into the system as they are received in the Finance Office, the automated accounts payable and disbursement system will result in significantly enhanced accounts payable management, in improved integrity of the accounts payable and disbursement process, and in assurance that all invoices received are acted upon at the appropriate time.

Also, the accounts receivable management system should be implemented in May 1983. This system will facilitate the revised "Voucher and Schedule of Withdrawals and Credits," SF-1081, billing process which accounts for virtually all accounts receivable in the Office of the Secretary. The automated billing and accounts receivable function will assure better accounts receivable management and will facilitate reconciliation of collections. (T. L. Garrett, 343-5027.)

The AGENCY FOR INTERNATIONAL DEVELOPMENT is developing the Mission Accounting and Control System which is a computer-based accounting and financial management system. The objective of this system is to provide all of its regional offices (missions) in foreign countries with a standardized, easy-to-use, state-of-the-art automated accounting capability. The system aims to improve data integrity and accessibility, as well as to streamline clerical accounting functions. It increases the capability of the Controller's office to handle greater transaction volumes and analytical tasks without proportionately increasing staffing levels. Through the use of this system, the Agency will strengthen overall financial control, especially in the project implementation area. Major subsystems are the budget allowance accounting, project accounting and operating expense accounting.

The system will provide for a transaction oriented, on-line, interactive, fully-integrated processing system in which accounting data on file are updated in real time as a result of

transaction processing. The system has been implemented in Honduras and the conversion process is currently underway in the Regional Management and Accounting Center in Nairobi (servicing 22 client missions) and an office in Egypt. (Mark Matthews, 632-0162.)

B. AUDITING

Agencies reported initiatives to improve auditing procedures and practices, to improve productivity by using microcomputers and to perform vulnerability assessments and internal control reviews. A sample of these accomplishments are highlighted below.

1. Audit Improvements Accomplished

The PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY was established by Executive Order on March 26, 1981 to strengthen the Inspector General Program and to oversee the Administration's efforts to reduce fraud, waste and abuse in Federal programs and operations. Council membership includes the Inspectors General of all major departments and agencies. A summary report covering the first six months of Inspector General activities disclosed a total of \$5.8 billion in direct savings and improved use of funds as a result of their efforts. Most of these savings were attributed to reductions in the price of Government purchases as a result of audit recommendations and improved debt collection. Some of the activities of the Inspectors General during the first six months included:

- Computer Matching. Matching computer files provides significant opportunities for the Inspectors General to detect and prevent fraud and abuse in Federally financed operations. Matching of the Health Care Financing Administration's record of Medicare patients against the Social Security Administration's Master Beneficiary Records was initiated in August 1982 by the Health and Human Services Inspector General. Approximately 6,000 cases were identified where benefits were being paid to individuals who were deceased. Stopping these payments saved an estimated \$20 million in 1982.
- Cost Avoidance. The Inspector General at the Department of Transportation was instrumental in canceling \$399 million in obligations for highway construction projects. States in four regions had maintained excess Federal-aid highway funds of \$399 million which should have been released and made available for other highway construction projects.
- Recovery of Federal funds. The audit of a general vocational rehabilitation program by the Inspector General of the Department of Education disclosed \$6 million in unallowable costs for Federal assistance programs in a State. Among other things the auditors reported the

improper use of grant funds, unallowable rental costs and inappropriate write-off of some equipment costs. The State was directed to make appropriate financial adjustments of about \$6 million. (Melissa Allen, 395-4960.)

During the last 2 years, the Inspector General at the DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) provided the leadership to implement a Government-wide audit approach that could have enormous long-run implications in the way the Federal Government exercises its oversight over monies given educational institutions. The Office of Management and Budget Circular A-110 provides for colleges, universities, hospitals, and other nonprofit organizations to arrange for a "single audit" of all Federal awards. The new approach changes the focus of audits at colleges by Federal auditors, identifies roles of various auditors (certified public accountants, State auditors, Federal auditors and internal auditors), brings greater savings to the Federal Departments, improves the overall audit process for accountability of Federal funds, and permits Federal auditors to concentrate their efforts on identified problems, concerns and departmental issues. Currently, an A-110 pilot audit program sponsored by HHS to test the audit approach and to develop draft guidelines is being undertaken at 39 universities. The objectives of the A-110 audit approach are to:

- Build on the yearly audit of general purpose financial statements,
- Limit the incremental work of an A-110 audit to the development of tests designed to identify areas of significant systems weaknesses, and
- Integrate all Federal awards and programs (i.e., sponsored research and training, student financial aid, appropriations, and sub-awards) into one audit.

OMB has established an intra-agency committee to monitor the pilot audit efforts, to finalize development of audit guidelines, and to develop Government-wide audit policy. The target date for issuance of the policy guidance is November 1983. The pilot audits are progressing very well with the estimated completion date of June 1983 on most universities. Because of the success of the pilot effort at universities, HHS, with OMB concurrence, is taking the lead in pilot testing the single audit approach at other nonprofit organizations. (Ray Lazorchak, 472-4322.)

An Office of Inspector General was established in the DEPARTMENT OF DEFENSE following an amendment to the Inspector General Act of 1978. The enabling legislation provided for the transfer of certain ongoing Defense functions into the Office of the Inspector General, Department of Defense. These included the Office of the Assistant to the Secretary of Defense (Review and Oversight), Defense Audit Service, Inspector General of the

Defense Logistics Agency and Defense Criminal Investigative Service. In addition, not less than 100 additional audit positions were to be filled with persons trained to perform contract audits. The purpose of this contract audit capability was (a) to provide technical expertise to effectively oversee and review the work of the Defense Contract Audit Agency, and (b) enable the Inspector General to look at the entire procurement spectrum -- both the performance of contractors and Defense personnel. For fiscal year 1983, this office is authorized a total of 937 civilian positions. (James Curry, 692-6431.)

The Office of Inspector General in the VETERANS ADMINISTRATION (VA) significantly increased the use of computer matching techniques to identify and locate individuals who have either received VA benefits to which they were not entitled or failed to respond to letters informing them they were in default on VA loans. Computer matching was also used to identify deceased individuals for whom benefit payments have continued after death. VA benefit and accounts receivable files have been matched with (a) Federal active and retired employee files, (b) military active duty and retired personnel files, (c) State wage files and (d) files of deceased persons. Significant savings and/or cost avoidances already have been realized from these matches and followup actions are continuing. (James Durnil 389-3143.)

The Office of the Inspector General in the VETERANS ADMINISTRATION has expanded its efforts to identify ways of preventing fraud, waste and abuse. Joint or coordinated audit, investigation, and risk analysis projects were expanded in the prosthetics, automotive adaptive equipment, compensation and pension programs. Assessments are being conducted to identify and eliminate vulnerabilities in overlapping VA and Department of Health and Human Service benefit programs. The prevention of improper or fraudulent benefits payments is a major goal of program audits. Increased use of computer audit resources provided an improved means to identify systemic causes of waste and abuse. Cyclic audits reviewed and tested internal controls to assure effective prevention of waste and fraud. (James Durnil 389-3143.)

The INTERIOR DEPARTMENT'S Inspector General and the Assistant Secretary for Policy, Budget and Administration combined forces to conduct a joint review of the property and procurement functions within the Department. Through the use of self-evaluation management control questionnaires, procurement officers with procurement authority over \$10,000 and property custodians responsible for property exceeding \$100,000 were asked to evaluate the effectiveness of existing internal controls over their respective functions. There are over 1,000 property managers with control or custody of about \$1.1 billion of personal property in aggregate and about 100 major procurement offices that make awards totalling about \$1.3 billion in contract actions each year.

After analyzing the responses to the questionnaires and the various plans of action submitted by the respondents to alleviate the identified problems, 19 individual Bureau reports and two Department-wide reports were issued. It was determined that improvements were needed in the following areas:

- The enforcement of existing accounting and inventory procedures for personal property,
- The enforcement of established requirements for vehicle utilization records, assignment of motor vehicles, and vehicle maintenance programs,
- Circulation of excess property lists to other Interior Bureaus prior to the disposal of personal property,
- Establishment of policies and procedures for the identification, accountability and control of Government-furnished property in the possession of contractors and grantees,
- Advance procurement planning,
- Independent cost and price analyses on major procurement actions,
- Procedures for reporting suspected criminal conduct, noncompetitive practices, kickbacks and other procurement irregularities,
- Work performance standards for procurement personnel, and
- The identification and use of consulting service activities.

The process forced management to focus on the reliability of the existing internal controls over the property and procurement management functions. It also gave Department managers a head-start in completing the reviews of the internal control systems that are required by the Federal Managers' Financial Integrity Act of 1982. (Jerry Fiely, 343-3833.)

The DEPARTMENT OF TRANSPORTATION'S Office of Inspector General established five computer work stations for use on selected audits, investigations and administrative functions. The work stations have been designed for daily use by OIG personnel who have little technical knowledge of computers. Users can schedule, sample, project and analyze large volumes of data using electronic spread sheet techniques. Results can then be presented in traditional workpaper formats or, if appropriate, can be graphically represented. The work stations have also provided access to the audit software needed to conduct in-depth reviews and evaluations of the Department's computer operations. Two of the computers acquired are portable and enable auditors and investigators to use

the new technology on audits and investigations throughout the country. The work stations include a microcomputer, printer, plotter, audit software, and communication capabilities. The work stations will increase audit effectiveness and efficiency, allow fewer disruptions of the Department's computer operations, enhance data security and audit independence, and provide the state-of-the-art technology in the audit and investigative functions. (Alan Duncan, 426-4172.)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT's Office of Inspector General (OIG) has recently completed the third phase of their overall quality assurance program. This program concentrates on the quality of audit reports and OIG management. It also provides feedback on accomplishments organization-wide. One phase, conducting of the Quality Assessment Reviews, requires that a rating be applied to each audit report issued by the office. The rating is a composite of three weighted evaluations which are performed on the reports. "Cost/benefit" is the highest weighted evaluation. "Compliance with reporting standards" is the next highest weighted evaluation, and "timeliness" is the final evaluation. Based on these three sets of evaluations, a quality index is produced for each report. These Quality Assessment Reviews are intended to assure that the maximum benefit is received from the audit resources and that selection of audit areas is being properly conducted.

The other two phases of the quality assurance program are not limited to the Office of Audit. The Management Assistance Reviews, the second phase are conducted in every field and headquarters site within all OIG organizations to assure compliance to standards and regulations. The Executive Management Reporting is the last phase where all organizational goals are formally reviewed monthly and accomplishments are discussed with all levels of management within the OIG. This three-phase program of quality assessment review, management assistance review and executive management reporting is being used to assure that quality products are being produced in conformance to standards. (Donald Kirkendall, 755-6342; Shirley Evans, 755-6310.)

The Office of Inspector General in the NATIONAL AERONAUTICS AND SPACE ADMINISTRATION have completed several multi-installation audits in its audit plan for fiscal year 1983. Multi-installation audits are audits that cover two or more NASA centers. These audits are led by highly experienced auditors who are responsible for developing a common survey plan and audit program to be used at each center. The audit results are incorporated into a consolidated report to NASA Headquarters management.

Multi-installation audits will facilitate comparisons of the various NASA systems and enable the OIG to identify potential cost savings or improvements through standardization, exchange of information between NASA centers, or other means. This approach

will also optimize the use of OIG audit resources by avoiding duplication of effort by auditors at different centers. (Sharon Connelly, 755-3555.)

Also, the NATIONAL AERONAUTICS AND SPACE ADMINISTRATION established an audit review function in the Office of the Assistant Inspector General for Auditing. Draft audit reports prepared in the field are now reviewed at headquarters prior to submission to the audited organization for official comments. The purpose of the review is to ensure that reports are well-written, the existing condition is clearly stated with appropriate objectivity and perspective, the findings are well-developed, and the auditor's recommendations are sound. This independent, objective review process will help to ensure a high-quality audit program. Other major advantages of the review function are that it provides (a) a tool for OIG Directors of Field Offices to use in evaluating auditors, (b) a tool for the Assistant Inspector General for Audit to use in evaluating OIG Directors of Field Offices, (c) constructive feedback to auditors on the quality of their work and (d) a uniform OIG approach throughout NASA. (Sharon Connelly, 755-3555.)

The DEFENSE CONTRACT AUDIT AGENCY (DCAA) developed a new computer system to help maintain a comprehensive topical index of contract audit guidance and reference material. Using a modified keyword-in-context approach, the system automatically retrieves information through alphabetical indexes from the paragraph captions or document subjects input by the user. The system should be useful to other agencies for indexing moderate-sized manuals and document collections that do not warrant the cost of more sophisticated bibliographic data base systems. (Barbara Irvin, 274-7314.)

The Office of the Inspector General at the DEPARTMENT OF ENERGY is using "Flash Reports" to alert management on time-critical information that must be acted upon immediately. Since time is of the essence, these "flash reports" are issued when the office is reasonably confident of their findings and recommends a course of action for prompt attention by program managers at the Department. The "Flash Report" is easily identified by the bright yellow cover with a striking black lightning bolt in the center with the words "IG Flash Report." The report format includes the introduction, background, results of audit, recommendation and request for manager's comments. Program managers, after reviewing the report, must specify to the Inspector General whether or not they agree or disagree with the findings and of any actions they plan to take. (Gordon Harvey, 252-1943.)

C. BUDGETING

Examples of agency efforts to improve budgeting showed that various steps of the budget process have been automated to improve the quality and timeliness of budget figures.

1. Budget Improvements Accomplished

In order to increase the accuracy and timeliness of budget formulation and execution processes, Treasury's BUREAU OF ALCOHOL, TOBACCO AND FIREARMS has automated its budget formulation system which was completed in January 1983. The system allows the agency to project (a) personnel strength at the end of year, (b) related full-time equivalent expenditures (c) salary and benefit costs by pay period and (d) associated costs for other objects of expenditure. All of these data are computed and displayed by major object class, organizational component, major activity, program and project. An automated budget execution system is also being developed to produce quarterly financial operating plans for each of the Bureau's major organizational components, providing the four sets of data as above. These financial projections will also serve as the basis for developing quarterly funding allocations for each of the Bureau's organizational components. The automated budget execution system is targeted for completion in September 1983. The automation of the budget process will provide program officials with a more sophisticated means of aligning their work plans and resource requirements for the budget year or for the quarters. (Richard M. Irving, 566-7720.)

The FEDERAL EMERGENCY MANAGEMENT AGENCY has developed a data base system to accommodate the budget, acquisition management, and accounting systems. These systems are integrated into one financial information system which will enable both the national and regional staffs to monitor and keep track of financial documents from budget execution through the acquisition process to the accounting entries. A reconciliation capability will be built into the integrated budget, acquisition, and accounting systems to ensure the accuracy of financial information. (John Hoban, 287-0618.)

The IMMIGRATION AND NATURALIZATION SERVICE in the Justice Department is currently automating its statistical workload reporting system. This new system will be able to quickly and accurately identify by location and decision unit those activities which operate most or least effectively. By combining these data with existing data being generated by the automated financial and position management systems, the Service will be able to study the effectiveness of its existing resource distribution. Initial budget and reprogramming requests will be better justified. Most importantly, the budget execution process will be enhanced by their improved ability to distribute authorized force and financial resources in accordance with need, actual output, and projected workload input. The Service has also begun the automation of historical data and is currently studying various ways of arraying and displaying the data to maximize its usefulness. (Linda Liner, 633-5134.)

The U.S. AIR FORCE Obligation and Outlay Tracking System is being developed for use by field activities. The system provides

automated tools for developing obligation and outlay plans for submission to higher authorities and automated tracking of program execution against the plans. It will also replace the current manual system in May 1983. This system reduces workload involved with planning development, improves the quality of data received by higher authorities as automated edits will be installed at all field locations, reduces submission time by changing mode of transmission from mail to electronic and automates tracking of execution data. (Elmer Sams, (303) 370-4871.)

The FEDERAL HOME LOAN BANK BOARD is developing a new accounting system which will completely change the current Budget Variance Report. The current report accumulates actual expenses by entity during the fiscal year. The new system, when implemented on October 1, 1983, will accept and report both cost budgets and funds control (obligation) budgets. Budget division staff members will input funds control budgets on an annual or quarterly basis depending on specific limitations received from the Congress and OMB. The Procurement Branch will enter the obligations based on purchase orders, contracts or other source documents. Overall control will be placed at the entity level within the Federal Home Loan Bank Board with specific controls placed on selected object and subobject codes within entities. This will ensure that obligation transactions do not exceed limitation amounts in the funds control budget. The system's on-line inquiry capabilities will provide, as needed, obligating document information and document balances or unliquidated obligations. (James Deemer, 377-6140.)

The NATIONAL SECURITY AGENCY is using a small computer and a software which contains an electronic spreadsheet to calculate civilian pay budget including the hiring program, attrition, promotions, and within-grade increases. The computer further provides a breakdown of the total Agency's civilian pay budget into various appropriations and program elements in line detail. Cost savings are expected in the use of computers rather than manual processes. The most significant improvement is in the rapid adjustment of estimates to accomodate changing conditions and assumptions. (Oliver Haslup, Jr., (301) 688-6926.)

In the budget formulation process, the NUCLEAR REGULATORY COMMISSION budget is initiated in approximately 12 different geographical locations throughout the United States. The Commission has procured word-processing equipment to transmit budget data from one station to another using telecommunication lines. This improvement will greatly speed up the process of centralizing the collection of budget data and for the processing of the data in one place. (Lester J. Schaub, 492-7185.)

Other agencies using small computers to improve their budget process include the FEDERAL TRADE COMMISSION and the VETERANS ADMINISTRATION.

The URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA), Department of Transportation, has instituted an internal cost center management system for the control of administrative expenses. In the past, UMTA managed its administrative expenses by using a single centralized account. Under the newly adopted system, UMTA is divided into 22 separate cost centers. The 21 decentralized cost centers are given their individual budgets to meet their anticipated need for personnel compensation and benefits, travel, printing, employee training, and supplies and materials. The other cost center, located centrally, is given the budget for the remaining administrative expense object classes such as space, telephone and mail. The budgets are issued quarterly through the use of "operating budget notification" forms which are updated as needed during the quarter. The cost centers are responsible for identifying their administrative expenses needs and for managing and reporting on the use of funds allotted to them. Through the cost center management approach, UMTA intends to keep its management officials more aware of the costs of operating the agency and directly responsible for the control and efficient use of administrative expenses funds. (Robert Holibaugh, 426-4869.)

The JOHNSON SPACE CENTER of the National Aeronautics and Space Administration instituted a computerized budget planning and tracking system for the \$1.8 billion budget structure consisting of 2,000 budget line items. This system provides for a structured data base used in communicating budget activity. It allows each organization to submit its requirements into one master data base. This data base is then used to review and develop a total integrated budget for submission to Headquarters. This data base is also used to collect actual performance data on a monthly basis which are used to determine the cause of any variance between planned and actual performance. This system has one master planning and performance data base which allows NASA to accurately and quickly pull together an extremely complex financial structure. It allows management the capability to review data in many different matrixes. (K. L. Schnell, FTS 525-2065.)

The U.S. COAST GUARD implemented a District Budget System that simplifies its budget process by extending the headquarters automated budget system to the district offices. This system provides a less time-consuming method of converting program oriented budget requests to facility oriented unit operating budgets. Previously, operating managers completed manual spread sheets that had been sent back and forth among district offices, headquarters and the Congress. Operational managers now have a budgetary format that is easier to understand and use and are able to transmit budget information to the Coast Guard headquarters electronically. They can fine tune their budgets and more easily measure performance against the plan. Calculations that used to take many days to perform by hand are now accomplished by the system in minutes. (Lt. Gregory D. Ahlstrom, 755-9007.)

The Department of Justice's BUREAU OF PRISONS expanded the capabilities of its Financial Management Information System to provide more complete and up-to-date information pertaining to position management, inmate staff days and cost statements. The system is an on-line computer system designed to aid the Financial Management staff in budget development, execution and review. It also allows for comparisons between the amount of funds allotted and the amount of obligations incurred. The system tracks, for each institution, information by appropriation, decision unit, cost center and object code. In addition, this system is used as an aid in the Bureau's position management program. Authorized positions are entered into the system, and each authorized movement is then tracked within the system. (James B. Jones, 724-3034.)

D. CASH MANAGEMENT

Agency improvement reports showed continued and expanded use of automated systems such as the Electronic Funds Transfer and Treasury Financial Communications Systems. Many agencies have taken steps to automate their payment and collection systems to comply with the Prompt Payment and Debt Collection Acts. Also, increased emphasis has been placed on reducing imprest fund balances and travel advances. Samples of agency improvements are presented in the following paragraphs.

1. Cash Management Improvements Accomplished

The RURAL ELECTRIFICATION ADMINISTRATION, Department of Agriculture, changed the billing cycle for Rural Electrification and Telephone Bank Loans from a quarterly cycle to a monthly cycle. This change equalized the workload throughout the year and expedited the flow of funds to Treasury. The change affected borrowers that received approval of new loan contracts after August 30, 1982. Loans, that were outstanding at that date, will continue to be billed on a quarterly basis for the remainder of their stated term, unless a borrower voluntarily agrees to a monthly billing cycle. The additional interest savings to Treasury over the next three fiscal years is projected to be about \$6.2 million (Larry Wilson, 447-7557).

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT began utilizing a commercial lockbox for collection of all Federal Housing Administration (FHA) premium remittances. FHA premiums were previously handled centrally by HUD's Office of Finance and Accounting. These premiums were due on the anniversary date of the mortgage. Section 530 of a recent revision of the National Housing Act required that mortgagees remit single-family premiums as they are received rather than on the anniversary date. It was determined that the large number of these remittances, projected to average 15,000 per month, would be an excellent utilization of lockbox technology. HUD began utilizing the lockbox services of a commercial bank located in Atlanta, Georgia. A one-time savings

of over \$1 million was achieved as a result of receiving the first lump sum premium collections under Section 530. At this time, Treasury realizes an annual interest savings of \$928,000 with the lockbox. (Paul McDowell, 755-5139.)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES began the implementation of the delay-of-drawdown, letter-of-credit procedure for financing the Aid to Families with Dependent Children and Medicaid Programs in fiscal year 1980. The delay of drawdown technique is a procedure whereby the drawdown on the letter of credit is delayed by the State governments until the checks or warrants are expected to clear the bank. The procedure will be operational in 29 States as of March 18, 1983. Use of the delay-of-drawdown procedure has been effective in deferring over \$400 million in outlays and reducing Treasury's borrowing costs by over \$50 million. (David A. Quinn, 755-5985.)

The FOOD AND NUTRITION SERVICE, Department of Agriculture, started using the Letter-of-Credit-Treasury Financial Communications System in 1978. Currently, 95 percent of its Federal assistance programs are funded through that system. With this system, requests for funds by State agencies are processed within 24 hours after the request is received by Treasury. In August 1982, the Food and Nutrition Service improved the system's operation by implementing the Letter-of-Credit Message Retrieval and Authorization Subsystem. This system establishes a reliable, secure and efficient method for Federal program agencies to monitor fund requests and authorize payments by using dedicated, on-line, video terminals and low-speed printers located in their offices. This system also allows the Food and Nutrition Service to be notified of the request by Treasury with sufficient time for the Service to evaluate the request using the latest fiscal data for the State agency. Also, the system eliminates the need to enter payment information from a hard-copy document and the need to telefax copies of requests to regional offices for manual review. It also provides the capability to update accounting files on a daily basis. (Larry Wilson, 447-7557.)

The DEPARTMENT OF EDUCATION issued contracts with two private firms for collection of defaulted loan programs. The contracts span over a three-year period in which at least 900,000 accounts with a face value of \$1.03 billion will be handled. In fiscal year 1982, the contractors collected \$14.3 million. It is projected that \$20 million will be collected in fiscal year 1983. (Tom Stack, 472-6032.)

The DEPARTMENT OF JUSTICE established an Invoice Management Unit and implemented an automated support system to monitor invoice from receipt to payment in order to meet the requirements of the Prompt Payment Act. This system automates the process of determining the optimum payment date for paying each invoice and also enables the agency to control documents. The system retains

the data required to certify payment schedules in accordance with cash management practices and, therefore, permits Justice to file the audited vouchers after certification.

The Invoice Management Unit has the responsibility of reviewing invoices for acceptance into the on-line interactive system or rejection for not being a proper invoice. If the invoice is accepted for entry, it is coded for certain information such as payee; invoice number, date, and amount; purchase order number; discount terms; and prompt payment start date. After this information is keyed into the automated system, a tracking control number is automatically assigned to each invoice. The system projects the pay date; determines whether or not it is economical to take the vendors discount; computes the amount of the interest penalty if the payment is late; projects the date that agencies should notify the vendor of an improper invoice; and prints advisory information on an invoice management form. This control form, with invoice attached, is forwarded to the voucher examiner for audit. If any additional information is needed such as receiving report or procurement authorization, the examiner has the advisory pay date to guide him or her as to the date the invoice must be paid.

The system also allows the voucher examiner to override the payment date, amount and interest when examination of a voucher indicates any change is required. Once all information is obtained, the voucher examiner keys the payment into the automated payment system. The vouchers entered that day are scheduled by payment date and filed. The payment data are held in the system until the proper payment date is reached at which time it is scheduled for payment. Each day the system also provides management with an aging report of unpaid bills and a report of possible duplicate payments. This process is expected to save approximately \$80,000, annually, by eliminating premature payments, reducing the possibility of duplicate payments and provide better control over invoices to prevent late payments. (Gerald C. Quinlan, 633-5538.)

The FEDERAL EMERGENCY MANAGEMENT AGENCY and the NATIONAL AERONAUTICS AND SPACE ADMINISTRATION have also developed automated systems for prompt payment.

2. Cash Management Improvements Underway

The DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) is currently developing a new system, the Payment Management System (PMS), to replace its existing centralized grants payment system. The new system will function as a general purpose Federal assistance financing system in the role of fiscal agent for the Department's grant awarding components and the recipient community. Some of the features of the new system are interactive cash management; a networking system with HHS Operating Divisions to provide current and accurate information; a networking system

with Treasury to effect payment on a real-time basis; improved communications with recipients such as revised reports, data base query, and telecommunication; and improved working productivity of the staff. The system will be implemented in calendar year 1984. It is estimated that interest savings will amount to \$8.2 million, annually. (William D. Yancey, 443-1660.)

The HEALTH CARE FINANCING ADMINISTRATION, Department of Health and Human Services, is developing a Payment Subsystem that is designed as a self-contained, add-on module to the interactive accounting system. The payment subsystem will perform the following functions: record, track and identify status of vendor invoices; record disbursements; verify disbursement data; prepare payment tapes for Treasury; record check numbers for vendor payments; assist cash reconciliation; implement cash management and prompt payment requirements; and assist in preparation of "Statement of Transactions," SF-224. The payment subsystem will provide the capability of controlling vendor invoices from receipt to payment, establishing due dates for vendor payments, determining the status of a vendor invoice in the payment process and automatically profiling efforts relative to Prompt Payment Act requirements. The projected implementation date of the Payment Subsystem is September 30, 1983. (John Moeller, 934-9547.)

The BUREAU OF LAND MANAGEMENT, Department of the Interior, is developing and implementing the first Department-wide contract with a debt collection agency. The contract is being administered by the Bureau of Land Management and will be undertaken as a cooperative effort of all 10 participating bureaus and offices in the Department of Interior. It is anticipated that approximately 900 to 1,000 case files, representing about \$.5 million in delinquent debt, will be initially referred to a contractor for collection. The effort should be fully operational by mid-July 1983 and will run for 2 years. As new delinquent debts arise, they will be phased-in to the collection effort. An additional \$5.7 million is anticipated to be refunded after the phase-in period is completed. (Edward Greenberg, 343-6743.)

The DEPARTMENT OF AGRICULTURE (USDA) is implementing a policy to report debts written off as uncollectable or otherwise forgiven to the Internal Revenue Service (IRS). The Internal Revenue Code requires that taxpayers include in their gross income, any discharge of indebtedness. Implementation of this policy could be advantageous to both IRS and USDA, because it could prompt delinquent debtors to pay their debts to USDA or could result in partial recovery of written-off amounts through increased tax revenues to IRS. USDA and IRS are in the process of determining the type of write-offs to report and the relevant reporting requirements. Implementation is planned for July 1, 1983. (Larry Wilson, 447-7557.)

The ENVIRONMENTAL PROTECTION AGENCY is initiating a project to implement an effective system to track receivables from the

date of establishment to the date of collection or final disposition. The goal is to standardize the collection policies, establish commitments by the Financial Management Officers for reducing their delinquent receivables, and then monitor for assuring that the goals are met. This project will be completed July 1983 and should reduce the number of accounts receivable over 90 days old by 15 percent. (Robert Dodson, 382-5133.)

The U.S. CUSTOMS SERVICE, Department of the Treasury, is in the process of establishing a lockbox procedure for collection of billings which will allow payments to be sent directly to the bank. The monies received by the bank will then be immediately available for use by the Department of the Treasury. Initially, the bank will forward the documents attached to each check to the appropriate Customs office for processing. Programs are being developed and tested which will allow the bank's staff to record the necessary data related to the documents attached to each check and then transmit the data electronically to the Customs' computer. The procedure will eliminate significant Customs' clerical workload and allow monies to be deposited more timely. Implementation is scheduled for June 30, 1983. The estimated annual savings is \$180,000. (Chris Sturm, 566-2596.)

The FARMERS HOME ADMINISTRATION (FmHA), Department of Agriculture, has awarded a contract to a private firm to design and implement an electronic funds transfer system for the collection and disbursement of loan funds. The project is known as the Funds Receipt and Disbursement System. Initial concentration has been on the disbursement side, and a disbursement system is currently being tested in 12 counties in Florida. The new system allows the disbursement information to be processed through the Department of the Treasury's electronic funds transfer network and uses local financial institutions to present payment to the individual borrower. FmHA expects to expand its test to the entire State of Florida by the end of April 1983 and implement the system nationwide as appropriate. (Larry Wilson, 447-7557.)

The FEDERAL HOME LOAN BANK BOARD is planning to use a major credit card for all traveling employees in lieu of providing travel advances. The credit card would provide the traveler with limited cash advances, check cashing privileges at hotels and airline terminals, and other travel expenditures. The credit card will be issued directly to the traveler who will be responsible for paying off the charges. The system is being established so that, by the time the bill becomes due, the traveler will have received reimbursement from the agency. A 30 day billing cycle is being established with another 30 day grace period before interest will accrue. This procedure would significantly improve the agency's cash position and reduce the administrative and accounting activities related to issuing and repaying travel advances. The expected implementation date is September 1983. (James Deemer, 377-6140.)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES is developing a Travel Advance Management (TAM) System in Region IV to provide the Regional Finance Office with (a) more timely reporting of individual and summary travel advance data, (b) automatic generation of 60 to 90 day warning letters to delinquent employees, (c) individual transaction history reports on request and (d) the ability to monitor the progress of travel document processing through the Regional Finance Office. The TAM System has been designed to operate as a subsystem of the on-line Regional Accounting System (RAS) Data Entry System implemented approximately 1 year ago. Travel advance data are already provided to the National RAS through on-line RAS data entry. This scheme will eliminate problems arising from duplicate data entry. The target implementation date for this undertaking is July 1, 1983. Projected interest savings is \$52,000 per year. (Charles Moore, 242-2405.)

E. PAYROLL AND PERSONNEL SYSTEMS

Agency efforts in payroll and personnel systems showed increased use of the Direct Deposit/Electronic Funds Transfer System for payroll and allotment disbursements. Also, enhancements were made to payroll systems to provide managers with greater access to financial data, to improve data entry of time and attendance records and to implement the "state-of-the-art" techniques. Sample improvements are provided below.

1. Payroll and Personnel Improvements Accomplished

During 1982 the DEPARTMENT OF THE INTERIOR initiated a comprehensive study to determine if the Department should have a single payroll and personnel system or if it should continue to operate two systems. The study evaluated the Departmental Integrated Personnel Services System (DIPS) and the Denver Payroll/Personnel System (PAY/PERS). The study team, consisting of representatives from bureaus and both systems operations, quickly found that direct comparisons between the payroll systems were inappropriate, because each system does different things in different ways. Thus, they decided to construct a model system, to measure both existing systems against the model and to estimate the cost of having each system meet the model requirements. The group also measured user satisfaction and delineated the ADP considerations involved in the decisions. As a result of this study, departmental management decided to convert to one PAY/PERS System at one location (Denver) over the next two years. It is estimated that this decision will result in savings of \$2 million per year after complete installation now scheduled for the end of 1984. Major advantages and benefits anticipated from operating a single departmentwide system include reduced staffing, consistency in classification and reporting of data, simplified payroll and personnel system training, consistent interpretation of laws and

regulations, improved responsiveness to internal and external data calls, improved user satisfaction and strengthened internal controls. (James T. Carter, 343-8425.)

The DEPARTMENT OF THE AIR FORCE printed the Treasury Department Form W-2, "Wage and Tax Statement," for calendar year 1982 for active duty military personnel, Air Force Reserve and Air National Guard using a laser printer. Treasury Department Form W-2P, Statement for Recipients of Periodic Annuities, Pensions, Retired Pay, or IRA Payments, were also prepared using the laser printer. The laser printer concurrently prints the form and personalized taxpayer information on a blank sheet of paper. Laser printing of the forms assured that all copies were legible and in good alignment. The procedure was implemented in December 1982 and saves the department about \$40,000, annually. (Dennis Hendrickson, (303) 370-7145.)

The FEDERAL AVIATION ADMINISTRATION, Department of Transportation, continued to enhance its Uniform Payroll System which was implemented during fiscal year 1981 and expanded to encompass all employees of the Department of Transportation, except a small number of unique payroll operations. Some of the improvements made to the system include the following:

- An automated process was implemented which uses social security numbers for cross checking records to preclude duplicate payments to employees, especially those transferring within the Department. Also, to assure continuation of pay and accurate leave balances for transferring employees, a process was implemented which automatically transfers the Employees Master Record between payroll jurisdictions.
- A system change was made to accommodate military leave on a fiscal-year basis and provide a balance carryover.
- During fiscal year 1982, an Operations Manual and a correspondence study course for time and attendance reports and records were published. The study course requires the active participation of the supervisor in administering the training. (John Brown, 426-8141.)

The OFFICE OF PERSONNEL MANAGEMENT incorporated a furlough tracking mechanism in their payroll system to ensure that all employees took their required share of furlough time without pay and to track the level of savings the agency had to acquire to meet its budget ceilings. The tracking mechanism is based on current time and attendance reporting. The employee's normal tour of duty was figured from several elements that exist in the Master Employee Record. Hours in pay status plus the hours the employee was otherwise away from duty (leave without pay, absent without leave, etc.) were compared to the former amount to derive furlough

hours. Therefore, no new coding or reporting was required to track furlough hours taken. A file was established to capture the computed furlough and leave without pay hours and to assign cost values to those hours. Finally, the file was processed against personnel records to ensure that the employees who did not take the required time without pay were identified. (Steven Anderson, 254-7316.)

The OFFICE OF PERSONNEL MANAGEMENT has also developed a new payroll record format for individuals who have left the agency but for whom official documentation has not been processed to close their payroll records. As a result of confirming through missing Time and Attendance cards that an employee has departed the agency, a one-digit status code prepares the individual's records for lump sum payments or severance pay, zeroes all deductions and blocks regular payroll input. It also generates a memorandum to the personnel office to alert them to the employee's status. This change has reduced coding and keypunching. It has also reduced the possibility of regular payments being made to an employee who has separated from the agency. (Steven Anderson, 254-7316.)

2. Payroll and Personnel Improvements Underway

The DEPARTMENT OF STATE has contracted for the design and implementation of a Consolidated American Payroll Processing System which will be based in Washington, DC. Currently, the Department is responsible for paying over 16,000 State Department and 2,500 other agency American employees who are assigned worldwide. Payroll processing is performed by payroll offices located in Washington, Paris, Mexico City, and Bangkok. Three separate payroll systems are used. Only the Washington activity uses an integrated personnel and payroll master file. The primary objective of the new system is to improve the overall operating efficiency of the payroll operations. A consolidated system will provide the following benefits:

- One payroll system will be used for all American employees rather than three different systems;
- All payroll operations will be brought into a GAO approved system;
- Systems maintenance will be simplified and uniform, eliminating multiple interpretations of policy changes;
- A current data base will eliminate the need to transmit and re-enter payroll data between payroll offices when employees transfer; and
- Use of Electronic Funds Transfer (EFT) will improve cash management and simplify the check distribution process.

In December 1983, the State Department will begin phasing in the overseas centers and complete the project in June 1984. (Elizabeth A. Gibbons, 235-9342.)

The DEPARTMENT OF THE TREASURY has developed preliminary requirements for a departmental integrated payroll and personnel system that will replace the Treasury Personnel and Payroll Information System (TPPIS). The new system, called Treasury Uniform Management System (TUMS), is expected to have the following features:

- Advanced integrated data base management system techniques,
- Interactive remote data entry,
- Remote print capability,
- Interactive inquiry capability,
- Fractional leave hour processing,
- Advance labor cost distribution reporting,
- Ad hoc report capability,
- Accident report tracking,
- Computer generated performance appraisal forms,
- Future action file processing,
- A separate quality control subsystem for audit,
- Vacancy information processing, and
- Budget and accounting support data. (Ronald W. Pfeifle, 566-4720.)

The U.S. COAST GUARD, Department of Transportation, is automating its military payroll system by adopting the Joint Uniform Military Pay System (JUMPS). The system currently pays 38,000 military personnel manually from 20 locations in the United States and overseas. The new automated system will operate from the Coast Guard Military Pay Center in Topeka, Kansas. The system is designed to improve payments process and personnel accounting information management. Testing of JUMPS began in January 1983 with the parallel processing of about 170 pay records. Upon successful testing, 3,500 additional records will be added to the parallel processing test over a six-month period. In January 1984, JUMPS will become operational and assume full responsibility for paying the test group. All remaining records will be transferred to the Pay Center with total conversion completed by October 1984. (Capt. William M. Devlin, 426-5054.)

The AIR FORCE ACCOUNTING AND FINANCE CENTER, Department of the Air Force, is upgrading the Retired Annuitant Pay System for military personnel. The project will be implemented over a four-year period. The first phase, which includes the automation of settling retiree accounts and the establishment, maintenance and termination of surviving annuitants' records, is scheduled for implementation in September 1984. The further mechanization of the system for the establishment and maintenance of retiree accounts is scheduled for completion in April 1986. The new system will provide retirees and annuitants with better and more timely service due to the expanded capabilities of the upgraded system. Accounting and other management information will be more accurate. The Finance Center will also be more readily accessible to the Air Force and Office of the Secretary of Defense through hookups in the Pentagon. Net cost avoidance, which will be realized through increased productivity, is estimated at \$4 million over the first five years of the system's life. (Frank Whittier, (303) 370-7277.)

The OFFICE OF PERSONNEL MANAGEMENT will interface its stand alone payroll system with the accounting system. The system will generate accounting transactions for allotments that are reimbursements to appropriations or for other Government indebtedness. It will also account for monies that the agency is required to collect by law from employees' pay and for agency documents needed to administer the indebtedness for both the agency and the employee. It is anticipated that this change will save two staff positions at an annual savings of \$26,000. The office plans to implement this change by January 1984. (Steven Anderson, 254-7316.)

The FEDERAL HOME LOAN BANK BOARD has begun to decentralize the function of entering time and attendance data into the automated payroll system. During fiscal year 1982, four district offices began to enter the data by use of terminals located at the field offices. The target date for the other eight district offices to assume the same process is May 1, 1983. The entry of time and attendance records from the field allows the information to be recorded in a more timely manner and substantially reduces errors. Since the time and attendance records are the basis for issuing employee paychecks, the result has been less cancellations and the issuance of fewer supplemental time and attendance reports. This change has freed the payroll clerks from that function enabling them to spend more time on other required duties. Also one position has been reduced, and one additional position may be eliminated or utilized in payroll reconciliations or other areas requiring a greater degree of attention. (James Deemer, 377-6140.)

F. PRODUCTIVITY

Agencies reported that progress was made in productivity improvements in finance and accounting. Techniques to increase

productivity using statistical sampling procedures, performance measurement systems and other processes were undertaken. Some examples of the significant improvements are highlighted in the following paragraphs.

1. Productivity Improvement Accomplished

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) has developed a unique and manageable system for evaluating employees' productivity and accuracy of their work in its Payroll Office. HUD's system for evaluating the performance relies on two work measurement reports -- the Daily Progress Report and the Accuracy Report. The Daily Progress Report was developed to aid HUD in evaluating employee performance through measurement of each employee's daily activities. A two-month study was performed to determine the most common activities performed by each payroll clerk and the amount of time spent performing such activities. Upon completion of the study, the measurement program was explained to the payroll clerks and implemented. Each clerk maintains a Daily Progress Report that lists 22 activities, the number of items in each activity not completed the prior day, the number of items in each activity received that day, the number of items processed during the day, and the time spent by the clerk performing each activity. These data are summarized weekly and then measured against the goals set from the two-month study. Each employee then receives an efficiency percentage rating for the week. Each employee's percentage rating is compared weekly against prior weekly ratings to determine patterns of efficiency. The report showed an increase in productivity of 40 percent in the first six months.

The other report is the Accuracy Report. Each document prepared by a payroll clerk is reviewed for accuracy. The report was established to give feedback to the payroll staff and management as to who was making mistakes, what kind of mistakes were being made, and what were the individual and office-wide accuracy rate. When the report was first established, the Payroll Office had an accuracy rate of 85 percent. Since the inception of the report in April 1981, the accuracy rate has risen to 96 percent. In addition to improving productivity and accuracy of the work, the two reports have been used as the basis for performance appraisals, awards, disciplinary actions and training within the Payroll group. (Shirley Evans, 755-6310.)

The U.S. AIR FORCE has developed and implemented micro-computer applications to automate manual computations for Social Security offset, Survivor Benefit Plan cost adjustments, and Dependency and Indemnity Compensation cost refunds. Cost avoidance of approximately \$200,000 per year has been estimated. This has resulted in sizeable workload reduction, increased accuracy, and improved service to retirees and annuitants. (Lawrence Conrad, (303) 370-4122.)

Treasury's U.S. CUSTOMS SERVICE also developed and implemented a statistical sampling procedure for processing travel vouchers. The estimated cost savings using this procedure to process vouchers is \$163,000. This procedure has reduced backlogs and reduced overtime necessary for vouchers to be processed, and travelers are better satisfied due to receiving reimbursements more timely. (Edward J. Matthews, 566-2494.)

The U.S. GEOLOGICAL SURVEY within the Interior Department developed an automated system of statistical sampling, which was implemented in 1982 for travel voucher payments. This system is based on existing GAO guidelines for the use of statistical sampling procedures by Federal agencies. The procedure resulted in a savings of 25 percent in the workforce assigned to the audit of travel vouchers, or approximately \$16,392. (Posey B. Howell, 860-6181.)

The FEDERAL HOME LOAN BANK BOARD increased the percentage of invoices paid to vendors within 30 days for the period January through June 1982 to 98.2 percent. The percentage of invoices paid within 30 days for the prior 6 months was 93 percent. During the latter six-month period ended June 30, 1982, discounts earned increased by \$2,413 and errors disclosed by voucher examinations resulted in savings of \$1,472 for a total savings to the agency of \$3,885.

This achievement was made possible by providing guidelines at the start of the calendar year that would allow the participating employees to share in a Productivity Improvement Award if the established goals were reached. Nine employees participated in the invoice paying function, and a total of \$1,800 was awarded on a prorated basis according to the number of weeks the employee processed invoices. The individual awards ranged from a low of \$90 to a high of \$234. These employees had averaged a rate of 98 percent of all invoices being paid within 30 days. The guidelines provided for an award of lesser amount if 96 to 97 percent of invoices were paid within 30 days. Any rate achieved below 96 percent would not have entitled the group to an award. Due to the success of this productivity experiment, the same type of award incentive program will be in effect during fiscal year 1983. The award amount for the category of the 98 percent or better has been increased to \$2,000. Performance will be measured quarterly and the awards paid quarterly. Also, the number of participating employees has been reduced to six. (James Deemer, 377-6140.)

The DEPARTMENT OF LABOR implemented a departmentwide time distribution system to track the time field attorney staff spend on each statute. Unlike the national staff of the Office of the Solicitor who are assigned to more specific programs, the field attorneys generally work on a wide variety of statutes and programs. Since fiscal year 1979, work hours reports have been submitted and manually computed to integrate with the workload reporting system. A productivity index by program was generated

from the data. The implementation of the time distribution system will save approximately 20 percent of a staff year previously spent computing and recording the data. In addition, the system will automatically provide cost data which were previously unavailable. (Nancy Atherholt, 523-6884.)

The LABOR DEPARTMENT also implemented a workload tracking system in its national office. Previously, divisions in the national office reported workload in a variety of ways which made comparison of various workloads extremely difficult. The implementation of the computerized system permits tracking of workload by division and attorney. Although further improvements in the data base are necessary, the cohesive information now available permits analyses and workload forecasts which are invaluable in determining staff and requisite financial needs. (Nancy Atherholt, 523-6884.)

G. SPECIALIZED AND OTHER SYSTEMS

Improvements resulting from other techniques and automated efforts not clearly or directly related to the previous financial management categories are summarized in this section.

1. Specialized and Other Systems Improvements Accomplished

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT's Office of Finance and Accounting and Office of Inspector General together undertook a cooperative effort for establishing a systematic approach to (a) identify selected vulnerable accounting systems, (b) document existing internal controls, and (c) assess their effectiveness in preventing fraud, waste, abuse, and mismanagement. While not the original intent of the project, the review process met the criteria set forth in OMB Circular A-123, Internal Control Systems. The significant advantages of having both offices involved in the project are:

- The areas of most concern to management can be reviewed, since management is involved in the selection of highly vulnerable systems;
- Better insight can be achieved by the Office of the Inspector General into the operation of the Office of Finance and Accounting;
- Records and personnel are more accessible;
- The fear normally associated with an audit is diminished; and
- The recommendations are more readily accepted and implemented.

The project team from the two staffs coordinates with other program offices and works with HUD's data processing office to prepare the necessary documents to implement any recommended changes. (Shirley Evans, 755-6310.)

On October 1, 1982, the OFFICE OF PERSONNEL MANAGEMENT implemented its Full-Time Equivalent -- Work Year System. The system generates a monthly report of full-time equivalents to account for hours expended by the agency each pay period. It provides program management and the Budget Division with a report of hours charged to decision units and functions on an accounting period basis. It also provides analytical and audit reports on hours charged to cost centers for any number of pay or accounting periods as requested by program management. These reports display hours worked by employees within functions or cost centers. The system interfaces with the agency's automated personnel, payroll and work measurement systems. The personnel system identifies the appointment type; the payroll system provides the hours; and the work measurement system directs the hours charged to the appropriate functions and creates the data base for the monthly report. Corrections, which are input in the work measurement system, automatically correct hours identified in the other financial systems. The system also enables managers to request data on the working patterns of permanently assigned employees as well as those detailed in or out of their organization for regular and overtime hours. It also questions personnel costs for billings and allows them to plan reimbursable projects. (Steven Anderson, 254-7316.)

In fiscal year 1982, the ENVIRONMENTAL PROTECTION AGENCY completed a project to improve the travel services provided to agency employees. The project resulted in:

- Maximizing the use of the "Federal City-Pair Discount Fare Program" which is a program where common carriers offer discounts to Federal employees on flights between certain cities;
- The issuance of guides identifying lodging facilities offering reduced rates;
- A sharp reduction in the use of Government Transportation Requests; and
- The issuance of traveler guidelines suggesting procedures for arranging meetings and conferences to ensure the most cost effective use of travel funds. (Joseph Dillon, 382-5097.)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT made modifications to enhance the efficiency and effectiveness of Federal Housing Administration's single-family mortgage insurance programs. HUD operates and maintains 36 automated data processing

systems that support the administration of these programs. This automated programmatic support includes underwriting review and evaluation, monitoring of mortgagee performance, accounting for billings and premiums, consolidated historical data maintenance, management planning and program evaluation. The following highlights some of these initiatives:

- Conversion of the Computerized Housing Underwriting Management System software to a new teleprocessing network was completed and placed into pilot operation in the Greensboro area office. A major effort was placed on optimizing the system throughout. The system is designed to assist and support field staff in processing single-family mortgage insurance applications and in appraising and evaluating mortgage credits.
- The functional requirements for the Delegated Processing System were agreed upon. Delegated processing simulates private sector mortgagee insurance processing in that lender institutions will perform the processing, property appraisals and mortgage credit examinations, while FHA will review the case only after underwriting is accomplished.
- The Critical Path Processing System was implemented in an additional six HUD field offices. This system tracks and supports the HUD process for disposing of single-family properties that are acquired through mortgage default.
- Major enhancements were made to the Mortgagee Performance Monitoring System and the Single-Family Operations Reporting System. These systems provide statistical data to Headquarters, enabling evaluation of mortgagee and field office performance in conducting the single-family mortgage insurance process.
- The procurement and implementation of a system to support the collection of Title I defaulted loans was completed. Implementation of this system, which is targeted during fiscal year 1983, will streamline the effort to collect approximately \$100 million owed to the Department.
- The first phase of a capability to process Federal Housing Administration mortgage insurance premium collections in accordance with Section 530 of the 1980 National Housing Act was implemented. The development effort supporting a revised method of automatically computing interest on single-family claims was completed. (James T. Draper, 755-5461.)

The BUREAU OF PRISONS, Department of Justice, has completed the design and implementation of the personal property and depreciation modules of the Bureau of Prisons' automated Property Management System. Detail systems requirements have been

documented, programmed, implemented, and debugged for the personal property and depreciation modules of the system. The objective of the system is to provide a means of meeting the administrative and legislative requirements for intra-agency property management and reporting. This will be accomplished by establishing and maintaining a current and accurate data base of property information from which operational, audit and management control information can be retrieved. This system will also fulfill the requirements for controlling and reporting the acquisition, movement and disposition of property owned and leased by the Federal Prison Service.

The total property system will encompass both personal and real property and will include several functional areas. These are accountability, depreciation, energy usage, ad hoc requests, motor vehicle reporting and inmate housing unit statistics. The property system is being implemented in several phases. The personal property module was implemented during August 1981, and the depreciation module was implemented during December 1981. (Jimmy Powell, 724-3067.)

The GOVERNMENT PRINTING OFFICE (GPO) is in the process of implementing a new vulnerability assessment plan. This will require the biennial review of each program, activity and function to determine its susceptibility to loss, unauthorized use of resources, error and illegal or unethical conduct. Some critical areas identified after review of 185 vulnerability analysis profile sheets forwarded from various GPO activities included:

- Property management, including shipping and receiving;
- Engineering maintenance work and building renovation projects;
- Contracting;
- Government bills of lading; and
- Inventories of publications for sales.

The GPO will be working to maintain and, where possible, strengthen controls. (William Klugh, 275-2073.)

In 1982, the DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT became the first agency to use the United States Postal Service's Electronic Computer Originated Mail (E-COM) system. They are using E-COM to transmit past due notices for mortgage insurance premium to mortgagees. Under this system, HUD's computer system generates the notices onto a computer tape. This data are then transmitted via telecommunication lines to a post office. E-COM system transmits the data to any of 25 servicing post offices around the country. In two days, the servicing post offices

receive the data, print, stuff and deliver the notices as first-class mail. The cost is \$.26 for a one-page letter and \$.31 for a two-page letter. This service reduces the cost of printing, paper and envelopes, and the staff hours required of HUD employees to handle the letters. (George Farnsworth 755-8100.)

The DEPARTMENT OF THE ARMY implemented the Logistics Applications of Automated Marking and Reading Symbols which is a Department of Defense program to utilize bar-code labels on packages and shipping documentation as a means of entering information into automated logistics systems. This is similar to the way supermarkets are using bar-code labels on commercial products. The use of bar-code labels on packages and shipping documentation will provide significant cost avoidance through a reduction in keypunching and other means of source data automation. (Lt. Col. Cal Hazer, 694-4045.)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES has developed and implemented an automated system for tracking periodicals, pamphlets, and audiovisuals produced with departmental funds. The system records all publication titles, frequency of publication, volume, cost, user fees, planned reductions and reduction in savings. In conjunction, an automated system is maintained to track all requests for publishing by agency, title and projected cost. By periodically comparing requests and costs with the established lists of publications, the Office of the Assistant Secretary for Public Affairs is able to maintain strict control of expenditures on all of its publications. This system also tracks audiovisual expenditures through comparing budget estimates with actual expenditures reported on a quarterly bases. (Sid Schneider, 245-6255.)

2. Specialized and Other Systems Improvements Underway

The DEPARTMENT OF JUSTICE has designed an automated procurement tracking system which identifies the status and assigned individual for each procurement request submitted. Additionally, status information on awards is maintained with particular emphasis on contractually specified delivery dates and expiration dates. The latter information precludes lapses in contract coverage due to the completion of a contract prior to award of its replacement. The automated procurement tracking system was implemented on March 31, 1983.

Also, an automated clause manual system is being implemented which uses shared logic to permit the combining of financial and other data and includes prescribed contractual clauses in order to generate procurement documents. The result is less investment in professional drafting, keying and proofreading, as well as better quality and production control. Use of the system permits generation of procurement documents by selecting the appropriate clauses and making adjustments therein through simple edit

routines. The final product is a procurement document which is tailored to the unique needs of the requisitioner. The automated clause manual system was implemented on May 15, 1983.

Both the automated procurement tracking system and the automated clause manual system use the same hardware and software configuration. The shared logic feature makes available both word processing and data processing capabilities without the need for two separate configurations. Both systems will be used to generate purchase orders. Implementation of purchase orders production procedures was completed in March 1983. (Elizabeth A. Rudd, 633-3217.)

The GENERAL SERVICES ADMINISTRATION received an exemption from the General Accounting Office's prohibition against the use of commercial travel agents in procuring travel and transportation service for Federal employees. GSA is conducting a two-year experiment, with a possible extension, to study the feasibility of using travel agents. The Social Security Administration is participating in the experiment with GSA. (Dave Sutherland, FTS 934-4296.)

KEY OFFICIALS OF JFMIP DURING 1982PRINCIPALS

David A. Stockman (Chairman from 10/82)	Director Office of Management and Budget
Charles A. Bowsher (Chairman 1/82 - 9/82)	Comptroller General of the United States
Donald T. Regan	Secretary of the Treasury
Donald J. Devine	Director Office of Personnel Management

STEERING COMMITTEE

John J. Lordan (Chairman from 10/82)	Chief, Financial Management Branch Office of Management and Budget
Wilbur Campbell (Chairman 1/82 - 9/82)	Acting Director, Accounting and Financial Management Division U. S. General Accounting Office
Gerald Murphy	Deputy Fiscal Assistant Secretary U. S. Department of the Treasury
Michael R. Sanera (1/82 - 10/82)	Assistant Director for Planning and Evaluation
Terry Culler (From 11/82)	Office of Personnel Management
Susumu Uyeda	Executive Director Joint Financial Management Improvement Program

JFMIP STAFF

The day-to-day operations are carried out by the Executive Director and a small staff. The project directors are provided by the principal agencies and serve on the staff for a period of 12 to 18 months.

Executive Director	Susumu Uyeda
Assistant Executive Director	Doris Chew
Senior Project Director	Kenneth Winne
Secretary	Sandra McDonald
Secretary	Phyllis Hill

Staff Members Detailed From Other Agencies

Linda DeBerry (6/82 - Present)	Department of the Treasury
Thomas Fisher (3/80 to 1/82)	General Accounting Office
Joseph Neiberger (11/79 to 10/81)	Office of Personnel Management
James Rothwell (1/82 - Present)	General Accounting Office
Ellen Todres (5/81 - 5/82)	Department of the Treasury

SINGLE AUDIT STEERING COMMITTEE

James B. Thomas, Jr., Chairman	Inspector General Department of Education
Frank S. Sato	Inspector General Veterans Administration
Joseph Welsch	Inspector General Department of Transportation
Thomas W. Hayes	Auditor General (Legislative) Sacramento, California
Edward Renfrow	State Auditor North Carolina
Hugh Dorrian	City Auditor Columbus, Ohio
Daniel Paul	City Auditor Dallas, Texas
John Lordan	JFMIP Representative Chief, Financial Management Branch Office of Management and Budget
Ernest H. Davenport	Committee Staff Director Accounting and Financial Management Division General Accounting Office

JFMIP PUBLICATIONS1976

Money Management Study

1977

Implementing a Productivity Program: Points to Consider, Mar.

1979

Report on Audit of Federally Assisted Programs: A New Emphasis, Feb.

Financial Management Functions in the Federal Government, Aug.

1980

Proceedings of Ninth Financial Management Conference, Apr.

Proceedings of Workshop on Debt Collection, May

JFMIP Annual Report for 1979, May

1981

Financial Handbook for Nonfinancial Executives in the Federal Government, Mar.

Do It Yourself--Compare and Improve Your Payroll System, Apr.

JFMIP Annual Report for 1980, May

Measuring Productivity in Accounting and Finance Offices, Sept.

What is JFMIP?, Sept.

Financial Management Directory, Nov.

JFMIP Quarterly News Bulletins

1982

Do It Yourself--Compare and Improve Your Property System, Mar.

Property Management Evaluation Guide for Federal Agencies, Mar.

Bar Code Technology--A Means to Improve Operational Efficiency and Internal Control, May

Proceedings of the Eleventh Annual Financial Management Conference, Mar.

Using Statistical Sampling to Improve Productivity in Financial Management, Oct.

JFMIP Quarterly News Bulletins

Note: To obtain the above publications, contact JFMIP on 376-5439.

JOINT FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM

666 ELEVENTH STREET, N.W.
SUITE 705
WASHINGTON, D.C. 20001

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

POSTAGE AND FEES PAID
U.S. GENERAL ACCOUNTING OFFICE

