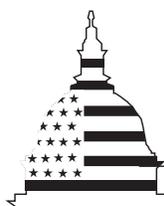


October 1999

FINANCIAL  
MANAGEMENT

Federal Financial  
Management  
Improvement Act  
Results for Fiscal Year  
1998



G A O

Accountability \* Integrity \* Reliability

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United States General Accounting Office  
Washington, D.C. 20548

B-283317

October 1, 1999

The Honorable Fred Thompson  
Chairman  
The Honorable Joseph I. Lieberman  
Ranking Minority Member  
Committee on Governmental Affairs  
United States Senate

The Honorable Dan Burton  
Chairman  
The Honorable Henry A. Waxman  
Ranking Minority Member  
Committee on Government Reform  
House of Representatives

The historic inability of many federal agencies to accurately record and report financial management data on both a year-end and an ongoing basis for decision-making and oversight purposes continues to be a serious weakness. To improve the accountability and credibility of the federal government and restore public confidence, as part of a series of management reform legislation,<sup>1</sup> the Congress passed the Federal Financial Management Improvement Act (FFMIA) of 1996, Public Law 104-208. FFMIA requires auditors for each of the 24 major departments and agencies named in the Chief Financial Officers (CFO) Act<sup>2</sup> (referred to as CFO agencies) to report, as part of their audit report on the agencies' annual financial statements, whether the agencies' financial management systems comply substantially with three requirements—(1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U. S. Government Standard General Ledger (SGL)<sup>3</sup> at the transaction level. These requirements are critical for ensuring that

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<sup>1</sup>Other management reform legislation includes the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Government Performance and Results Act of 1993, and the Clinger-Cohen Act of 1996.

<sup>2</sup>FFMIA also applies to agency components required to be audited under 31 U.S.C. 3521(e).

<sup>3</sup>The SGL provides a standard chart of accounts and standardized transactions that agencies are to use in all their financial systems.

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agency financial management activities are consistently and accurately recorded, and timely and uniformly reported throughout the federal government. Departments and agencies must comply with these requirements in order to maximize their performance and ensure their accountability.

To aid congressional oversight and keep the Congress advised of the status of federal financial management, that legislation also requires that we report annually on FFMIA implementation by October 1 of each year. Our report addresses information concerning (1) compliance of CFO agencies' financial systems with FFMIA's requirements, (2) whether CFO agencies' financial statements have been prepared in accordance with applicable accounting standards, and (3) agencies' plans to ensure that their systems comply with FFMIA requirements. Last year we issued the second of our annual reports under FFMIA; it covered fiscal year 1997.<sup>4</sup>

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## Results in Brief

As a result of the audits of CFO agencies' financial statements and FFMIA's requirements, agencies are more aware of their financial management weaknesses and have started addressing them. However, in terms of agency auditors' assessments of compliance with FFMIA, there has been little discernible progress since last year. For the agencies whose fiscal year 1998 audit reports had been issued as of September 14, 1999, those whose financial management systems were not in compliance with FFMIA in fiscal year 1997 were still not in compliance in fiscal year 1998. Issues we identified in our report last year under FFMIA, such as efforts to implement new accounting standards,<sup>5</sup> the age and condition of many agencies' critical financial systems, and competing demands associated with Year 2000

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<sup>4</sup>*Financial Management: Federal Financial Management Improvement Act Results for Fiscal Year 1997* (GAO/AIMD-98-268, September 30, 1998).

<sup>5</sup>Some of the new requirements, which were issued in 1995 and 1996 and became effective in fiscal year 1998, include the application of managerial cost accounting concepts and preparation of the new Statements of Financing and Budgetary Resources.

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computer conversion issues<sup>6</sup> proved to be continuing significant challenges to agencies.

For fiscal year 1998, auditors for 17 of 20<sup>7</sup> CFO agencies reported that the agencies' financial systems did not comply substantially with FFMIA's requirements. Although the statutory reporting deadline is March 1, the remaining four CFO agencies, as of September 14, 1999, had not yet issued their audited financial statements for fiscal year 1998. All four of the agencies were found by their auditors to be noncompliant with FFMIA for fiscal year 1997.

Auditors reported that the financial systems of 11 of these 17 agencies found to be noncompliant in fiscal year 1998 were noncompliant with all three FFMIA requirements—federal financial management systems requirements, applicable federal accounting standards, and the SGL. Auditors for 16 of the 17 agencies had reported for fiscal year 1997 that the agencies likewise did not comply with FFMIA. The seventeenth agency was reported as complying with the requirements of FFMIA in fiscal year 1997 but was found to be noncompliant with systems requirements in fiscal year 1998 due to auditors' interpretations of what constitutes substantial compliance. Further, in some agencies, factors that contributed to systems being found noncompliant increased, in part because agencies had problems implementing new accounting standards that became effective in fiscal year 1998.

Our audit of the financial statements for the U.S. government for fiscal year 1998<sup>8</sup> also showed that many agencies did not meet applicable accounting standards. As was the case for fiscal year 1997, the inability of agencies to

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<sup>6</sup>For the past several decades, information systems have typically used two digits to represent the year, such as "99" for 1999, to conserve electronic data storage and reduce operating costs. In this format, however, 2000 is indistinguishable from 1900 because both are represented as "00." As a result, computer systems or applications that use dates or perform date- or time-sensitive calculations may, if not modified, generate incorrect results beyond 1999.

<sup>7</sup>The statutory reporting deadline for audit reports discussing the results of the fiscal year 1998 financial statement audits for the CFO agencies was March 1, 1999. As of September 14, 1999, the Departments of Education and State, the Environmental Protection Agency, and the Small Business Administration had not yet issued their fiscal year 1998 audited financial statements.

<sup>8</sup>*Financial Audit: 1998 Financial Report of the United States Government* (GAO/AIMD-99-130, March 31, 1999).

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prepare financial statements in accordance with accounting standards prevented us from being able to express an opinion on the government's consolidated financial statements. Although nine agencies whose audit reports had been issued received unqualified opinions on their fiscal year 1998 financial statements, obtaining unqualified or "clean" audit opinions, while an important objective, is not an end in and of itself. The key is to take steps to continually improve internal controls and underlying financial and management information systems so that these systems will generate reliable, useful, and timely information on an ongoing basis, not just as of the end of the fiscal year.

We issued a special series of reports this year that discusses major management challenges and program risks that must be addressed to improve the performance, management, and accountability of federal agencies.<sup>9</sup> In this series, we identified the ability to establish financial management capabilities that effectively support decision-making and accountability as one of the major challenges facing most federal agencies. Agencies generally recognize the extent and severity of their financial management deficiencies, and 18 of the 20 agencies, for which FFMIA noncompliance was reported for fiscal year 1997, have prepared remediation plans to address these problems. FFMIA requires that the agency head, in consultation with the Office of Management and Budget (OMB), prepare such a plan. OMB's consultative role is important for ensuring that agencies prepare effective remediation plans that adequately address their serious financial management weaknesses. However, based on our reviews and reports issued by agency Offices of Inspector General (OIG), we found that some agencies did not submit their plans on time and most of the remediation plans that were submitted did not address financial management issues comprehensively; thus, it is questionable that the plans form an adequate basis for correcting reported issues of noncompliance. For example, one agency's plan discussed corrective actions for core financial management systems without addressing weaknesses reported in feeder systems that produce the underlying data. Therefore, we believe OMB should, as part of its consultative role, work with the agencies to ensure that their remediation plans are submitted and comply with the requirements outlined in the act.

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<sup>9</sup>*Major Management Challenges and Program Risks: A Governmentwide Perspective* (GAO/OCG-99-1, January 1999).

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Significant time and investment are needed for agencies to address and correct long-standing financial management systems problems. Resolving reported financial management weaknesses has been delayed by competing demands associated with Year 2000 computer conversion issues. Further, GAO reviews show that numerous federal agencies have historically struggled with the development and implementation of large information technology efforts which compound the resolution of these problems. It will take time, concerted effort, and additional investment to raise government financial management systems to the level of quality and reliability envisioned by FFMIA.

OMB generally agreed that our report fairly presented the status of the federal government's implementation of FFMIA and concurred with our recommendations. The Department of Treasury's Financial Management Service (FMS) also concurred with the report's contents.

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## Background

The primary purpose of FFMIA is to ensure that agency financial management systems routinely provide reliable, useful, and timely financial information. With such information, government leaders will be better positioned to invest scarce resources, reduce costs, oversee programs, and hold agency managers accountable for the way they run government programs. Compliance with federal financial management systems requirements, applicable accounting standards, and the SGL are the building blocks to help achieve these goals.

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## Financial Management System Requirements

The financial management systems policies and standards prescribed for executive agencies to follow in developing, operating, evaluating, and reporting on financial management systems are defined in OMB Circular A-127, Financial Management Systems, which was last revised in June 1999. Circular A-127 references the series of publications, entitled Federal Financial Management Systems Requirements, issued by the Joint Financial Management Improvement Program (JFMIP),<sup>10</sup> as the primary source of governmentwide requirements for financial management systems.

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<sup>10</sup>JFMIP is a cooperative undertaking of OMB, the Department of Treasury, the Office of Personnel Management, and GAO working with operating agencies to improve financial management practices throughout the government.

Since we reported last year, JFMIP has revised four of these publications—Core Financial System Requirements (originally issued in September 1995), Human Resources & Payroll Systems Requirements (originally issued in May 1990), Direct Loan System Requirements (originally issued in December 1993), and Travel System Requirements (originally issued in January 1991). Also, JFMIP issued an exposure draft for a revised version of Seized Property and Forfeited Assets Systems Requirements (June 1999) and is planning to issue exposure drafts for Grant Financial System Requirements and a revised version of Guaranteed Loan System Requirements by the end of September 1999. Table 1 lists the publications in the Federal Financial Management System Requirements Series and their issue dates.

**Table 1: Publications in the Federal Financial Management System Requirements Series**

<b>Federal Financial Management System Requirements (FFMSR)</b>		
	<b>Document</b>	<b>Issue date</b>
FFMSR-0	Framework for Federal Financial Management Systems	January 1995
JFMIP-SR-99-4	Core Financial System Requirements	February 1999
JFMIP-SR-99-5	Human Resources & Payroll Systems Requirements	April 1999
JFMIP-SR-99-9	Travel System Requirements	July 1999
FFMSR-4	Seized/Forfeited Asset System Requirements	March 1993
JFMIP-SR-99-8	Direct Loan System Requirements	June 1999
FFMSR-6	Guaranteed Loan System Requirements	December 1993
FFMSR-7	Inventory System Requirements	June 1995
FFMSR-8	Managerial Cost Accounting System Requirements	February 1998

To assist agencies and vendors in developing and implementing software that complies with current financial management system requirements, JFMIP has implemented a new testing process. JFMIP has established the Program Management Office (PMO) which will be directly involved in the new process. The PMO (1) establishes the systems testing requirements, which significantly expands on the testing previously performed, (2) administers the qualification tests to certify that vendor products meet current JFMIP systems requirements, and (3) publishes the results and

maintains a database of information for agencies and vendors about financial systems requirements, business practices, and features of certified vendor products. The database, which will be available on JFMIP's web site, will also provide access to qualification test results. Vendors have submitted nine software packages to be qualified during the initial round of testing. According to a JFMIP official, these test results will be made public on October 1, 1999. Thereafter, the testing will be conducted upon request, and qualified packages will be announced upon successful passage of the test.

Effective in fiscal year 2000, OMB policy requires federal agencies that acquire new core financial systems to use JFMIP qualified software. According to JFMIP, the new process will provide tools and information to help agencies make effective choices. Agencies must evaluate software options for compatibility in their operational environment and for agency specific requirements. As a result, we have issued several checklists<sup>11</sup> to help agencies implement and monitor their financial management systems and to help management and auditors review the systems to determine if they substantially comply with FFMIA.

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## Federal Accounting Standards

Federal accounting standards, which agency CFOs use in preparing financial statements and in developing financial management systems, are recommended by the Federal Accounting Standards Advisory Board (FASAB).<sup>12</sup> FASAB recommends accounting standards after considering the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information, and comments from the public. The three principals—the Comptroller General, the Secretary of the Treasury, and the Director of OMB—then decide whether to adopt the recommended standards. If they do, the standards are published by GAO and OMB and become effective on the stated date.

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<sup>11</sup>*Framework for Federal Financial Management System Checklist* (GAO/AIMD-98-21.2.1, May 1998), *Core Financial System Requirements Checklist* (GAO/AIMD-99-21.2.2, August 1999, exposure draft), *Inventory System Checklist* (GAO/AIMD-98-21.2.4, May 1998), and *System Requirements for Managerial Cost Accounting Checklist* (GAO/AIMD-99-21.2.9, January 1999).

<sup>12</sup>In October 1990, the Secretary of the Treasury, the Director of OMB, and the Comptroller General established FASAB to recommend a set of generally accepted accounting standards for the federal government.

FASAB has recommended and the three principals have approved 3 statements of accounting concepts and 14 statements of federal financial accounting standards with various effective dates ranging from fiscal year 1994 through fiscal year 2001. The concepts and standards, as recommended by FASAB and approved by its principals, are the basis for OMB's guidance to agencies on the form and content of their financial statements and the government's consolidated financial statements. Table 2 includes a list of concepts, standards, and interpretations<sup>13</sup> along with their respective effective dates.

**Table 2: Statements of Federal Financial Accounting Concepts (SFFAC), Statements of Federal Financial Accounting Standards (SFFAS), and Interpretations**

<b>Concepts</b>	
SFFAC No. 1	Objectives of Federal Financial Reporting
SFFAC No. 2	Entity and Display
SFFAC No. 3	Management's Discussion and Analysis
<b>Standards</b>	
	<b>Effective for fiscal year<sup>a</sup></b>
SFFAS No. 1	Accounting for Selected Assets and Liabilities 1994
SFFAS No. 2	Accounting for Direct Loans and Loan Guarantees 1994
SFFAS No. 3	Accounting for Inventory and Related Property 1994
SFFAS No. 4	Managerial Cost Accounting Concepts and Standards 1998
SFFAS No. 5	Accounting for Liabilities of the Federal Government 1997
SFFAS No. 6	Accounting for Property, Plant, and Equipment 1998
SFFAS No. 7	Accounting for Revenue and Other Financing Sources 1998
SFFAS No. 8	Supplementary Stewardship Reporting 1998
SFFAS No. 9	Deferral of Required Implementation Date for SFFAS No. 4 1998
SFFAS No. 10	Accounting for Internal Use Software 2001

(Continued)

<sup>13</sup>Occasionally, FASAB clarifies existing federal accounting standards by providing interpretations. An interpretation is a document of narrow scope that provides clarifications of original meaning, additional definitions, or other guidance pertaining to an existing federal accounting standard.

<b>Standards</b>		<b>Effective for fiscal year<sup>a</sup></b>
SFFAS No. 11	Amendments to Accounting for Property, Plant and Equipment, Definitional Changes	1999
SFFAS No. 12	Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government	1998
SFFAS No. 13	Deferral of Paragraph 65-2—Material Revenue-Related Transactions Disclosures: Amending SFFAS No. 7, Accounting for Revenue and Other Financing Sources	1999
SFFAS No. 15	Management's Discussion and Analysis	2000
<b>Interpretations</b>		
No. 1	Reporting on Indian Trust Funds	
No. 2	Accounting for Treasury Judgment Fund Transactions	
No. 3	Measurement Date for Pension and Retirement Health Care Liabilities	
No. 4	Accounting for Pension Payments In Excess of Pension Expense	
No. 5	Recognition by Recipient Entities of Receivable Nonexchange Revenue	

(Continued from Previous Page)

<sup>a</sup>Effective dates do not apply to Statements of Federal Financial Accounting Concepts and Interpretations.

SFFAC No. 3 on management's discussion and analysis and SFFAS Nos. 10, 11, 12, 13, and 15 on internal use software, amendments to existing standards, and management's discussion and analysis were issued since we reported last year. Also, FASAB has recommended three new Statements of Recommended Accounting Standards (SRAS)—SRAS No.14, Amendments to Deferred Maintenance Reporting (April 1999), SRAS No. 16, Amendments to Accounting for Property, Plant, and Equipment; Measurement and Reporting for Multi-Use Heritage Assets (July 1999), and SRAS No. 17, Accounting for Social Insurance (August 1999). In addition, FASAB is drafting recommended standards for supplementary stewardship reporting for national defense property, plant, and equipment.

The Accounting and Auditing Policy Committee (AAPC)<sup>14</sup> assists in resolving issues related to the implementation of accounting standards. AAPC's efforts result in authoritative guidance for preparers and auditors of federal financial statements in connection with implementation of accounting standards and the reporting and auditing requirements contained in OMB's Form and Content Bulletin and Audit Bulletin. To date, AAPC has recommended and OMB has issued four technical releases (TR), which are listed in table 3 along with their release dates.

**Table 3: AAPC Technical Releases**

Technical Release		Release date
TR-1	Audit Legal Letter Guidance	March 1, 1998
TR-2	Environmental Liabilities Guidance	March 15, 1998
TR-3	Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act	July 31, 1999
TR-4	Reporting on Non-Valued Seized and Forfeited Property	July 31, 1999

## Standard General Ledger

The SGL provides a uniform chart of accounts and pro forma transactions used to standardize federal agencies' financial information accumulation and processing, enhance financial control, and support budget and external reporting, including financial statement preparation. The SGL is intended to improve data stewardship throughout the government, enabling consistent reporting at all levels within the agencies and providing comparable data and financial analysis at the government level.<sup>15</sup> In our report on our audit of the financial statements for the U.S. government for fiscal year 1998, we reported that the government's inability to properly and consistently compile information in the financial statements was compounded by limitations in the federal government's general ledger

<sup>14</sup>In 1997, FASAB in conjunction with OMB, Treasury, GAO, the CFO Council, and the President's Council on Integrity and Efficiency, established AAPC to assist the federal government in improving financial reporting.

<sup>15</sup>SGL guidance is published in the *Treasury Financial Manual*. Treasury's Financial Management Service is responsible for maintaining the SGL and answering agency inquiries.

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account structure. We are working with OMB and Treasury to expand and enhance the SGL structure.

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## Remediation Plans

FFMIA requires an agency head to determine, based on a review of the auditor's report on the agency's financial statements and any other relevant information, whether the agency's financial management systems substantially comply with the act. The agency head is required to make this determination no later than 120 days after (1) the receipt of the auditor's report or (2) the last day of the fiscal year following the year covered by the audit, whichever comes first. The auditor's and the agency head's determinations of compliance may differ. If the agency head determines that the systems do not substantially comply, FFMIA requires that the agency head, in consultation with the Director of OMB, establish a remediation plan to bring the systems into substantial compliance with FFMIA's requirements.

According to OMB guidance, remediation plans are to include corrective actions, intermediate target dates, and resources necessary to achieve substantial compliance with FFMIA's requirements within 3 years of the date the noncompliance determination is made. If, with the concurrence of the Director of OMB, the agency head determines that substantial compliance cannot be reached within 3 years, the remediation plan must specify the most feasible date by which the agency will achieve compliance and designate an official responsible for effecting the necessary corrective actions. Per OMB guidance, agencies are to include remediation plans in their annual agency financial management status report and 5-year plans which are to be submitted to OMB in September of each year.

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## Scope and Methodology

In performing our work, we reviewed fiscal year 1998 audit results for the 20 CFO agencies that had issued audited financial statements as of September 14, 1999. We also reviewed (1) agency remediation plans, (2) OIG reports on agency remediation plans, (3) OMB's implementation guidance for FFMIA, and (4) OMB's 1999 Federal Financial Management Status Report and Five-Year Plan. We did not independently verify or test the reliability of the data in OMB's report. In addition, we reviewed applicable federal accounting standards and JFMIP publications. We also interviewed agency managers and auditors at the 24 CFO agencies to obtain their views on FFMIA implementation.

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We conducted our work from March through mid-September 1999 at the 24 CFO agencies and OMB in Washington, D.C., in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Director of OMB and the Commissioner of Treasury's FMS or their designees. We received oral comments from OMB's Office of Federal Financial Management and the Director, Program Integrity Division, FMS. These comments are discussed in the "Agency Comments" section of this report.

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## Fiscal Year 1998 Results

Although agencies are more aware of their financial management weaknesses and have started addressing them, auditors' assessments of agencies' compliance with FFMIA's requirements do not indicate substantial progress since we reported last year. In their fiscal year 1998 audit reports, auditors for 17 of 20 CFO agencies that issued audit reports reported that the agencies' financial systems did not substantially comply with FFMIA. In comparing the fiscal year 1998 results to the fiscal year 1997 results, we found that every agency (for which fiscal year 1998 results were available) whose systems did not substantially comply with FFMIA in fiscal year 1997 still did not comply for fiscal year 1998.

Of the 17 agencies, auditors reported that for fiscal year 1998, 11 were noncompliant with all three FFMIA requirements; 17 were reported noncompliant with systems requirements; 13 were reported noncompliant with accounting standards; and 11 agencies were reported noncompliant with the SGL. Auditors for three agencies—the Department of Energy, the National Aeronautics and Space Administration, and the National Science Foundation—reported that their agencies' financial systems complied substantially with FFMIA's three requirements.<sup>16</sup> The financial systems of the four agencies—the Departments of Education and State, the Environmental Protection Agency, and the Small Business Administration—that had not yet issued audited financial statements by September 14, 1999, were reported to be noncompliant with FFMIA's requirements in fiscal year 1997. Table 4 summarizes the auditors' and agencies' determinations of substantial compliance with the requirements of FFMIA for fiscal year 1998.

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<sup>16</sup>According to guidance in OMB Bulletin 98-08, receipt of a qualified audit opinion with material weaknesses is an indication of noncompliance with FFMIA. The Department of Energy received a qualified opinion that described a material weakness.

Table 4: Summary of Auditors' FFMIA Determinations and Agencies' Responses

Agency	Auditor's determination of substantial compliance <sup>a</sup>		Areas of reported substantial noncompliance			Agency's response to auditor's determination <sup>b</sup>	
	Yes	No	Systems requirements	Accounting standards	SGL	Agree	Disagree
Department of Agriculture		X	X	X	X	X	
Department of Commerce		X	X	X	X	X	
Department of Defense		X	X	X	X	X	
Department of Education <sup>c</sup>							
Department of Energy	X					X	
Department of Health and Human Services		X	X	X		X	
Department of Housing and Urban Development		X	X	X	X	X	
Department of the Interior		X	X			X	
Department of Justice		X	X	X	X	X	
Department of Labor		X	X	X	X	X	
Department of State <sup>c</sup>							
Department of Transportation		X	X	X		X	
Department of the Treasury		X	X	X	X	X	
Department of Veterans Affairs		X	X	X	X	X	
Agency for International Development		X	X	X	X	X	
Environmental Protection Agency <sup>c</sup>							
Federal Emergency Management Agency		X	X				X <sup>d</sup>
General Services Administration		X	X			X	
National Aeronautics and Space Administration	X					X	
National Science Foundation	X					X	
Nuclear Regulatory Commission		X	X	X	X	X	
Office of Personnel Management		X	X	X	X	X	

(Continued )

Agency	Auditor's determination of substantial compliance <sup>a</sup>		Areas of reported substantial noncompliance			Agency's response to auditor's determination <sup>b</sup>	
	Yes	No	Systems requirements	Accounting standards	SGL	Agree	Disagree
Small Business Administration <sup>c</sup>							
Social Security Administration		X	X				X <sup>e</sup>
<b>Total</b>	<b>3</b>	<b>17</b>	<b>17</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>2</b>

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<sup>a</sup>OMB guidance states that lack of substantial compliance in any one of the three requirements results in lack of substantial compliance with FFMA.

<sup>b</sup>Agreement or disagreement is based on agency comments included in the auditors' reports or interviews with agency management.

<sup>c</sup>Audit report had not been issued as of September 14, 1999. Auditor reported systems were not in compliance with FFMA in fiscal year 1997.

<sup>d</sup>Federal Emergency Management Agency officials agreed that deficiencies exist and are preparing a remediation plan. However, the officials disagreed with the auditor as to whether the deficiencies are significant enough to warrant lack of substantial compliance.

<sup>e</sup>Social Security Administration officials acknowledged that weaknesses in their systems exist, as reported by the auditors; however, the officials did not agree that these weaknesses caused a lack of substantial compliance with FFMA.

Based on our comparison of audit results for fiscal years 1997 and 1998, 4 of the 17 agencies increased the number of reported areas of noncompliance with FFMA requirements—systems requirements, accounting standards, and the SGL. One of the four—the General Services Administration—whose systems were reported to be in compliance in fiscal year 1997, was found to be noncompliant in fiscal year 1998 due to auditors' interpretations of what constitutes substantial compliance with FFMA's systems requirements. The primary factor contributing to the additional areas of noncompliance for the other three agencies was difficulty implementing the new accounting standards. Table 5 compares the fiscal years 1997 and 1998 audit results for the four agencies whose areas of reported noncompliance increased.

Table 5: Comparison of Fiscal Years 1997 and 1998 Audit Results for Selected Agencies

Agency	Fiscal year	Auditor's determination of substantial compliance		Areas of reported substantial noncompliance		
		Yes	No	Systems requirements	Accounting standards	SGL
Department of Health and Human Services	1997		X	X		
	1998		X	X	X	
Department of Veterans Affairs	1997		X	X		
	1998		X	X	X	X
General Services Administration	1997	X				
	1998		X	X		
Nuclear Regulatory Commission	1997		X	X		
	1998		X	X	X	X

### Reasons for Auditors' Determination of Substantial Noncompliance

For fiscal year 1998, the primary reasons for agencies' financial systems lack of substantial compliance with the three requirements of FFMIA remain the same as in fiscal year 1997. Discussed in detail in the respective audit reports on the agency financial statements, reasons for lack of substantial compliance with the three requirements of FFMIA include the following:

For federal financial management systems requirements:

- Systems were not integrated.
- Systems data were not updated or reconciled in a timely manner.
- There were ineffective controls over automated information systems.

To prepare financial statements, agencies that do not have a single, integrated financial system rely on ad hoc programming and analysis of data that are not reconciled and often require significant adjustments. The summarization of this accounting data into financial statement formats is a time-consuming, manual process. As a result, the risk of material misstatements increases, and reliable data cannot be produced in a timely and efficient manner for day-to-day decision-making. Also, when systems lack appropriate controls, sensitive financial data can be exposed to inappropriate disclosure, destruction, modification, and fraud. We

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designated information systems security weaknesses as a governmentwide high-risk area in both 1997,<sup>17</sup> and again in 1999,<sup>18</sup> and reported that various financial transactions are examples of federal operations that are at high risk of unauthorized access and disclosure.

For federal accounting standards, agencies were unable to

- properly account for and report (1) billions of dollars of property, equipment, materials, and supplies and (2) certain stewardship assets relating to national defense,
- properly estimate the cost of most major federal credit programs and the related loans receivable and loan guarantee liabilities,
- determine the proper amount of various liabilities, including, environmental and disposal liabilities and related costs, postretirement health benefits for members of the military, accounts payable, and other liabilities,
- properly account for basic transactions, especially those between government agencies and other entities,
- accurately report major portions of the net cost of government operations,
- determine the full extent of improper payments that occur in major programs and that are estimated to involve billions of dollars annually, and
- ensure that all disbursements are properly recorded.

These problems significantly affect the determination of the full cost of the government's current operations, the value of assets, and the extent of its liabilities. Also, agencies' inability to properly account for various assets makes agencies unable to provide assurance that assets are safeguarded against unauthorized acquisition, use, or disposition and that transactions are executed in accordance with law.

For the SGL:

- Core system data could not be reconciled to feeder system data.
- Transaction detail supporting account information was nonexistent or not readily available.

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<sup>17</sup> *High-Risk Series: An Overview* (GAO/HR-97-1, February 1997).

<sup>18</sup> *High-Risk Series: An Update* (GAO/HR-99-1, January 1999).

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- System financial data were not consistent with the SGL and its posting requirements.

SGL deficiencies contribute to the government's inability to (1) properly balance the government's financial statements and account for billions of dollars of transactions between governmental entities, (2) properly and consistently compile the information in the financial statements, and (3) effectively reconcile the results of operations with budget results. In addition, the lack of SGL implementation could limit agencies' ability to compare and contrast program performance.

As we previously reported, a significant challenge for agencies in overcoming these problems is addressing the age and poor condition of many of their critical financial systems. We testified on March 31, 1999,<sup>19</sup> about the serious financial management improvement challenges facing the federal government. The central challenge to producing reliable, useful, and timely data throughout the year and at year-end is overhauling financial and related management information systems. Agencies must also address problems with fundamental recordkeeping, incomplete documentation, and weak internal controls before their systems can produce reliable, useful and timely information on an ongoing basis, not just at the end of the fiscal year.

Agencies reported that they were unable to address the poor condition of their current financial management systems because resources were devoted to addressing Year 2000 computer conversion issues. In May 1999, OMB issued a memorandum stating that agencies should follow a policy that allows system changes only when absolutely necessary and asked agencies to establish a process to ensure that the effect on Year 2000 readiness be considered prior to establishing new requirements or changes to information technology systems.<sup>20</sup> In June 1999, we testified<sup>21</sup> that at least six agencies had established, or planned to establish, moratoriums or restrictions on system changes during parts of 1999 and early 2000.

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<sup>19</sup> *Auditing the Nation's Finances: Fiscal Year 1998 Results Highlight Major Issues Needing Resolution* (GAO/T-AIMD-99-131, March 31, 1999).

<sup>20</sup> *Minimizing Regulatory and Information Technology Requirements That Could Affect Progress Fixing the Year 2000 Problem* (OMB, M-99-17, May 14, 1999).

<sup>21</sup> *Year 2000 Computing Challenge: Estimated Costs, Planned Uses of Emergency Funding, and Future Implications* (GAO/T-AIMD-99-214, June 22, 1999).

Moreover, we also found that because of the Year 2000 problem, agencies or the Congress had delayed implementation of regulatory requirements and planned information technology initiatives.

While Year 2000 preparation has resulted in delaying financial system changes in some agencies, over the long term there should be residual benefits from Year 2000 preparation. As a result of Year 2000 efforts, agencies have been provided an additional incentive to control their information technology environment, and in many instances, agencies have been forced to inventory their information systems, link those systems to agency core business processes, and discard systems of marginal value. By doing this, agencies will be in a better position to improve their financial systems next year.

## Agencies Have Difficulty Providing Information in Accordance With Accounting Standards

As discussed earlier, factors contributing to agencies' lack of substantial compliance with FFMIA include problems implementing accounting standards. Auditors for 13 agencies reported that the agencies had problems implementing one or more of the new accounting standards that became effective in fiscal year 1998. These standards relate to managerial cost accounting; property, plant, and equipment; accounting for revenue and other financing sources; and stewardship reporting for government investments that benefit the nation, such as national parks and monuments. Table 6 lists the agencies and standards for which auditors reported problems.

**Table 6: Agencies' Whose Auditors Reported Problems Implementing New Accounting Standards in Fiscal Year 1998**

Agency	SFFAS No. 4, <i>Managerial Cost Accounting Concepts and Standards</i>	SFFAS No. 6, <i>Accounting for Property, Plant and Equipment</i>	SFFAS No. 7, <i>Accounting for Revenue and Other Financing Sources</i>	SFFAS No. 8, <i>Supplementary Stewardship Reporting</i>
Department of Agriculture	X	X	X	X
Department of Commerce	X	X	X	
Department of Defense	X	X	X	X

(Continued)

<b>Agency</b>	<b>SFFAS No. 4, Managerial Cost Accounting Concepts and Standards</b>	<b>SFFAS No. 6, Accounting for Property, Plant and Equipment</b>	<b>SFFAS No. 7, Accounting for Revenue and Other Financing Sources</b>	<b>SFFAS No. 8, Supplementary Stewardship Reporting</b>
Department of Health and Human Services		X	X	
Department of Housing and Urban Development	X		X	
Department of the Interior		X		
Department of Justice	X	X	X	
Department of Transportation	X	X	X	
Department of the Treasury	X	X		
Department of Veterans Affairs	X			
Agency for International Development	X		X	
Nuclear Regulatory Commission	X		X	
Office of Personnel Management <sup>a</sup>			X	
<b>Total (13)</b>	<b>10</b>	<b>8</b>	<b>10</b>	<b>2</b>

(Continued from Previous Page)

<sup>a</sup>The Office of Personnel Management issued five separate audit opinions for each major component. The auditors for three components—the Retirement, Health Benefits, and Life Insurance Programs—reported no problems with the new standards.

Agencies face significant challenges implementing these new standards. For example, complying with the cost accounting standard was a key challenge. The standard requires agencies to develop measures of the full costs of carrying out a mission, producing products, or delivering services to promote comparison of the costs of various programs and results. Developing the necessary information, which is needed as well to support

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Results Act<sup>22</sup> implementation, will be a substantial undertaking; and while there is a broad recognition of the importance of doing so, for the most part, agencies have just begun this effort.

Our audit of the financial statements for the U.S. government also showed that many agencies have difficulty providing information in accordance with applicable federal accounting standards. We were not able to express an opinion on the U.S. government's fiscal year 1998 financial statements because serious deficiencies prevented us and the government from having assurance that it had properly reported large portions of its assets, liabilities, and costs. These deficiencies affect the reliability of the financial statements and much of the underlying information. They also affect the government's ability to accurately measure the full cost of programs, and effectively and efficiently manage its operations.

Appendix I summarizes the fiscal year 1998 audit opinions for the 20 CFO agencies that had issued audited financial statements as of September 14, 1999. As shown in appendix I, nine agencies received an unqualified opinion. Nine other agencies received either qualified opinions or disclaimers of opinion. One agency, which received more than one audit opinion, received unqualified opinions on financial statements covering a portion of its operations and disclaimers of opinion on statements for the remaining segments of its operations. One agency received an unqualified opinion on its balance sheet and disclaimers of opinion on its other statements.

Although some agencies have obtained, and others are striving to obtain, an unqualified ("clean") audit opinion on their financial statements, such an opinion is not an end in and of itself. Without fundamental improvements in internal controls and underlying financial and management information systems, agency efforts to obtain reliable data needed for day-to-day management and year-end reporting will meet with limited success. As a result of poor internal controls and systems, several agencies were unable to prepare financial statements and have them audited by the March 1 statutory deadline. Ten agencies did not issue their fiscal year 1998 audited financial statements by March 1, 1999, and some agencies that did meet the deadline were able to do so only after significantly adjusting account balances. These adjustments were needed because financial statement

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<sup>22</sup>The Government Performance and Results Act of 1993 is commonly known as the Results Act.

preparation requires considerable reliance on ad hoc programming and analysis of data produced by inadequate systems that are not integrated or reconciled. Appendix I shows the dates when agencies issued their fiscal year 1998 audited financial statements.

The quality of financial management in the federal government has suffered for decades and has not kept up with private sector and state and local government finance organizations. To help promote improved federal financial management and bring it up to par with the private and public sectors, we recently issued an exposure draft of an executive guide<sup>23</sup> to help federal agencies in achieving the objectives of the CFO Act, FFMIA, and other related legislation. The guide provides case study examples of 11 fundamental practices of leading private and public sector finance organizations, including developing systems that support the partnership between finance and operations, and translating financial data into meaningful information. These and other practices implemented by the organizations are critical for establishing and maintaining sound financial operations that, not only will achieve the goal of an unqualified audit opinion, but, more importantly, focus on supporting the agency's overall performance and ensure that decisionmakers have reliable, useful, and timely information.

Agencies recognize the extent and severity of their financial management deficiencies, and the President has designated financial management reform as a top management priority. In May 1998, the President required heads of agencies with financial management deficiencies that resulted in qualified opinions or disclaimers of opinion to submit corrective action plans to OMB. These corrective action plans are separate from the remediation plans required by FFMIA. Although the corrective actions may resolve financial statement reporting deficiencies and result in unqualified opinions, they may not necessarily resolve identified instances of noncompliance with FFMIA's requirements.

We are continuing to work with OMB, the Treasury, and other federal agencies to recommend the actions necessary to achieve the goal of having reliable, useful, and timely financial management information on an ongoing basis consistent with federal accounting standards. With concerted effort, the federal government can make progress toward

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<sup>23</sup> *Executive Guide: Creating Value Through World-Class Financial Management* (GAO/AIMD-99-45, August 1999, exposure draft).

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achieving accountability and regularly generating reliable financial and management information.

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## Whether Remediation Plans Will Adequately Address Noncompliance Issues Is Questionable

If an agency head determines that the agency's systems are not in substantial compliance, FFMIA requires that the agency head, in consultation with the Director of OMB, establish a remediation plan to bring the systems into substantial compliance with FFMIA's requirements. According to OMB guidance, agencies are to prepare remediation plans that specify corrective actions and intermediate target dates and resources necessary to implement those actions, and include their remediation plans in their annual agency financial management status report and 5-year plan submitted to OMB in September. Remediation plans addressing issues identified in fiscal year 1997 audit reports were due in September 1998. Remediation plans addressing issues identified in fiscal year 1998 audit reports were due to OMB by September 14, 1999.

Based on our review of remediation plans for fiscal year 1997, it is questionable, for at least 12 plans, whether the corrective actions, if successfully implemented, would bring the agencies' systems into compliance with FFMIA. Of the 20 agencies whose systems were reported to be noncompliant with FFMIA in fiscal year 1997, 18 prepared remediation plans to address FFMIA noncompliance issues identified in fiscal year 1997 audit reports. Of the 18 agencies, the Department of Education did not originally prepare a remediation plan in accordance with OMB guidance. Based on our inquiry, OMB requested the Department of Education to prepare and submit a remediation plan. In response, the Department of Education prepared a remediation plan and submitted it to OMB on July 15, 1999.

Of the 20 agencies whose systems were reported to be noncompliant with FFMIA in fiscal year 1997, two agencies—the Department of State and the Social Security Administration (SSA)—did not submit remediation plans to OMB. The Department of State has since contracted for the preparation of a remediation plan to address problems with its financial management systems identified in fiscal year 1997. SSA did not submit a remediation plan to OMB because management determined that its systems were in substantial compliance with FFMIA. However, SSA provided comments, including corrective actions, in response to the auditor's recommendations.

Based on our review of the 18 available remediation plans for fiscal year 1997, it is uncertain whether some of the corrective actions in at least five

of the plans will resolve the problems that caused the agencies' systems to lack substantial compliance with FFMIA. Seven plans did not contain key information to adequately assess the plans. Specifically, three plans did not include information on the resources needed to implement the corrective actions, and the other four plans did not contain corrective actions for all instances of noncompliance, nor did they contain sufficient information on resources or target dates. Without this key information, it is difficult, if not impossible, to determine whether the corrective actions are realistic and if the target dates are reasonable. For example, in January 1999, we reported<sup>24</sup> that the Department of Defense's (DOD) biennial plan<sup>25</sup> did not include actions to adequately ensure the integrity of the key data in the agency's feeder systems, which provide about 80 percent of the information needed for financial reporting.<sup>26</sup> These systems are also critical operational systems. For the six remaining plans, we determined that, if successfully implemented, the corrective actions may resolve the agencies' problems. However, it is too early to tell if these agencies will be successful in implementing these plans. Table 7 lists, by remediation plan assessment, the 18 agencies.

**Table 7: Assessment of Agencies' Remediation Plans**

Remediation plan, if implemented, may resolve problems	Uncertain whether remediation plan will resolve problems	Remediation plan did not contain sufficient key information on corrective actions, resources and/or target dates
Department of Agriculture	Department of Health and Human Services	Department of Commerce
Department of Education	Department of the Interior	Department of Defense
Department of Transportation	Department of the Treasury	Department of Housing and Urban Development

(Continued)

<sup>24</sup>*Financial Management: Analysis of DOD's First Biennial Financial Management Improvement Plan* (GAO/AIMD-99-44, January 29, 1999).

<sup>25</sup>DOD's Biennial Plan includes its remediation plan as well as information to satisfy other regulatory reporting requirements under the CFO Act and the Federal Managers' Financial Integrity Act of 1982.

<sup>26</sup>In April 1999, DOD's OIG also issued a report describing weaknesses in the Biennial Plan.

Remediation plan, if implemented, may resolve problems	Uncertain whether remediation plan will resolve problems	Remediation plan did not contain sufficient key information on corrective actions, resources and/or target dates
Environmental Protection Agency	Department of Veterans Affairs	Department of Justice
Nuclear Regulatory Commission	Agency for International Development	Department of Labor
Small Business Administration		Office of Personnel Management
		Federal Emergency Management Agency
<b>Total</b>	<b>6</b>	<b>5</b>
		<b>7</b>

(Continued from Previous Page)

Based on our review of agency audit reports and remediation plans, we found that seven agencies' corrective actions included developing new core financial management systems to replace noncompliant systems. The federal government is increasingly dependent on information technology to improve its performance and meet mission goals, and as a result, spends billions of dollars each year on information technology. All too often, information technology projects have resulted in huge cost overruns and limited improvement in performance. To ensure that information technology dollars are directed toward prudent investments designed to achieve cost savings, increase productivity, and improve the timeliness and quality of service delivery, agencies need to successfully incorporate modern information technology practices and meet the OMB and Clinger-Cohen Act requirements for new system developments.<sup>27</sup>

Recent GAO and other reviews show that numerous agencies continue to experience weaknesses with information technology investment selection and control processes. For example, a corrective action cited by the Agency for International Development (AID) is to implement a new core financial management system. On March 1, 1999, AID's OIG reported that the agency is at risk of repeating past mistakes that led to the deployment of a system in 1996 that did not operate effectively. Some of these past mistakes included (1) lack of an agencywide blueprint before beginning

<sup>27</sup>The Clinger-Cohen Act of 1996 builds on the best practices of leading public and private organizations by requiring agencies to better link information technology planning and investment decisions to program missions and goals.

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development, (2) a preliminary systems architecture that only covered the core financial system and did not address other financial management systems, and (3) lack of an integrated strategy supported by an investment analysis and detailed plans.

Agency remediation plans are a crucial tool for agency managers. Details in the plans could help agencies focus on specific problems and the actions and resources needed to correct those problems. We testified on June 18, 1998,<sup>28</sup> that congressional committees, as part of annual appropriation or oversight hearings, could use the agencies' remediation plans, along with financial statement audits and reports on compliance with FFMIA, to measure the progress agencies are making toward improving financial management. We also discussed the need for the remediation plans to be sufficiently detailed to provide a "road map" for agency management and staff to resolve financial management problems. The severity of problems facing agencies as they attempt to implement current and future accounting standards, resolve serious information security weaknesses, and replace or overhaul old and outdated financial systems highlights the need for detailed remediation plans.

As part of our effort to help improve financial management throughout the government, we will review remediation plans due to OMB in September 1999 on issues identified in fiscal year 1998 audits. We will determine if the plans have improved over the ones we reviewed for this report and make any needed recommendations.

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## Conclusion

Long-standing problems with agencies' financial management systems decrease the government's ability to produce reliable, useful, and timely financial information. This information is important for formulating budgets, managing government programs, and making difficult policy choices. In addition, complying with FFMIA is essential for departments and agencies to maximize their performance and ensure their accountability. The federal government's size and complexity and the discipline needed to overhaul or replace its financial management systems present a significant challenge. Also, agencies will continually face challenges in implementing new accounting standards as FASAB continues

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<sup>28</sup> *Financial Management: Fostering the Effective Implementation of Legislative Goals* (GAO/T-AIMD-98-215, June 1998).

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to deliberate on new and emerging accounting issues that will result in the issuance of additional standards.

We recognize that it will take time, investment, and sustained emphasis on correcting deficiencies to improve federal financial management systems to the level required by FFMA and necessary to effectively manage government funds. The significance of issues facing agencies, now and in the future, emphasizes the need for detailed remediation plans that clearly describe the corrective actions necessary to resolve problems, as well as information about the resources and time frames required to successfully implement the corrective actions. As envisioned by the act, these remediation plans would help agencies establish seamless systems and processes to routinely generate reliable, useful, and timely information which would improve agencies' accountability and help them to meet the statutory deadline for issuing audited financial statements. However, based on our review, some remediation plans were submitted late, were not completed, or did not always contain sufficient information about agencies' plans to address their problems. The consultative role the act established for the Director of OMB, with respect to the agency remediation plans, is important to addressing the types of problems we noted in the current remediation plans and to improve the development of future plans.

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## Recommendations

We recommend that the Director of the Office of Management and Budget require the Deputy Director for Management, as part of the consultative process for future remediation plans, to work with the agencies to ensure that all remediation plans are prepared and submitted timely and to review the plans for (1) detailed corrective actions that fully address reported problems, (2) inclusion of resource requirements, and (3) specific time frames needed to implement and resolve problems. We also recommend that the Director of the Office of Management and Budget require the Deputy Director for Management to work with the agencies to ensure that the agencies' financial statements are audited and issued by the March 1 statutory deadline.

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## Agency Comments

In comments on a draft of this report, OMB generally agreed that our report fairly presented the status of the federal government's implementation of FFMA and concurred with our recommendations. FMS also concurred with the report's contents.

We are sending copies of this report to Senator George V. Voinovich, Chairman, and Senator Richard J. Durbin, Ranking Minority Member, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs; Representative Stephen Horn, Chairman, and Representative Jim Turner, Ranking Minority Member, Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. We are also sending copies to the Honorable Jacob J. Lew, Director of the Office of Management and Budget; the Honorable Lawrence H. Summers, Secretary of the Treasury; the heads of the 24 CFO agencies; and agency CFOs and Inspectors General. Copies will also be made available to others upon request.

This report was prepared under the direction of Gloria L. Jarmon, Director, Health and Human Services Accounting and Financial Management, who may be reached at (202) 512-4476 or by e-mail at [jarmong.aimd@gao.gov](mailto:jarmong.aimd@gao.gov) if you have any questions. Key contributors to this assignment were Deborah A. Taylor, Diane N. Morris, and Sandra S. Silzer.

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker  
Comptroller General  
of the United States

# CFO Agencies' Fiscal Year 1998 Audit Opinions and Target Dates

The 1990 CFO Act was the cornerstone of the legislative foundation for the federal government to provide taxpayers, the nation's leaders, and agency program managers with reliable financial information through audited financial statements. Under the CFO Act, as expanded by the Government Management Reform Act of 1994, the 24 major agencies are required to annually prepare organizationwide financial statements, beginning with those for fiscal year 1996, and have them audited. Table 8 lists the 24 CFO agencies, the audit opinion received for fiscal year 1998, the date the fiscal year 1998 audit report was issued, and when the agency expects to receive an unqualified opinion on its financial statements, as reported in OMB's *Federal Financial Management Status Report & Five-Year Plan* issued in 1999.

**Table 8: Opinions for the 24 CFO Agencies' Fiscal Year 1998 Financial Statements, Date Audit Report Issued, and When Unqualified Opinions Are Expected**

Agency	Fiscal year 1998 audit opinion	Date fiscal year 1998 audit report issued	Expected date for obtaining an unqualified opinion (fiscal year)
Department of Agriculture	Disclaimer	February 22, 1999	2000
Department of Commerce	Unqualified on balance sheet only; disclaimer on statements of net cost and changes in net position and combined statement of budgetary resources and financing	May 4, 1999	1999
Department of Defense	Disclaimer	March 1, 1999	After 2000
Department of Education <sup>a</sup>	Unqualified in fiscal year 1997	N/A	N/A
Department of Energy	Qualified	February 25, 1999	1999
Department of Health and Human Services	Qualified	February 26, 1999	1999
Department of Housing and Urban Development	Unqualified	March 29, 1999	N/A
Department of the Interior	Unqualified	April 19, 1999	N/A
Department of Justice	Disclaimer	February 15, 1999	1999
Department of Labor	Unqualified	February 26, 1999	N/A
Department of State <sup>a</sup>	Unqualified in fiscal year 1997	N/A	N/A
Department of Transportation	Disclaimer	March 30, 1999	1999
Department of the Treasury	Qualified	March 25, 1999	1999
Department of Veterans Affairs	Qualified	March 10, 1999	1999
Agency for International Development	Disclaimer	March 1, 1999	2000

(Continued )

**Appendix I  
CFO Agencies' Fiscal Year 1998 Audit  
Opinions and Target Dates**

<b>Agency</b>	<b>Fiscal year 1998 audit opinion</b>	<b>Date fiscal year 1998 audit report issued</b>	<b>Expected date for obtaining an unqualified opinion (fiscal year)</b>
Environmental Protection Agency <sup>a</sup>	Unqualified in fiscal year 1997	N/A	N/A
Federal Emergency Management Agency	Unqualified	March 1, 1999	N/A
General Services Administration	Unqualified	February 25, 1999	N/A
National Aeronautics and Space Administration	Unqualified	February 18, 1999	N/A
National Science Foundation	Unqualified	February 26, 1999	N/A
Nuclear Regulatory Commission	Unqualified	March 1, 1999	N/A
Office of Personnel Management			1999
Retirement Program	Unqualified	February 23, 1999	
Health Benefits Insurance Program	Unqualified	February 23, 1999	
Life Insurance Program	Unqualified	February 23, 1999	
Revolving Fund	Disclaimer	March 1, 1999	
Salaries and Expenses	Disclaimer	March 1, 1999	
Small Business Administration <sup>a</sup>	Unqualified in fiscal year 1997	N/A	N/A
Social Security Administration	Unqualified	November 20, 1998	N/A

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<sup>a</sup>Audit report not available as of September 14, 1999.

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