

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1130

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 SENATE OF THE UNITED STATES

AUGUST 8 (legislative day, JULY 10), 1995

Mr. BROWN (for himself, Mr. CRAIG, Mr. BURNS, and Mr. INHOFE) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

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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 “Accounting Standard-  
5 ization Act of 1995”.

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.

1 Although progress has been made in recent years,  
2 there still exists no uniform Federal accounting sys-  
3 tem for Federal Government entities and institu-  
4 tions.

5 (2) As a result, Federal financial management  
6 continues to be seriously deficient, and Federal fi-  
7 nancial management and fiscal practices have failed  
8 to identify costs, failed to reflect the total liabilities  
9 of congressional actions, and failed to accurately re-  
10 port the financial condition of the Federal Govern-  
11 ment.

12 (3) Current Federal accounting practices do not  
13 adequately report financial problems of the Federal  
14 Government or the full cost 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 Federal Govern-  
21 ment undermine the confidence of the American peo-  
22 ple in the Government and reduces the Federal Gov-  
23 ernment's ability to address adequately vital public  
24 needs.

1           (5) To rebuild the accountability and credibility  
2 of the Federal Government, and restore public con-  
3 fidence in the Federal Government, a uniform Fed-  
4 eral accounting system, that fully meets the account-  
5 ing standards and reporting objectives for the Fed-  
6 eral Government, must be immediately established so  
7 that all the assets and liabilities, revenues and ex-  
8 penditures or expenses, and the full cost of pro-  
9 grams and activities of the Federal Government can  
10 be consistently and accurately recorded, monitored,  
11 and uniformly reported throughout all Government  
12 entities for control and management evaluation pur-  
13 poses.

14           (6) Since its establishment in October 1990, the  
15 Federal Account Standards Advisory Board (herein-  
16 after referred to as the “FASAB”) has made sub-  
17 stantial progress in completing its efforts to develop  
18 and recommend uniform “generally accepted ac-  
19 counting standards” for the Federal Government.  
20 The FASAB has issued statements on accounting  
21 and managerial cost standards based on sound, mod-  
22 ern business practices. The proposed standards will  
23 provide cost and financial information that will as-  
24 sist the Congress and financial managers evaluate  
25 the cost and performance of Federal programs and

1 activities, and will therefore provide important infor-  
2 mation that has been lacking, but is needed for im-  
3 proved decisionmaking by financial managers and  
4 the Congress.

5 (7) Through implementation of these standards  
6 in Federal accounting systems, over the long term,  
7 improved financial management is a likely outcome.  
8 Codification and implementation of these standards  
9 will resolve a long standing deficiency with Federal  
10 accounting systems.

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

12 (1) establish a Federal accounting system that  
13 must be implemented and used to ensure—

14 (A) consistency of accounting by a Federal  
15 entity from one fiscal year to the next; and

16 (B) uniformity of accounting between the  
17 several Federal entities and governmentwide;  
18 and

19 (2) make full disclosure of Federal financial  
20 data, including the full cost of Federal programs  
21 and activities, to the citizens, the Congress, the  
22 President, and agency management, so that pro-  
23 grams and activities can be considered based on  
24 their full costs and merits;

1           (3) increase the accountability and credibility of  
2 Federal financial management;

3           (4) improve performance, productivity, and effi-  
4 ciency of the Federal Government financial manage-  
5 ment;

6           (5) control the cost of Federal Government;

7           (6) build upon and complement the authorities  
8 provided the Comptroller General, the Secretary of  
9 the Treasury, and the Director of the Office of Man-  
10 agement and Budget in the Accounting and Audit-  
11 ing Act of 1950, the Chief Financial Officers Act of  
12 1990, the Government Performance and Results Act  
13 of 1993, and the Government Management Reform  
14 Act of 1994; and

15           (7) monitor budget execution, financially and  
16 performance-wise, including the regular reporting to  
17 actual dollars and activities.

18 **SEC. 3. ESTABLISHMENT OF A UNIFORM FEDERAL AC-**  
19 **COUNTING SYSTEM.**

20           (a) IN GENERAL.—Beginning with fiscal year 1997,  
21 the President shall require the heads of agencies to imple-  
22 ment and maintain a uniform Federal accounting system  
23 established in accordance with this Act and other applica-  
24 ble law.

1 (b) FEDERAL ACCOUNTING STANDARDS.—In accord-  
2 ance with the Memorandum of Understanding dated Octo-  
3 ber 10, 1990 between the Department of the Treasury,  
4 the Office of Management and Budget, and the General  
5 Accounting Office, the Secretary of the Treasury, the Di-  
6 rector, Office of Management and Budget, and the Comp-  
7 troller General shall agree on proposed Federal accounting  
8 standards and interpretations recommended by the  
9 FASAB. The Comptroller General and the Director of the  
10 Office of Management and Budget shall publish such Fed-  
11 eral accounting standards.

12 (c) APPROVED FEDERAL ACCOUNTING STAND-  
13 ARDS.—

14 (1) IN GENERAL.—The Federal accounting sys-  
15 tem shall satisfy existing and future Federal ac-  
16 counting standards as recommended by the FASAB  
17 and approved by the Department of the Treasury,  
18 the Office of Management and Budget, and the Gen-  
19 eral Accounting Office.

20 (2) INTERIM PRINCIPALS.—Pending issuance of  
21 the FASAB final accounting standards or in the ab-  
22 sence of the FASAB accounting standards, the fol-  
23 lowing hierarchy of the generally accepted account-  
24 ing principles for the Federal Government shall  
25 apply:

1 (A) Individual statements agreed to and  
2 published by the Joint Financial Management  
3 Improvement Program (JFMIP) principals.

4 (B) Form and content requirements in-  
5 cluded in OMB Bulletin 93-02, dated October  
6 22, 1992, and subsequent issuance.

7 (C) Accounting standards contained in  
8 agency accounting policy, procedures manuals,  
9 or related guidance as of March 29, 1991, so  
10 long as they are prevalent practices.

11 (D) Accounting principles published by au-  
12 thoritative standards setting bodies and other  
13 authoritative sources—

14 (i) in the absence of other guidance in  
15 the first three parts of this hierarchy; and

16 (ii) if the use of such accounting  
17 standards improve the meaningfulness of  
18 the financial statements.

19 (d) AUTHORITY TO MODIFY OR AMEND.—In accord-  
20 ance with the Memorandum of Understanding dated Octo-  
21 ber 10, 1990, the FASAB may recommend the modifica-  
22 tion, amendment, or revision, or interpretation of any Fed-  
23 eral accounting standard to the Secretary of the Treasury,  
24 the Director, Office of Management and Budget, and the  
25 Comptroller General.

1 (e) STANDARD AND GENERAL LEDGER AND UNI-  
2 FORM ACCOUNTING TRANSACTIONS.—For purposes of  
3 this Act, a Federal accounting system shall satisfy the  
4 United States Government Standard General Ledger as  
5 approved by the Department of the Treasury, the Office  
6 of Management and Budget, and the General Accounting  
7 Office to ensure all government entities and institutions  
8 account for similar activities in the same way and consist-  
9 ency from one fiscal year to the next.

10 (f) FEDERAL ACCOUNTING SYSTEM REQUIRE-  
11 MENTS.—For purposes of this Act, a Federal accounting  
12 system shall be consistent with the Federal financial man-  
13 agement systems requirements, as amended from time to  
14 time, adopted by the Secretary of the Treasury, the Direc-  
15 tor of the Office of Management and Budget, and the  
16 Comptroller General pursuant to the continuing program  
17 for improving financial management authorized by section  
18 3511(e), title 31, United States Code, and the Federal ac-  
19 counting standards published pursuant to subsections (b),  
20 (c), and (d) of this section.

21 **SEC. 4. THE SCOPE OF THE APPLICATION.**

22 (a) IN GENERAL.—The FASAB may recommend to  
23 the Secretary of the Treasury, the Director of the Office  
24 of Management and Budget, and the Comptroller General,  
25 the application of Federal accounting standards and Fed-



1 eral financial management systems requirements to a cor-  
2 poration, agency or instrumentality subject to chapter 91  
3 of title 31, United States Code, or a federally chartered  
4 corporation or instrumentality.

5 (b) COMPLIANCE REQUIREMENT.—Upon the rec-  
6 ommendation of the FASAB, the Secretary of the Treas-  
7 ury, the Director of the Office of Management and Budg-  
8 et, and the Comptroller General may require a corpora-  
9 tion, agency, or instrumentality subject to chapter 91 of  
10 title 31, United States Code, or a federally chartered cor-  
11 poration or instrumentality to comply with all or part of  
12 a Federal accounting standard and Federal financial man-  
13 agement systems requirements.

14 **SEC. 5. ENFORCEMENT.**

15 (a) IN GENERAL.—

16 (1) UNIFORM SYSTEM.—Each Federal agency  
17 shall implement and maintain a uniform Federal ac-  
18 counting system in accordance with the requirements  
19 of this Act.

20 (2) PRIORITY.—Each Federal agency shall give  
21 priority in funding and provide sufficient resources  
22 to implement this Act.

23 (3) PRIVATE SECTOR INVOLVEMENT.—Each  
24 Federal agency may implement this Act by utilizing  
25 the assistance of private sector firms to develop

1 basic systems, subject to the requirements specified  
2 in this Act.

3 (b) AUDIT COMPLIANCE FINDING.—Each audit re-  
4 quired by section 3521 of title 31, United States Code,  
5 shall report whether the agency accounting system com-  
6 plies substantially with the requirements of a uniform  
7 Federal accounting system.

8 (c) PENALTIES.—

9 (1) COMPLIANCE DETERMINATION.—Not later  
10 than 30 days after the receipt of an audit report  
11 identifying an agency accounting system in substan-  
12 tial noncompliance with the requirements of a uni-  
13 form Federal accounting system under this Act, the  
14 Controller of the Office of Federal Financial Man-  
15 agement, based on review of the audit report, agency  
16 comments thereto, and such other information as the  
17 Controller deems relevant and appropriate, shall de-  
18 termine whether the agency accounting system com-  
19 plies substantially with the requirements of a uni-  
20 form Federal accounting system.

21 (2) PENALTIES PROVIDED.—If the Controller  
22 determines that an agency accounting system does  
23 not substantially comply with the requirements of a  
24 uniform Federal accounting system, the agency shall  
25 be subject to the following penalties:

1 (A) 1 percent across-the-board budget re-  
2 duction of the entity's or institution's budget  
3 for the fiscal year 1998.

4 (B) 2 percent across-the-board budget re-  
5 duction of the entity's or institution's budget  
6 for the fiscal year 1999.

7 (C) 3 percent across-the-board budget re-  
8 duction of the entity's or institution's budget  
9 for the fiscal year 2000.

10 (D) 4 percent across-the-board budget re-  
11 duction of the entity's or institution's budget  
12 for the fiscal year 2001.

13 (E) 5 percent across-the-board budget re-  
14 duction of the entity's or institution's budget  
15 for the fiscal year 2002.

16 (3) PENALTIES ENFORCEMENT.—The Depart-  
17 ment of the Treasury shall accordingly reduce the  
18 amount as set forth in paragraph (2) upon receipt  
19 of determination of noncompliance from the Control-  
20 ler.

21 (4) ANTI-DEFICIENCY VIOLATION PENALTIES.—  
22 Any financial officer who knowingly or willingly com-  
23 mits, permits, or authorizes deviation from the ac-  
24 counting and reporting standards and procedures es-  
25 tablished in accordance with this Act and other ap-

1 plicable law, shall be subject to possible administra-  
2 tive disciplinary action, suspension from duty, or re-  
3 moval from office. and, when warranted, upon con-  
4 viction, shall be fined not more than \$5,000 or im-  
5 prisoned for not more than 2 years, or both.

6 **SEC. 6. APPLICATION TO CONGRESS AND THE JUDICIAL**  
7 **BRANCH.**

8 The Federal accounting system required by this Act  
9 may be—

10 (1) adopted by the Senate by resolution as an  
11 exercise of the rulemaking power of the Senate;

12 (2) adopted by the House of Representatives by  
13 resolution as an exercise of the rulemaking power of  
14 the House of Representatives; and

15 (3) adopted by the Administrative Conference  
16 of the Courts by regulations for the judicial branch.

17 **SEC. 7. REPORTING REQUIREMENTS.**

18 Not later than March 31 of each year, the Office of  
19 Management and Budget and the General Accounting Of-  
20 fice shall report separately to the Congress regarding im-  
21 plementation of this Act. The Office of Management and  
22 Budget may include its report in the Financial Manage-  
23 ment Status Report and the 5-year Financial Management  
24 Plan issued pursuant to section 3512(a)(1) of title 31,  
25 United States Code.

1 **SEC. 8. DEFINITIONS.**

2 For purposes of this Act:

3 (1) AGENCIES.—The term “agencies” means a  
4 department or agency of the United States Govern-  
5 ment but does not include a Government corporation  
6 as such term is defined in chapter 91 of title 31,  
7 United States Code, or a federally chartered cor-  
8 poration.

9 (2) CONSISTENCY.—The term “consistency” re-  
10 fers to the compilation or allocation of reporting of  
11 costs in the same manner by the Federal entity from  
12 one fiscal year to another. An inconsistent compila-  
13 tion, use or reporting of data must be clearly and  
14 conspicuously communicated by the Federal entity to  
15 the Congress, President, GAO, OMB, and the Treas-  
16 ury in the year of inconsistency.

17 (3) UNIFORMITY.—The term “uniformity” re-  
18 fers to the comparability of compilation or alloca-  
19 tion, use or reporting of costs between Federal enti-  
20 ties and governmentwide pursuant to the standards  
21 recommended by the FASAB.

22 (4) FULL DISCLOSURE.—The term “full disclo-  
23 sure” refers to the accuracy of the financial state-  
24 ments, operating reports and related and appro-  
25 priate footnote disclosures made in compliance with  
26 the standards recommended by the FASAB.

1           (5) FULL COST.—The term “full cost” refers to  
2           the uniform and consistent determination, compila-  
3           tion, and reporting of costs in compliance with  
4           standards recommended by the FASAB.

5           (6) FEDERAL ACCOUNTING STANDARDS.—The  
6           term “Federal accounting standards” includes re-  
7           porting objectives.

8   **SEC. 9. CONFORMING AMENDMENT.**

9           Section 3521(f) of title 31, United States Code, is  
10          amended by striking the period at the end of the first sen-  
11          tence and inserting “and the Controller of the Office of  
12          Federal Financial Management.”.

13   **SEC. 10. DUTIES OF THE COMPTROLLER GENERAL.**

14          Nothing in this Act shall be construed to supersede  
15          or diminish the authority of the Comptroller General to  
16          prescribe accounting principles, standards, and require-  
17          ments pursuant to section 3511, title 31, United States  
18          Code.

19   **SEC. 11. EFFECTIVE DATE.**

20          This Act shall take effect on the date of enactment  
21          of this Act.

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