

104TH CONGRESS  
2D SESSION

# H. R. 4061

To provide for the establishment of uniform accounting systems, standards, and reporting systems in the Federal Government, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 11, 1996

Mr. TALENT introduced the following bill; which was referred to the Committee on Government Reform and Oversight

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## A BILL

To provide for the establishment of uniform accounting systems, standards, and reporting systems in the Federal Government, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Financial  
5 Management Improvement Act of 1996”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds the following:

8 (1) Much effort has been devoted to strengthen-  
9 ing Federal internal accounting controls in the past.

10 Although progress has been made in recent years,

1 Federal accounting standards have not been uni-  
2 formly implemented in financial management sys-  
3 tems for agencies.

4 (2) Federal financial management continues to  
5 be seriously deficient, and Federal financial manage-  
6 ment and fiscal practices have failed to—

7 (A) identify costs fully;

8 (B) reflect the total liabilities of congres-  
9 sional actions; and

10 (C) accurately report the financial condi-  
11 tion of the Federal Government.

12 (3) Current Federal accounting practices do not  
13 accurately report financial results of the Federal  
14 Government or the full costs of programs and activi-  
15 ties. The continued use of these practices under-  
16 mines the Government's ability to provide credible  
17 and reliable financial data and encourages already  
18 widespread Government waste, and will not assist in  
19 achieving a balanced budget.

20 (4) Waste and inefficiency in the Federal Gov-  
21 ernment undermine the confidence of the American  
22 people in the Government and reduce the Federal  
23 Government's ability to address vital public needs  
24 adequately.

1           (5) To rebuild the accountability and credibility  
2 of the Federal Government, and restore public con-  
3 fidence in the Federal Government, agencies must  
4 incorporate accounting standards and reporting ob-  
5 jectives established for the Federal Government into  
6 their financial management systems so that all the  
7 assets and liabilities, revenues, and expenditures or  
8 expenses, and the full costs of programs and activi-  
9 ties of the Federal Government can be consistently  
10 and accurately recorded, monitored, and uniformly  
11 reported throughout the Federal Government.

12           (6) Since its establishment in October 1990, the  
13 Federal Accounting Standards Advisory Board  
14 (hereinafter referred to as the “FASAB”) has made  
15 substantial progress toward developing and rec-  
16 ommending a comprehensive set of accounting con-  
17 cepts and standards for the Federal Government.  
18 When the accounting concepts and standards devel-  
19 oped by FASAB are incorporated into Federal fi-  
20 nancial management systems, agencies will be able  
21 to provide cost and financial information that will  
22 assist the Congress and financial managers to evalu-  
23 ate the cost and performance of Federal programs  
24 and activities, and will therefore provide important  
25 information that has been lacking, but is needed for

1 improved decisionmaking by financial managers and  
2 the Congress.

3 (7) The development of financial management  
4 systems with the capacity to support these standards  
5 and concepts will, over the long term, improve Fed-  
6 eral financial management.

7 (b) PURPOSES.—The purposes of this Act are to—

8 (1) provide for consistency of accounting by an  
9 agency from one fiscal year to the next, and uniform  
10 accounting standards throughout the Federal Gov-  
11 ernment;

12 (2) require Federal financial management sys-  
13 tems to support full disclosure of Federal financial  
14 data, including the full costs of Federal programs  
15 and activities, to the citizens, the Congress, the  
16 President, and agency management, so that pro-  
17 grams and activities can be considered based on  
18 their full costs and merits;

19 (3) increase the accountability and credibility of  
20 Federal financial management;

21 (4) improve performance, productivity and effi-  
22 ciency of Federal Government financial manage-  
23 ment;

24 (5) establish financial management systems to  
25 support controlling the cost of Federal Government;

1           (6) build upon and complement the Chief Fi-  
2           nancial Officers Act of 1990 (Public Law 101–576;  
3           104 Stat. 2838), the Government Performance and  
4           Results Act of 1993 (Public Law 103–62; 107 Stat.  
5           285), and the Government Management Reform Act  
6           of 1994 (Public Law 103–356; 108 Stat. 3410); and

7           (7) increase the capability of agencies to mon-  
8           itor execution of the budget by more readily permit-  
9           ting reports that compare spending of resources to  
10          results of activities.

11 **SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MAN-**  
12 **AGEMENT IMPROVEMENTS.**

13          (a) **IN GENERAL.**—Each agency shall implement and  
14          maintain financial management systems that comply with  
15          Federal financial management systems requirements, ap-  
16          plicable Federal accounting standards, and the United  
17          States Government Standard General Ledger at the trans-  
18          action level.

19          (b) **PRIORITY.**—Each agency shall give priority in  
20          funding and provide sufficient resources to implement this  
21          Act.

22          (c) **AUDIT COMPLIANCE FINDING.**—

23                 (1) **IN GENERAL.**—Each audit required by sec-  
24                 tion 3521(e) of title 31, United States Code, shall  
25                 report whether the agency financial management

1 systems comply with the requirements of subsection  
2 (a).

3 (2) CONTENT OF REPORTS.—When the person  
4 performing the audit required by section 3521(e) of  
5 title 31, United States Code, reports that the agency  
6 financial management systems do not comply with  
7 the requirements of subsection (a), the person per-  
8 forming the audit shall include in the report on the  
9 audit—

10 (A) the name and position of any officer or em-  
11 ployee responsible for the financial management sys-  
12 tems that have been found not to comply with the  
13 requirements of subsection (a);

14 (B) all facts pertaining to the failure to comply  
15 with the requirements of subsection (a), including—

16 (i) the nature and extent of the noncompli-  
17 ance;

18 (ii) the primary reason or cause of the  
19 noncompliance;

20 (iii) any official responsible for the non-  
21 compliance; and

22 (iv) any relevant comments from any re-  
23 sponsible officer or employee; and

1 (C) a statement with respect to the rec-  
2 ommended remedial actions and the timeframes to  
3 implement such actions.

4 (d) COMPLIANCE DETERMINATION.—

5 (1) IN GENERAL.—No later than the date de-  
6 scribed under paragraph (2), the Director, acting  
7 through the Controller of the Office of Federal Fi-  
8 nancial Management, shall determine whether the fi-  
9 nancial management systems of an agency comply  
10 with the requirements of subsection (a). Such deter-  
11 mination shall be based on—

12 (A) a review of the report on the applicable  
13 agency-wide audited financial statement;

14 (B) the agency comments on such report;  
15 and

16 (C) any other information the Director  
17 considers relevant and appropriate.

18 (2) DATE OF DETERMINATION.—The deter-  
19 mination under paragraph (1) shall be made no later  
20 than 90 days after the earlier of—

21 (A) the date of the receipt of an agency-  
22 wide audited financial statement; or

23 (B) the last day of the fiscal year following  
24 the year covered by such statement.

25 (e) COMPLIANCE IMPLEMENTATION.—

1           (1) IN GENERAL.—If the Director determines  
2           that the financial management systems of an agency  
3           do not comply with the requirements of subsection  
4           (a), the head of the agency, in consultation with the  
5           Director, shall establish a remediation plan that  
6           shall include the resources, remedies, and intermedi-  
7           ate target dates necessary to bring the agency’s fi-  
8           nancial management systems into compliance.

9           (2) TIME PERIOD FOR COMPLIANCE.—A reme-  
10          diation plan shall bring the agency’s financial man-  
11          agement systems into compliance no later than 2  
12          years after the date on which the Director makes a  
13          determination under paragraph (1), unless the agen-  
14          cy, with concurrence of the Director—

15                 (A) determines that the agency’s financial  
16                 management systems are so deficient as to pre-  
17                 clude compliance with the requirements of sub-  
18                 section (a) within 2 years;

19                 (B) specifies the most feasible date for  
20                 bringing the agency’s financial management  
21                 systems into compliance with the requirements  
22                 of subsection (a); and

23                 (C) designates an official of the agency  
24                 who shall be responsible for bringing the agen-  
25                 cy’s financial management systems into compli-



1           ance with the requirements of subsection (a) by  
2           the date specified under subparagraph (B).

3           (3) TRANSFER OF FUNDS FOR CERTAIN IM-  
4           PROVEMENTS.—For an agency that has established  
5           a remediation plan under paragraph (2), the head of  
6           the agency, to the extent provided in an appropria-  
7           tion and with the concurrence of the Director, may  
8           transfer not to exceed 2 percent of available agency  
9           appropriations to be merged with and to be available  
10          for the same period of time as the appropriation or  
11          fund to which transferred, for priority financial  
12          management system improvements. Such authority  
13          shall be used only for priority financial management  
14          system improvements as identified by the head of  
15          the agency, with the concurrence of the Director,  
16          and in no case for an item for which Congress has  
17          denied funds. The head of the agency shall notify  
18          Congress 30 days before such a transfer is made  
19          pursuant to such authority.

20          (4) REPORT IF NONCOMPLIANCE WITHIN TIME  
21          PERIOD.—If an agency fails to bring its financial  
22          management systems into compliance within the  
23          time period specified under paragraph (2), the Di-  
24          rector shall submit a report of such failure to the  
25          Committees on Governmental Affairs and Appropria-

1 tions of the Senate and the Committees on Govern-  
2 ment Reform and Oversight and Appropriations of  
3 the House of Representatives. The report shall in-  
4 clude—

5 (A) the name and position of any officer or  
6 employee responsible for the financial manage-  
7 ment systems that have been found not to com-  
8 ply with the requirements of subsection (a);

9 (B) the facts pertaining to the failure to  
10 comply with the requirements of subsection (a),  
11 including the nature and extent of the non-  
12 compliance, the primary reason or cause for the  
13 failure to comply, and any extenuating cir-  
14 cumstances;

15 (C) a statement of the remedial actions  
16 needed; and

17 (D) a statement of any administrative ac-  
18 tion to be taken with respect to any responsible  
19 officer or employee.

20 (f) PERSONAL RESPONSIBILITY.—Any financial offi-  
21 cer or program manager who knowingly and willfully com-  
22 mits, permits, or authorizes material deviation from the  
23 requirements of subsection (a) may be subject to adminis-  
24 trative disciplinary action, suspension from duty, or re-  
25 moval from office.

1 **SEC. 4. APPLICATION TO CONGRESS AND THE JUDICIAL**  
2 **BRANCH.**

3 (a) **IN GENERAL.**—The Federal financial manage-  
4 ment requirements of this Act may be adopted by—

5 (1) the Senate by resolution as an exercise of  
6 the rulemaking power of the Senate;

7 (2) the House of Representatives by resolution  
8 as an exercise of the rulemaking power of the House  
9 of Representatives; or

10 (3) the Judicial Conference of the United  
11 States by regulation for the judicial branch.

12 (b) **STUDY AND REPORT.**—No later than October 1,  
13 1997—

14 (1) the Secretary of the Senate and the Clerk  
15 of the House of Representatives shall jointly conduct  
16 a study and submit a report to Congress on how the  
17 offices and committees of the Senate and the House  
18 of Representatives, and all offices and agencies of  
19 the legislative branch may achieve compliance with  
20 financial management and accounting standards in a  
21 manner comparable to the requirements of this Act;  
22 and

23 (2) the Chief Justice of the United States shall  
24 conduct a study and submit a report to Congress on  
25 how the judiciary may achieve compliance with fi-

1       nancial management and accounting standards in a  
2       manner comparable to the requirements of this Act.

3 **SEC. 5. REPORTING REQUIREMENTS.**

4       (a) REPORTS BY DIRECTOR.—No later than March  
5 31 of each year, the Director shall submit a report to the  
6 Congress regarding implementation of this Act. The Di-  
7 rector may include the report in the financial management  
8 status report and the 5-year financial management plan  
9 submitted under section 3512(a)(1) of title 31, United  
10 States Code.

11       (b) REPORTS BY THE COMPTROLLER GENERAL.—No  
12 later than October 1, 1997, and October 1, of each year  
13 thereafter, the Comptroller General of the United States  
14 shall report to the appropriate committees of the Congress  
15 concerning—

16           (1) compliance with the requirements of section  
17 3(a) of this Act, including whether the financial  
18 statements of the Federal Government have been  
19 prepared in accordance with applicable accounting  
20 standards; and

21           (2) the adequacy of uniform accounting stand-  
22 ards for the Federal Government.

23 **SEC. 6. CONFORMING AMENDMENTS.**

24       (a) AUDITS BY AGENCIES.—Section 3521(f)(1) of  
25 title 31, United States Code, is amended in the first sen-

1 tence by inserting “and the Controller of the Office of  
2 Federal Financial Management” before the period.

3 (b) FINANCIAL MANAGEMENT STATUS REPORT.—

4 Section 3512(a)(2) of title 31, United States Code, is  
5 amended—

6 (1) in subparagraph (D) by striking “and”  
7 after the semicolon;

8 (2) by redesignating subparagraph (E) as sub-  
9 paragraph (F); and

10 (3) by inserting after subparagraph (D) the fol-  
11 lowing:

12 “(E) a listing of agencies whose financial  
13 management systems do not comply substan-  
14 tially with the requirements of the Federal Fi-  
15 nancial Management Improvement Act of 1996,  
16 the period of time that such agencies have not  
17 been in compliance, and a summary statement  
18 of the efforts underway to remedy the non-  
19 compliance; and”.

20 **SEC. 7. DEFINITIONS.**

21 For purposes of this Act:

22 (1) AGENCY.—The term “agency” means a de-  
23 partment or agency described in section 901(b) of  
24 title 31, United States Code.

1           (2) DIRECTOR.—The term “Director” means  
2 the Director of the Office of Management and Budg-  
3 et.

4           (3) FEDERAL ACCOUNTING STANDARDS.—The  
5 term “Federal accounting standards” means appli-  
6 cable accounting principles, standards, and require-  
7 ments consistent with section 902(a)(3)(A) of title  
8 31, United States Code, and includes concept state-  
9 ments with respect to the objectives of Federal fi-  
10 nancial reporting.

11           (4) FINANCIAL MANAGEMENT SYSTEMS.—The  
12 term “financial management systems” includes the  
13 financial systems and the financial portions of mixed  
14 systems necessary to support financial management,  
15 including automated and manual processes, proce-  
16 dures, controls, data, hardware, software, and sup-  
17 port personnel dedicated to the operation and main-  
18 tenance of system functions.

19           (5) FINANCIAL SYSTEM.—The term “financial  
20 system” includes an information system, comprised  
21 of one or more applications, that is used for—

22                   (A) collecting, processing, maintaining,  
23 transmitting, or reporting data about financial  
24 events;

1 (B) supporting financial planning or budg-  
2 eting activities;

3 (C) accumulating and reporting costs in-  
4 formation; or

5 (D) supporting the preparation of financial  
6 statements.

7 (6) MIXED SYSTEM.—The term “mixed system”  
8 means an information system that supports both fi-  
9 nancial and nonfinancial functions of the Federal  
10 Government or components thereof.

11 **SEC. 8. EFFECTIVE DATE.**

12 This Act shall take effect on October 1, 1996.

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