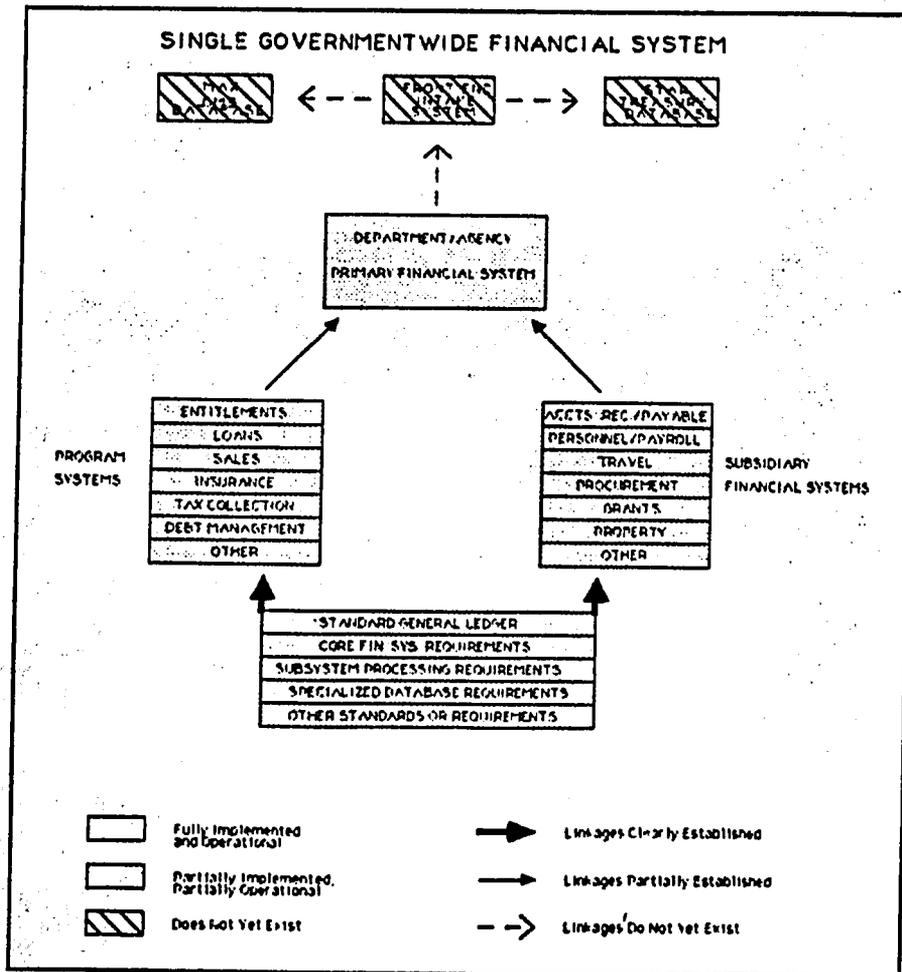


A Financial Systems Information Strategy for the Federal Government 1990

Comment Draft 2/90



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I.

Introduction

Federal decision makers increasingly require timely and accurate information in order to assure the responsible stewardship of the Nation's resources and the effective delivery of program services to the public. The Federal Government has an annual cash flow of over \$2 trillion, makes over 900 million payments annually, and has a workforce of over 5 million. Financial systems of an unequaled scope and complexity are required to manage Federal Government operations.

"But the challenge is formidable — successful adaptation to changing technology through flexibility of systems, organizations, and individuals. The response to this challenge starts with thoughtful selection of new technology managed to greatest advantage during its usable life span. Technically advanced systems, however, are only part of the solution. The potential of technology reaches beyond systems. Flexible business processes must be inextricably joined with systems adaptability. This requires, most importantly, a new way of thinking in Finance: questioning traditional approaches and determining the current value of long-standing business processes. We are just beginning to understand the implications of technological change on our business culture. The criteria for success will change. We must know more and be prepared to adapt when it is clearly in our interests to do so. Change viewed as opportunity rather than as threat is the key."

Those comments on financial management do not come from the public sector, but from the private sector, Digital Equipment Corporation's 1990 Financial Architecture Plan. They could come, however, from anyone disussing the current status of Federal financial management. This strategy document, like that of Digital and other corporations attempting to integrate better financial and performance information, includes plans for improving systems and addresses the need for improved accounting standards, data standards, and other technical standards essential to development of compatible systems and quality financial reports. A plan for the development of audited financial statements for selected agencies and programs is also provided.

Like Digital, the key to the effective implementation of a financial systems architecture is integration. The Federal government is a vaste conglomerate: many of its individual Departments and Agencies are themselves vaste conglomerates. The financial systems and information architecture which this document prescribes focuses on defining the methods of ensuring integration of information where that is essential.

Part of the "new way of thinking" will be to understand that government entities need to be viewed in perhaps a different context than they have in the past with regard to financial systems and information. As managers of financial processes and as practitioners in operating the systems themselves, we need to balance better the need for integration of information necessary to manage the Government as a whole and the need to generate information necessary to improve the specific services offered by the particular agency. We also need to understand that improvement in financial information involves more than systems. This Strategy

will outline basic systems requirements but it will also put those systems and their development processes in a broader context of common standards and information.

Some Agencies are in the grant making business; others are involved in ensuring that the air quality meets national standards; still others are involved in collecting debt or taxes; while others regulate a variety of activities to ensure protection of our citizens. This Federal Financial Systems and Information Strategy will define, for the first time in a comprehensive manner, the framework for Federal financial and program managers of what will be required as agencies continue to improve and build new financial information systems.

This strategy is designed to serve a variety of readers. The government executive, new to Federal financial management, who needs a guide as to what is expected; to the program manager who must now become more involved in financial information; to the financial practitioner who must function in a broader environment; and to the Congress and the American people who need to know their government is managed well. The heart of the strategy will ultimately be the specific agency plans that will translate these broad objectives in reality.

II.

Goals and Objectives

There are several hundred financial systems in government today. They represent a wide range of capability and quality. As a general rule they are older systems developed more than 15 years ago and do not have the capability to meet the current requirements for management information and controls. For example, in the assessment of management control high risk areas recently conducted by the Office of Management and Budget, about one quarter of the high risk areas relate to financial

systems. In addition, the ability to assess program improvements in other high risk areas ultimately will rely on the integration of financial and program performance information. For these purposes too, our financial information capabilities need to be constantly enhanced.

The present systems were developed in an environment lacking in strong central system standards. Consequently systems were developed independently by various bureaus or offices within departments and agencies. This resulted in an almost universal incompatibility of systems throughout government. Minor similarity exists primarily because of the need of these systems to meet common central reporting requirements of the Office of Management and Budget (OMB) and the Treasury Department.

The development of isolated, independent systems not only resulted in the inability to aggregate common information to higher organizational levels but resulted in redundant systems. For example, in 19 there were payroll systems essentially performing the same function. This continued piecemeal development of financial information systems must be brought under a clearly defined and appropriately integrated financial systems architecture.

In order to accomplish the implementation of an integrated architecture, the Federal government needs to define better its goals and define its objectives to achieve those goals. Moreover, to achieve the objectives we need more clearly defined and monitored milestones for each process within each Department and Agency — targeted at the lowest level where such systems are being developed.

We need to focus our attention beyond reducing the number of systems and concentrate on the types of information and systems integration that will meet the broader National needs for central management information (both financial as well as program operations). However, our focus also needs to be on the day to day operational requirements of the Federal programs that the systems will ultimately support. Such an approach requires objectives that include common standards as well as agreed upon information reporting mechanisms. Only in this broader context can a financial information systems strategy be effective.

To continue building towards such a framework, the goals of the Federal financial systems information strategy are:

The Goals

Provide quality information for the effective management, evaluation, control and stewardship of federal resources.

Provide sound information for disclosure of the government's financial operations to the public.

Install systems which are efficient, appropriately integrated, and easy to maintain.

The Objectives

There are three key objectives to meet these goals:

(1) Federal Standards:

The establishment of government-wide accounting, data, and functional standards to ensure

consistency in financial reporting and in data and processing functions will ensure that the data going into the financial systems and being reported out of them will be consistent and comparable. Without standards, particularly for systems and data, the design and implementation of new financial systems will do nothing more than continue the information balkanization that has been the result of much of our systems development to date.

(2) Consistent Structure:

There are three components to this objective:

Installing an **overall system architecture** consisting of a single primary financial system in each major agency linked to the central systems of OMB and Treasury. The overall architecture for the Federal government must reflect its complexity. However, it is fundamental that we continue the design and installation of single primary systems that will ultimately link to the central data base.

Improving quality and efficiency by eliminating redundant systems through cross-servicing and consolidation. We need to consider a more sensible and efficient approach to the subsidiary systems. While our main focus has been on the primary systems, we need to define our objectives and minimize the redundancy in many of the subsystems that are now under development and being planned. Agencies should continue to utilize commercial (off-the-shelf) software or available government software where possible to avoid the time and expense of total custom built systems.

(3) Information:

We need to focus on this as the ultimate purpose of the financial systems information strategy — producing information that is useful to a wide array of interested parties. This entire process is so difficult because Federal agencies and programs have mul-

multiple clients. Too many people still view the purpose of financial systems development as a narrow function — a process to produce financial reports of some type to the Department of the Treasury or the Office of Management and Budget.

As the key objective in this strategy, we need to focus our attention on producing a variety of information products useful to the financial manager; useful to those providing oversight in the Congress and the Executive Branch; and useful for the general public to ascertain the products of their tax dollars. Audited financial statements in appropriate agencies is only one of many information products that we need to produce to improve general financial control and disclosure of financial condition. However, an equally important objective is to ensure that our strategy results in the development of information that combines financial reporting with program outputs so that financial reporting information becomes integral to improving government operations and services.



Financial Systems Information Strategy

The Federal financial management program has focused primarily on financial system upgrades particularly in the major agencies. Although much remains to be done, significant progress has been made in improving agency systems and in the information and functional standards necessary to achieve compatibility of systems. Because of the complexity of the development process, there have been significant failures but there also have been

19

successes. Several agency primary accounting systems are yet to be installed; some that have been installed still have significant problems. Many of the current weaknesses that prevent agencies from complying with the Federal Managers' Financial Integrity Act will not be resolved for years until new systems are designed and implemented.

The process of improvement is not sequential. It is rather, composed of a series of concurrent activities all of which are integrally related. The standard development program is proceeding at the same time as systems are designed and developed. The process will continue to be evolving and very difficult. The pace of improvement, however, needs to be more sustained and certainly faster. But the pace is also sensitive to criticisms. It is very hard to design and implement new financial information systems while at the same time attempting to publish financial statements and auditing those statements. The effort needs to be cooperative. Additional emphasis must be given to accounting standards and financial reporting to put the systems component into a broader context more clearly focused on the product—information. In short, the financial systems information process is as complex as is the government itself.

Improvements in other systems are also required. Upgrades to the central government systems in OMB and Treasury need to be completed. Additional information and technical standards must be developed. Bridges must be built to link the various systems into a network of systems to provide for the timely and accurate exchange of financial information within government. This needs to be done in a general context of changing and evolving agency systems.

The purpose of the upgrades to financial sys-

tems should be to improve the financial information and financial reporting capabilities available to managers. Steps also need to be taken to improve the overall financial reports on general financial condition of selected agencies and programs.

This strategy document includes actions to implement audited financial statements on a phased-in basis. This will require a strong emphasis on developing accounting standards which are essential to the preparation of annual financial statements. Finally, the financial information must become integrated with basic program results information so that managers can better understand and explain their programs. This integration has only just haltingly begun and objectives must be developed to ensure that such integration actually takes place.

• CFO Council: We need to
• focus on these relationships
• and build in appropriate overall
• and agency milestones to be
• submitted and tracked as part
• of the individual financial plans.

The following sections address our program for the development of a more comprehensive strategy involving standards, systems development, and information products.

Objective # 1: Standards

Accounting, information and functional standards provide the mechanism for producing consistently defined information that is readily interpreted, exchanged and aggregated within and between systems. Without adequate standards, the systems we develop ultimately will not foster the kind of improvements we need. Two significant standards initiatives have been completed:

The Standard General Ledger. The general ledger is the heart of a financial system. It is, at its most simplistic, the 100 plus defined "file" drawers into which all government financial transactions can be placed in an organized fashion. These detailed files produce various financial reports for management. The general ledger is the most fundamental internal control within a system.

The SGL is also used to produce high level summary reports which for government include budget execution and fund control reports for OMB and Treasury. The development of the Standard General Ledger by an interagency group now makes possible the eventual electronic linkage of the government's financial systems. This will provide more timely, consistent, and accurate information. The Ledger is also an evolving tool that will need modification as the standards change.

The following chart indicates the status of the Standard General Ledger implementation. While the development of the Standard General Ledger itself is complete, (although modification will continue to be necessary as standards change) currently most agencies have implemented the Ledger only through a crosswalk system. This is in effect an electronic "cuff system" which reclassifies data according to the Standard General Ledger chart of accounts. The ultimate aim, of course, is to have the SGL implemented at the transaction level.

If an agency has the SGL in place it is a measure of whether that agency has implemented a minimal level of budget and accounting data standardization based on OMB's guidance issued in 1986. The SGL provides for standard accounting transaction definitions as well as providing assurance that agencies maintain standard accounts to be used as the basis for external summary reports.

Standard General Ledger (SGL) in Place

AGENCY/ TRANSACTION SUBUNIT	SGL IN PLACE CROSSWALK TRANSACTION		DATE
	LEVEL	LEVEL	PLANNED
USDA	X		1991
COMMERCE			1990
DEFENSE:	X		TO BE DETERMINED
NAVY	X		TO BE DETERMINED
AIRF	X		TO BE DETERMINED
ARMY	X		TO BE DETERMINED
DEFAG	X		
EDUCATION		X	
ENERGY	X		
HHS	X		1990
HUD	X		TO BE DETERMINED
INTERIOR	X		1992
JUSTICE		X	
LABOR	X		1990
STATE	X		1991
DOT		X	
TREASURY		X	
VA	X		1992
EPA		X	
NASA	X		1995

Core Financial Systems Requirements

These requirements establish minimum functional standards for federal government accounting systems. The standards were developed by the Joint Financial Management Improvement Program with assistance of agencies.

These standards prescribe the capabilities systems must have in gathering, editing, controlling, processing, and reporting financial information. They also prescribe minimum capabilities for reporting performance measures and unit costs.

This is a measure of

whether an agency that has a primary financial management (core) system in place has integrated, in some fashion, their subsystems with the core system. Subsystems would include personnel, payroll, accounts receivable, accounts payable, travel, property, purchasing, administrative payments, inventory, grants, etc. These standards

••••• CFO Council: Need to review status, dates, and break the information down to the Bureau or program level wherever the SGL is being applied. The detailed information would then be

CFO Council: Need to provide additional detail and suggestions for more guidance on the purposes and methods of better integrating the core system with the subsystems. The Council should comment on the type of guidance and objectives that could be included here.

have for the first time defined a federal government financial system providing not only a standard to measure system adequacy but also a benchmark for commercial vendors who desire to develop software for sale to the government. Further information on progress in meeting these standards is included in individual agency plans in Appendix . The following table shows the status of the major agencies in integrating their subsystems.

Subsystems Integration with Primary Financial Management System		
AGENCY/ SUB UNIT	SUBSYSTEMS INTEGRATED	SCHED. DATE TO BE INTEG. TO BE DET.
USDA	PARTIAL	
COMMERCE	NO	10/01/93
DEFENSE:	NO	
NAVY	NO	12/31/92
AIRF	NO	12/31/92
ARMY	NO	12/31/92
DEFAG	NO	12/31/92
EDUCATION	YES	
ENERGY	YES	
HHS	NO	9/30/91
HUD	PARTIAL	TO BE DET.
INTERIOR	NO	10/01/92
JUSTICE	PARTIAL	TO BE DET.
LABOR	YES	
STATE	NO	12/31/91
DOT		
TREASURY	YES	
VA	PARTIAL	TO BE DET.
EPA	YES	
NASA	NO	3/31/95

The implementation of the standard general ledger and the CORE requirements are integrally related to the effective design and implementation of the particular agency or bureau primary financial system. The financial systems information plans included in Part V provide in detail the revised schedules, milestones, and financial requirements to fully implement these requirements in future years. The Office of Management and Budget will be responsible for ensuring Agency compliance with these schedules or approving revisions where necessary.

Central Agency Standards. While maintaining current standards is a continuing activity necessary to meet changing conditions, two extraordinary standards initiatives are necessary to guide the systems development

program and financial reporting. These are the Joint Financial Improvement Program data standards project and the development of federal government accounting standards.

Data Standards Project. This project will define the uniform financial data base needed to support existing information requirements of central agencies (primarily OMB and Treasury). This data in combination with the Standard General Ledger is the standard government-wide information requirements necessary to electronically bridge agency systems with central agency systems. Major milestones include:

Data Standards Project Milestones

- o Review of data standards package by Standard General Ledger task force completed. **4/90**
- o Draft data standards package sent to agencies for comment. **5/90**
- o Final data standards package issued **7/90**

This package will provide the information necessary to make final adjustments to the Standard General Ledger and will also be used as a basis to develop central integrated summary data base information required from agencies in lieu of structured financial reports.

Federal Accounting Standards. There is growing consensus that the Federal government needs to have Federal accounting standards. While these issues are not to be dealt with directly in this strategy document, ultimately the accounting standards process will ensure that appropriate guidance is developed on consistent accounting standards.

As an example of the types of issues that could be resolved through a standard setting process resulting in the Office of Management and Budget implementing such standards, the following list are some of the key standards issues that would need to be resolved.

Federal Accounting Standards - Some Possible Issues

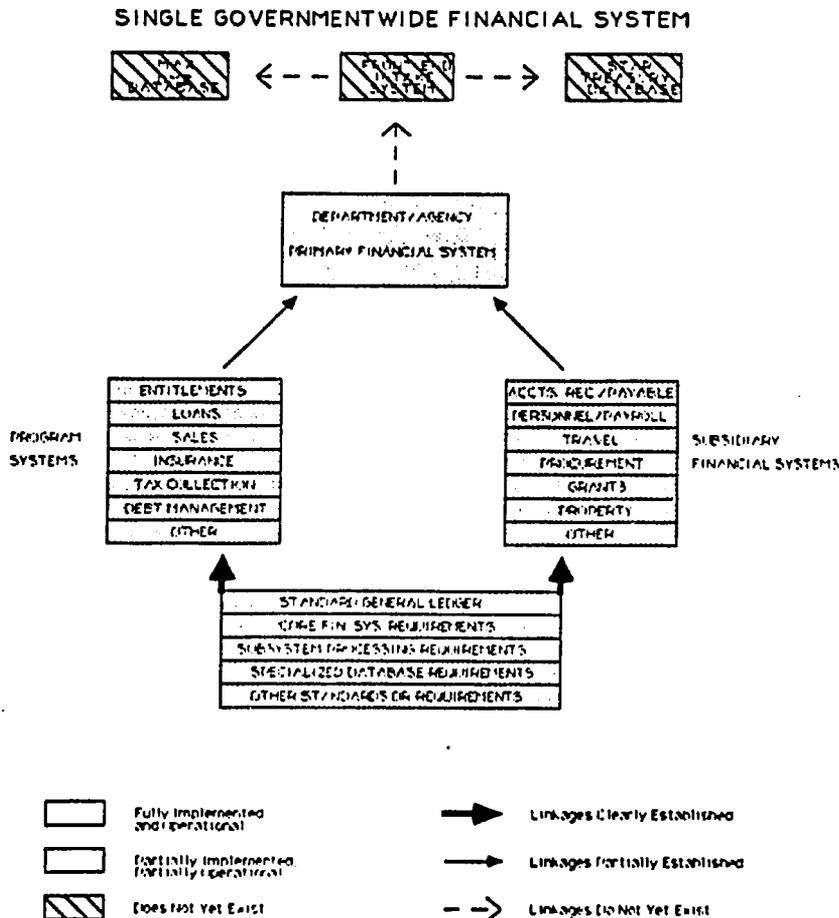
- o **Reporting Entity.** How should financial statements reflect status of bureaus and departments? How should statements reflect status of trust and revolving funds, as well as general fund?
- o **Capital Accounting and Depreciation.** What items should be counted as investments and capital assets? What items should be depreciated?
- o **Treatment of Liabilities and Commitments.** How should commitments under Social Security programs and other programs be reported?
- o **"Future Financing Sources"** (expected tax revenues). Where future commitments exceed resources, should an asset for future tax revenues or appropriates be reported? and;
- o **Compatibility with Budgeting.** How should financial statements reflect performance against budget?

Past difficulties with the acceptance and implementation of accounting standards have been in large measure due to the lack of effective voice for affected parties in the standard setting process. Proposal's are under consideration which would establish a more independent participative approach to setting federal accounting standards. While no schedule has been established, a new process for setting accounting standards is anticipated to be in place within the next year.

Objective #2: A Consistent Structure

System Architecture. The overall system architecture is depicted on the following chart. The fundamental building blocks are the agency primary financial systems. The primary financial system contains the core accounting system that provides the required general ledger control over all financial transactions, resource balances, and

subsidiary financial systems. An objective underlying the single agency primary system is to eliminate incompatible information from agency component organization systems which prevent the effective aggregation of information at an agency level and above.



A primary system while meeting general architectural requirements does not in itself guarantee a quality system. The system must also meet the Core Financial System Requirements and requirements of section 4 of the Federal

CFO Council: In discussing the CORE requirements, what additional detail as guidance would be helpful? Would a further discussion (concerning the linkages be helpful?

Managers Financial Integrity Act (FMFIA). This is a measure of whether an agency that has a primary financial management (core) system in place has integrated, in some fashion, their subsystems with the core system. Subsystems would include personnel, payroll, accounts receivable, accounts payable, travel, property, purchasing, administrative payments, inventory, grants, etc. The following table, repeated from an earlier discussion shows the status of the major agencies in integrating their subsystems.

Because of varying agency system architectures, the subsidiary systems depicted in Exhibit 1 can be either an integral part of the primary system or a discrete system. While not shown in Exhibit 1, subsidiary systems (payroll for example) may be operated by a different agency which provides the related financial information to the serviced agency for updating it's primary financial system (cross-servicing). Where discrete systems exist, standards require electronic linkage to provide prompt, accurate information exchange.

Subsystems Integration with Primary Financial Management System		
AGENCY/ SUB UNIT	SUBSYSTEMS INTEGRATED	SCHED. DATE TO BE INTEG.
USDA	PARTIAL	TO BE DE..
COMMERCE	NO	10/01/93
DEFENSE:	NO	
NAVY	NO	12/31/92
AIRF	NO	12/31/92
ARMY	NO	12/31/92
DEFAG	NO	12/31/92
EDUCATION	YES	
ENERGY	YES	
HHS	NO	9/30/91
HUD	PARTIAL	TO BE DET..
INTERIOR	NO	10/01/92
JUSTICE	PARTIAL	TO BE DET.
LABOR	YES	
STATE	NO	12/31/91
DOT		
TREASURY	YES	
VA	PARTIAL	TO BE DET.
EPA	YES	
NASA	NO	3/31/95

The Treasury STAR and OMB MAX systems shown at the top of Exhibit 1 will be the collectors and users of government-wide financial information. These systems now in the development stage will replace current systems used to account for government-wide receipts and expenditures and for preparation of the President's budget. The new systems will significantly expand capabilities for government-wide financial management, budget formulation, and

budget execution.

These systems, through the standard general ledger and related data standards, will link with the agency primary financial systems to form the government's overall system architecture. They will enable OMB, Treasury, or other agencies, through the Standard General Ledger, to pull out consistent and integrated data. Further information on the status of the STAR and MAX system implementation is shown in Appendix _.

Major system building blocks to be completed include:

- Remaining agency primary accounting systems;
- Replacement of OMB and Treasury central systems;
- Replacement/upgrade of selected major subsidiary systems
- Integration of agency and central financial systems.

Individual primary financial systems must incorporate the Standard General Ledger, meet requirements of Core Financial Systems Requirements and the FMFIA. The primary systems are to be linked electronically to all other subsidiary or program systems that provide financial information necessary for general ledger control and financial reporting. The primary systems are to be further linked electronically with OMB and Treasury systems.

Plans for agency systems improvements along with those of OMB and Treasury are included in Appendix__ . The following chart (Exhibit 2) provides an overview of major systems milestones for the next four years.

Because agencies are at varying stages of upgrading their systems, integration steps with central agencies will proceed in a parallel fashion. For example, linkages of primary accounting systems with the central Treasury system will begin before all agency primary systems are complete. Systems integration steps are described in Appendix ____ .

In addition to primary accounting systems, selected subsidiary and program financial systems are targeted for upgrade. This includes those identified as high risk areas and other large scale systems approaching obsolescence. These systems and upgrade schedules are included in Appendix _.

Eliminating Redundancy. Cross-servicing is an arrangement where one agency provides financial support services to another on a reimbursable basis. Cross-servicing has been a successful strategy for eliminating and consolidating duplicative systems. Cross-servicing has been particularly effective in reducing the number of subsidiary financial systems such as payroll/personnel. For example, nearly 100 payroll systems have been eliminated over the last five years.

Highly successful providers of financial services such as the Department of Agriculture's National Finance Center lend credence to a concept for a network of Finance Centers which would over time absorb financial support operations as agency financial systems become technically obsolete and in need of replacement. This subject is addressed further in the Future Directions section of this document.

Appendix __ includes a detailed description of cross-servicing accomplishments and status.

•••••
• CFO Council: Please
• provide comments on
• additional guidance you
• feel is required on commer-
• cial off-the-shelf systems.
• This could include sugges-
• tions for a centralized
• review process of systems
• already installed. The CFO
• Council should also com-
• ment on revisions that
• would be useful to the
• existing process by which
• Agency activities are
• reviewed, modified, and
• funded. One outcome
• would be to better define
• the criteria around which
• agencies could then build
• their systems with more
• understanding of the
• general government
• requirements and results.
•••••

The use of commercial “off-the-shelf” and existing government software is a strategy to reduce the time and expense of building custom systems which have had a history of overruns or failures. This strategy encourages competitive private sector solutions. The standards provided by the CORE Financial System Requirements have provided a baseline for commercial vendors to target their software development.

Recent installations of large scale commercial software have had mixed success. Still the preferred choice for financial system installations, commercial packages need to mature to optimally meet government requirements. Appendix lists commercial software installations. Individual agency plans provide additional details on individual installations.

Examples of large scale government software use include the use of the FAA financial system as the base for the Department of Transportation primary system and Education’s use of the HHS grants payment system.

A second trend is acquiring financial support services from other agencies in lieu of owning and operating the systems. Modern data base technology is permitting users to control their own information while acquiring the system services as a utility. This has resulted in a high demand for services such as those provided by the USDA National Finance Center. This trend is likely to continue particularly for subsidiary system services such as payroll, vendor payments, and property accounting.

CFO Council: Suggestions
on additional guidance
would be helpful.

Finance Centers. The following approach has been developed to deal with the need for reimbursable financial services and as a strategy for future streamlining of the government's systems structure. Over the long-term investments in financial systems and operations will be focused largely on a limited number of organizations (finance centers) which will provide various finance and financial related services to a larger universe of government organizations. Concentrating systems and operations in a few centers (under 10) will reduce redundancy and duplication which has been prevalent in the past. Collaboration among centers and joint ventures in systems development will further reduce duplicative work and costs and bring further consistency into information reporting.

The reduction in the number of financial systems needed to support government operations will provide a more streamlined systems structure which will simplify financial management and improve internal controls. Concentration of technical and budgetary resources on fewer systems will result in more technically current systems avoiding the cyclical obsolescence that typically occurs.

This strategy builds upon proven success and provides failsafe measures for implementation of finance centers. It provides early milestones that generate concrete, cost effective products and for the long-term provides an evolutionary approach to implementing a broader finance center network.

The finance center strategy is to:

Build upon existing centers in USDA, VA, and Interior.

Add one or more additional centers by replicating operations of the highly successful USDA National Finance Center.

Migrate agency financial systems operations to these centers gradually as the agency systems become obsolete or inefficient.

Link all centers electronically to provide the capability for sharing software, hardware, and operations.

Consider functional specialization in selected centers for activities such as grant payments or Loan processing.

Additional study is necessary to fully develop this concept. Further information will be included in future revisions.

••••• CFO Council: Additional suggestions as to approach, content, and process would be helpful. We will also need to develop specific milestones for the agreed upon actions for 1990-1995. •••••

Objective #3: Information for the Manager

The ultimate purpose of this financial systems architecture is information. Better information (in some cases any information) for use by managers and executives as well as oversight organizations and the public must be available. Much of the public distrust of government operations comes from inadequate information, either to explain a particular action or to explain better changes that need to be made to improve program operations. Federal financial systems must provide information to serve a range of users from front-line pro-

gram managers to agency heads, the President, the Congress, and the public.

Systems Information Improvement Program.

The systems improvement program is targeted to improve the content, quality, and timeliness of information for these users. Standards under which the systems are being developed provide increased capabilities for:

Budgetary program, object, and account information required for budget formulation and execution;

Program/project management information including performance measures and unit costs;

Business type data on financial condition, assets, liabilities, accrued income and expenditures;

Financial commitments for transactions such as for insurance and guaranteed loan programs

These improved information and reporting capabilities will become operative as agency primary accounting systems are installed and meet the established government-wide information and technical standards. This schedule will parallel the system schedules provided earlier in this document.

Financial Statements. Increased attention has been focused in recent years on producing annual financial statements for federal government organizations. While in the private sector the purpose of financial statements is somewhat clear — the communication of information concerning the financial position of a business — the purpose for the Federal government is a bit less certain.

.....
● CFO Council: We need
● your suggestions on
● additional material for
● the financial statement
● section. The strategy is
● focusing on detailing
● those agencies or units
● that are currently re-
● quired by law to publish
● financial statements and
● have them audited on
● some regular process.
● However, we need to
● complete the work
● Treasury is helping us on
● and define which addi-
● tional agencies over the
● next four years will
● develop financial state-
● ments, at what level,
● and have them audited.
● Those decisions will be
● reflected in the financial
● plans submitted as part
● of this strategy docu-
● ment.
●
●

For some governmental institutions, statements are patterned after private sector corporate statements and they are presently prepared for most Government Sponsored Enterprises and Government Corporations . However, beyond these special types of institutions, financial statements have not been used widely for other government organizations.

For some government entities, the financial systems problems are so well known that it is questionable whether financial statements would be anything more than the final nail in the coffin. Even beyond the valuable use of the discipline of preparing financial statements to assess the underlying problems within the management of an agency, the use of statements in the Federal sector needs to be tempered with some realism and purpose.

With the danger of being too simplistic, private enterprises are single purpose institutions — organized to make money. Public institutions are designed for many purposes — the giving of grants, the making of loans for a particular purpose, or protecting the environment through a regulatory mechanism. For these public institutions, the primary focus is on program delivery not necessarily on the financial results of the balance sheet. While this focus has resulted in some obvious disasters over the years, the use of financial statements in and of themselves needs to be approached with considerable care and sensibility.

Just as in the private sector, defining what agency or program or Department should be the basis for the preparation of financial statements is a key issue. Whether it makes sense for a large

Department, such as Interior or Defense, to prepare consolidated financial statements at the Department level is debatable; whether the Farmers Home Administration or the Federal Housing Administration should is not. As systems improve and reporting capabilities are expanded, additional use of such statements is anticipated. These statements provide a unique view of financial condition not generally provided by other governmental reports.

Financial statements and regularly scheduled audits of financial statements are standard practice for Government Sponsored Enterprises and Government Corporations. The preparation and audit of annual statements by other government entities is not widespread. Some agencies have prepared statements experimentally and a few others have adopted statements on a regular basis. Following is a chart indicating government entities presently preparing statements.

(insert chart TBP)

In cooperation with the Chief Financial Officer's Council, a plan for producing annual financial statements is being developed for inclusion into this strategy document as part of the agency financial systems information plans. This plan will parallel the systems improvement plan focusing on agencies with systems capability to produce quality reports and on the most relevant areas such as credit programs. General steps next three fiscal years are as follows:

Fiscal Year 1990

Identify initial agencies or programs to be covered by annual financial statements (in addition to those already preparing statements)

Evaluate statements presently prepared for appropriated fund activities, identify preparation and reporting problems, develop solutions.

Fiscal Year 1991

Selected agencies install necessary procedures for annual statements and accumulate data for report year (FY 91).

Select second round reporting agencies.

Fiscal Year 1992

Initially selected agencies prepare FY 91 Statements

Audit FY 91 Statements

Appendix_ lists candidate agency and programs from which the initial group of agencies/programs will be selected for implementing annual financial statements and recurring audits.

Integrating Financial and Program Reporting. The government's financial systems will continue to evolve and change as technology and information needs change. There are two trends within government that will have a near term effect on financial systems. One is the development of general management information systems that combine financial information with other information for a broader decision

support capability. Financial systems will need to be structured to array information in new ways to accommodate demands of these systems. The President's Council on Management Improvement is studying concepts and strategies for installation of management information systems. This study is in support of the President's MBO on Management and Integrity in Government.

• CFO Council: Need to
• develop a discussion of
• current status and
• needs for this area in
• specific detail with fur-
• ther discussion of crite-
• ria.

IV

Implementation Strategy

CFO Council: This section will define the process and content of the financial systems information plans to be submitted in response to this strategy. This section will also help to outline the existing responsibilities of the Office of Management and Budget, the Department of the Treasury – the two primary central agencies. Where there are appropriate interagency mechanisms, such as the Council itself, the PCMI, or the PCIE, this section will detail the responsibilities of those organizations to assist in the development and the implementation of this strategy document. A draft section will be provided to the Council within the week.

This section would also discuss priority setting across government agencies after review and analysis of the Individual plans. While standard development, system design and implementation, and information standards are all underway concurrently, there may be a need to establish priorities within those activities so that we can move quicker in some areas that may be more necessary.



**Agency Financial Systems
Information Plans 1990-1995**

Department of Government
 Financial Systems & Information Plan 1990-95

		Dates for Completion of Milestones	
System/Subsystem	Milestones	Current As of 3/31/90	Change from Last Report
1. Primary Accounting System Department or Bureau Name Core Accounting System 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system Comments:			
Electronic Linkage to Subsystems 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location Comments:			
Data Standards Compliance 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location Comments:			

Department of Government

Financial Systems & Information Plan 1990-95

System/Subsystem	Milestones	Dates for Completion of Milestones	
		Current As of 3/31/90	Change from Last Report
1. Primary Accounting System (cont'd) Department or Bureau Name Modern Subsystem Linkage <ol style="list-style-type: none">1. Complete conceptual design2. Complete detailed design3. Implementation test4. Install and operate (location)5. Install and operate at last location6. Discontinue old system Comments:			
2. Administrative Subsystems (For each of the subsystems, include separate milestones for: (1) Electronic linkage to the primary system; (2) Minimum financial data standards; (3) data control functional standards; (4) all other functional standards; and (5) specialized data standards. Payroll <ol style="list-style-type: none">1. Complete conceptual design2. Complete detailed design3. Implementation test4. Install and operate (location)5. Install and operate at last location6. Discontinue old system Comments:			
Travel <ol style="list-style-type: none">1. Complete conceptual design2. Complete detailed design3. Implementation test4. Install and operate (location)5. Install and operate at last location6. Discontinue old system Comments:			

Department of Government
 Financial Systems & Information Plan 1990-95

System/Subsystem	Milestones	Dates for Completion of Milestones	
		Current As of 3/31/90	Change from Last Report
2. Administrative Subsystems (cont'd) Procurement 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system Comments:			
Procurement 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system Comments:			
Property 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system Comments:			

Department of Government

Financial Systems & Information Plan 1990-95

Dates for Completion of Milestones

System/Subsystem	Milestones	Current As of 3/31/90	Change from Last Report
<p>2. Administrative Subsystems (cont'd)</p> <p>Debt Collection</p> <ol style="list-style-type: none"> 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system <p>Comments:</p>			
<p>Other</p> <ol style="list-style-type: none"> 1. Complete conceptual design 2. Complete detailed design 3. Implementation test 4. Install and operate (location) 5. Install and operate at last location 6. Discontinue old system <p>Comments:</p>			

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PC

FEB 27 1990

MEMORANDUM

TO: Distribution (see below)

FROM: PFM/FM/C, Michael Usnick *M Usnick*

SUBJECT: OMB Draft - "A Financial Systems Information Strategy for the Federal Government 1990"

OMB will soon issue the subject report (attached), which they foresee as the blueprint for financial systems development in the 1990s.

OMB has asked the Chief Financial Officers Council, on which I serve, for comments on this draft. Specific requests for CFO inputs are noted in the margins. Please give me your reactions to this draft and any specific comments you believe I should pass on to OMB by Friday, March 2, 1990.

Since we are in the early stages of replacing our primary accounting system, this should give all of us a better picture of what is expected by OMB and Treasury.

I appreciate your input.

Attachment: a/s

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