

105TH CONGRESS
1ST SESSION

H. R. 435

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 1997

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

A BILL

To provide for the establishment of uniform accounting systems, accounting standards, and accounting 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 1997”.

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

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

1 (1) Much effort has been devoted to strengthen-
2 ing Federal internal accounting controls. Although
3 progress has been made in recent years, Federal ac-
4 counting standards have not been uniformly imple-
5 mented in financial management systems for agen-
6 cies.

7 (2) Federal financial management continues to
8 be seriously deficient, and Federal financial manage-
9 ment and fiscal practices have failed to—

10 (A) identify costs fully;

11 (B) reflect the total liabilities of congres-
12 sional actions; and

13 (C) accurately report the financial condi-
14 tion of the Federal Government.

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

23 (4) Waste and inefficiency in the Federal Gov-
24 ernment undermine the confidence of the people of
25 the United States in the Government and reduce the

1 ability of the Federal Government to address vital
2 public needs adequately.

3 (5) To rebuild the accountability and credibility
4 of, and restore public confidence in, the Federal
5 Government, Federal agencies must incorporate ac-
6 counting standards and reporting objectives estab-
7 lished for the Federal Government into their finan-
8 cial management systems so that all the assets and
9 liabilities, revenues, expenses, and the full costs of
10 programs and activities of the Federal Government
11 can be consistently and accurately recorded, accu-
12 rately monitored, and uniformly reported throughout
13 the Federal Government.

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

1 and activities, and will provide important informa-
2 tion that is needed for improved decision making by
3 the Congress and financial managers.

4 (7) The development of financial management
5 systems with the capacity to support the accounting
6 standards and concepts developed by FASAB will,
7 over the long term, improve Federal financial man-
8 agement.

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

10 (1) provide for consistency of accounting by
11 Federal agencies from one fiscal year to the next,
12 and for uniform accounting standards throughout
13 the Federal Government;

14 (2) require Federal financial management sys-
15 tems to enable full disclosure of Federal financial
16 data, including the full costs of Federal programs
17 and activities, to the citizens of the United States,
18 the Congress, the President, and agency manage-
19 ment, so that Federal programs and activities can be
20 considered based on their full costs and merits;

21 (3) increase the accountability and credibility of
22 Federal financial management;

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

1 (5) establish financial management systems to
2 support controlling the cost of the Federal Govern-
3 ment;

4 (6) build on and complement the Chief Finan-
5 cial Officers Act of 1990 (Public Law 101–576; 104
6 Stat. 2838), the Government Performance and Re-
7 sults Act of 1993 (Public Law 103–62; 107 Stat.
8 285), and the Government Management Reform Act
9 of 1994 (Public Law 103–356; 108 Stat. 3410); and

10 (7) increase the capability of Federal agencies
11 to monitor execution of the budget by more readily
12 permitting reports that match spending of resources
13 to results of activities.

14 **SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MAN-**
15 **AGEMENT IMPROVEMENTS.**

16 (a) IN GENERAL.—Each Federal agency shall imple-
17 ment financial management systems that comply with
18 Federal financial management systems requirements, ap-
19 plicable Federal accounting standards, and the United
20 States Government Standard General Ledger at the trans-
21 action level.

22 (b) PRIORITY.—Each agency shall give priority in
23 funding and provide sufficient resources to implement this
24 Act.

25 (c) AUDIT COMPLIANCE FINDING.—

1 (1) IN GENERAL.—Each audit required by sec-
2 tion 3521(e) of title 31, United States Code, shall
3 report whether the financial management systems of
4 the agency which is being audited comply with sub-
5 section (a) of this section.

6 (2) CONTENT OF REPORTS.—If the person per-
7 forming an audit required by section 3521(e) of title
8 31, United States Code, reports that the agency fi-
9 nancial management systems do not comply with
10 subsection (a) of this section, the person performing
11 the audit shall include in the report on the audit—

12 (A) the name and position of any officer or
13 employee responsible for the financial manage-
14 ment systems;

15 (B) all facts pertaining to the failure to
16 comply, including—

17 (i) the nature and extent of the non-
18 compliance;

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

21 (iii) any official responsible for the
22 noncompliance; and

23 (iv) any relevant comments from any
24 such responsible officer or employee; and

1 (C) a statement with respect to rec-
2 ommended remedial actions and the timeframes
3 to 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 subsection (a). The determination shall be
11 based on—

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

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

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

18 (2) DATE OF DETERMINATION.—The deter-
19 mination required by paragraph (1) shall be made
20 no later 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 subsection (a), the head of the
4 agency, in consultation with the Director, shall es-
5 tablish a remediation plan that shall describe the re-
6 sources, remedies, and intermediate target dates
7 necessary to bring the agency’s financial manage-
8 ment systems into such compliance.

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

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

1 (C) designates an official of the agency
2 who shall be responsible for bringing the agen-
3 cy's financial management systems into compli-
4 ance with the requirements of subsection (a) by
5 the date specified under subparagraph (B).

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

23 (4) REPORT IF NONCOMPLIANCE WITHIN TIME
24 PERIOD.—If an agency fails to bring its financial

1 management systems into compliance within the pe-
2 riod described in paragraph (2), the Director shall
3 submit a report of such failure to the Committees
4 on Governmental Affairs and Appropriations of the
5 Senate and the Committees on Government Reform
6 and Oversight and Appropriations of the House of
7 Representatives. The report shall include—

8 (A) the name and position of any officer or
9 employee responsible for the financial manage-
10 ment systems;

11 (B) the facts pertaining to the failure to
12 comply, including the nature and extent of the
13 noncompliance, the primary reason or cause for
14 the failure to comply, and any extenuating cir-
15 cumstances;

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

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

21 (f) PERSONAL RESPONSIBILITY.—Any financial offi-
22 cer or program manager who knowingly and willfully com-
23 mits, permits, or authorizes material deviation from the

1 requirements of subsection (a) may be subject to adminis-
2 trative disciplinary action, suspension from duty, or re-
3 moval from office.

4 (g) PENALTIES PROVIDED.—If an agency fails to
5 bring its financial management systems into compliance
6 within the period described in subsection (e)(2), the agen-
7 cy shall be subject to the following penalties:

8 (1) The amounts otherwise appropriated to the
9 agency for fiscal year 2000 shall be reduced by 1
10 percent.

11 (2) The amounts otherwise appropriated to the
12 agency for fiscal year 2001 shall be reduced by 2
13 percent.

14 (3) The amounts otherwise appropriated to the
15 agency for fiscal year 2002 shall be reduced by 3
16 percent.

17 (4) The amounts otherwise appropriated to the
18 agency for fiscal year 2003 shall be reduced by 4
19 percent.

20 (5) The amounts otherwise appropriated to the
21 agency for fiscal year 2004 shall be reduced by 5
22 percent.

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; and

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

12 (b) STUDY AND REPORT.—Not later than October 1,
13 1998—

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 the Congress on how
17 each entity in the legislative branch may comply
18 with financial management and accounting stand-
19 ards in a manner comparable to the requirements of
20 this Act; and

21 (2) the Chief Justice of the United States shall
22 conduct a study and submit a report to the Congress
23 on how the judicial branch may achieve compliance
24 with financial management and accounting stand-
25 ards in a manner comparable to the requirements of
26 this Act.

1 **SEC. 5. REPORTING REQUIREMENTS.**

2 (a) REPORTS BY DIRECTOR.—Not later than March
3 31 of each year, the Director shall submit a report to the
4 Congress regarding the implementation of this Act. The
5 Director may include the report in the financial manage-
6 ment status report and the 5-year financial management
7 plan submitted under section 3512(a)(1) of title 31, Unit-
8 ed States Code.

9 (b) REPORTS BY THE COMPTROLLER GENERAL.—No
10 later than October 1, 1998, and annually thereafter, the
11 Comptroller General of the United States shall report to
12 the appropriate committees of the Congress concerning—

- 13 (1) compliance with the requirements of section
14 3(a), including whether the financial statements of
15 the Federal Government have been prepared in ac-
16 cordance with applicable accounting standards; and
17 (2) the adequacy of uniform accounting stand-
18 ards for the Federal Government.

19 **SEC. 6. CONFORMING AMENDMENTS.**

20 (a) AUDITS BY AGENCIES.—Section 3521(f)(1) of
21 title 31, United States Code, is amended in the first sen-
22 tence by inserting “and the Controller of the Office of
23 Federal Financial Management” before the period.

24 (b) FINANCIAL MANAGEMENT STATUS REPORT.—
25 Section 3512(a)(2) of title 31, United States Code, is
26 amended—

1 (1) in subparagraph (D), by striking “and”
2 after the semicolon;

3 (2) by redesignating subparagraph (E) as sub-
4 paragraph (F); and

5 (3) by inserting after subparagraph (D) the fol-
6 lowing:

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

15 **SEC. 7. DEFINITIONS.**

16 For purposes of this Act:

17 (1) AGENCY.—The term “agency” means the
18 departments and agencies of the United States Gov-
19 ernment listed in section 901(b) of title 31, United
20 States Code.

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

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

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

16 (5) FINANCIAL SYSTEM.—The term “financial
17 system” includes an information system, comprised
18 of 1 or more applications, that is used for—

19 (A) collecting, processing, maintaining,
20 transmitting, or reporting data about financial
21 events;

22 (B) supporting financial planning or budg-
23 eting activities;

24 (C) accumulating and reporting costs in-
25 formation; or

1 (D) supporting the preparation of financial
2 statements.

3 (6) MIXED SYSTEM.—The term “mixed system”
4 means an information system that supports financial
5 and nonfinancial functions of the Federal Govern-
6 ment or components thereof.

7 **SEC. 8. EFFECTIVE DATE.**

8 This Act shall take effect on October 1, 1998.

