

104TH CONGRESS  
2D SESSION

# S. 1130

---

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 4, 1996

Referred to the Committee on Government Reform and Oversight

---

## AN ACT

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

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

3       **SECTION 1. SHORT TITLE.**

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

1 **SEC. 2. FINDINGS AND PURPOSES.**

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

3 (1) Much effort has been devoted to strengthen-  
4 ing Federal internal accounting controls in the past.  
5 Although progress has been made in recent years,  
6 Federal accounting standards have not been uni-  
7 formly implemented in financial management sys-  
8 tems for agencies.

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

12 (A) identify costs fully;

13 (B) reflect the total liabilities of congres-  
14 sional actions; and

15 (C) accurately report the financial condi-  
16 tion of the Federal Government.

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

25 (4) Waste and inefficiency in the Federal Gov-  
26 ernment undermine the confidence of the American

1 people in the Government and reduce the Federal  
2 Government's ability to address vital public needs  
3 adequately.

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

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

1       ate the cost and performance of Federal programs  
2       and activities, and will therefore provide important  
3       information that has been lacking, but is needed for  
4       improved decisionmaking by financial managers and  
5       the Congress.

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

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

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

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

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

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

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

6           (6) build upon and complement the Chief Fi-  
7           nancial Officers Act of 1990 (Public Law 101–576;  
8           104 Stat. 2838), the Government Performance and  
9           Results Act of 1993 (Public Law 103–62; 107 Stat.  
10          285), and the Government Management Reform Act  
11          of 1994 (Public Law 103–356; 108 Stat. 3410); and

12          (7) increase the capability of agencies to mon-  
13          itor execution of the budget by more readily permit-  
14          ting reports that compare spending of resources to  
15          results of activities.

16 **SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MAN-**  
17 **AGEMENT IMPROVEMENTS.**

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

1 (b) PRIORITY.—Each agency shall give priority in  
2 funding and provide sufficient resources to implement this  
3 Act.

4 (c) AUDIT COMPLIANCE FINDING.—

5 (1) IN GENERAL.—Each audit required by sec-  
6 tion 3521(e) of title 31, United States Code, shall  
7 report whether the agency financial management  
8 systems comply with the requirements of subsection  
9 (a).

10 (2) CONTENT OF REPORTS.—When the person  
11 performing the audit required by section 3521(e) of  
12 title 31, United States Code, reports that the agency  
13 financial management systems do not comply with  
14 the requirements of subsection (a), the person per-  
15 forming the audit shall include in the report on the  
16 audit—

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

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

23 (i) the nature and extent of the noncompli-  
24 ance;

1 (ii) the primary reason or cause of the  
2 noncompliance;

3 (iii) any official responsible for the non-  
4 compliance; and

5 (iv) any relevant comments from any re-  
6 sponsible officer or employee; and

7 (C) a statement with respect to the rec-  
8 ommended remedial actions and the timeframes to  
9 implement such actions.

10 (d) COMPLIANCE DETERMINATION.—

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

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

20 (B) the agency comments on such report;  
21 and

22 (C) any other information the Director  
23 considers relevant and appropriate.

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

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

6                   (B) the last day of the fiscal year following  
 7                   the year covered by such statement.

8           (e) COMPLIANCE IMPLEMENTATION.—

9                   (1) IN GENERAL.—If the Director determines  
 10           that the financial management systems of an agency  
 11           do not comply with the requirements of subsection  
 12           (a), the head of the agency, in consultation with the  
 13           Director, shall establish a remediation plan that  
 14           shall include the resources, remedies, and intermedi-  
 15           ate target dates necessary to bring the agency's fi-  
 16           nancial management systems into compliance.

17           (2) TIME PERIOD FOR COMPLIANCE.—A reme-  
 18           diation plan shall bring the agency's financial man-  
 19           agement systems into compliance no later than 2  
 20           years after the date on which the Director makes a  
 21           determination under paragraph (1), unless the agen-  
 22           cy, with concurrence of the Director—

23                   (A) determines that the agency's financial  
 24                   management systems are so deficient as to pre-



1           clude compliance with the requirements of sub-  
2           section (a) within 2 years;

3           (B) specifies the most feasible date for  
4           bringing the agency's financial management  
5           systems into compliance with the requirements  
6           of subsection (a); and

7           (C) designates an official of the agency  
8           who shall be responsible for bringing the agen-  
9           cy's financial management systems into compli-  
10          ance with the requirements of subsection (a) by  
11          the date specified under subparagraph (B).

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

1       denied funds. The head of the agency shall notify  
2       Congress 30 days before such a transfer is made  
3       pursuant to such authority.

4               (4) REPORT IF NONCOMPLIANCE WITHIN TIME  
5       PERIOD.—If an agency fails to bring its financial  
6       management systems into compliance within the  
7       time period specified under paragraph (2), the Di-  
8       rector shall submit a report of such failure to the  
9       Committees on Governmental Affairs and Appropria-  
10      tions of the Senate and the Committees on Govern-  
11      ment Reform and Oversight and Appropriations of  
12      the House of Representatives. The report shall in-  
13      clude—

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

18               (B) the facts pertaining to the failure to  
19              comply with the requirements of subsection (a),  
20              including the nature and extent of the non-  
21              compliance, the primary reason or cause for the  
22              failure to comply, and any extenuating cir-  
23              cumstances;

24               (C) a statement of the remedial actions  
25              needed; and

1 (D) a statement of any administrative ac-  
2 tion to be taken with respect to any responsible  
3 officer or employee.

4 (f) PERSONAL RESPONSIBILITY.—Any financial offi-  
5 cer or program manager who knowingly and willfully com-  
6 mits, permits, or authorizes material deviation from the  
7 requirements of subsection (a) may be subject to adminis-  
8 trative disciplinary action, suspension from duty, or re-  
9 moval from office.

10 **SEC. 4. APPLICATION TO CONGRESS AND THE JUDICIAL**  
11 **BRANCH.**

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

14 (1) the Senate by resolution as an exercise of  
15 the rulemaking power of the Senate;

16 (2) the House of Representatives by resolution  
17 as an exercise of the rulemaking power of the House  
18 of Representatives; or

19 (3) the Judicial Conference of the United  
20 States by regulation for the judicial branch.

21 (b) STUDY AND REPORT.—No later than October 1,  
22 1997—

23 (1) the Secretary of the Senate and the Clerk  
24 of the House of Representatives shall jointly conduct  
25 a study and submit a report to Congress on how the

1 offices and committees of the Senate and the House  
2 of Representatives, and all offices and agencies of  
3 the legislative branch may achieve compliance with  
4 financial management and accounting standards in a  
5 manner comparable to the requirements of this Act;  
6 and

7 (2) the Chief Justice of the United States shall  
8 conduct a study and submit a report to Congress on  
9 how the judiciary may achieve compliance with fi-  
10 nancial management and accounting standards in a  
11 manner comparable to the requirements of this Act.

12 **SEC. 5. REPORTING REQUIREMENTS.**

13 (a) REPORTS BY DIRECTOR.—No later than March  
14 31 of each year, the Director shall submit a report to the  
15 Congress regarding implementation of this Act. The Di-  
16 rector may include the report in the financial management  
17 status report and the 5-year financial management plan  
18 submitted under section 3512(a)(1) of title 31, United  
19 States Code.

20 (b) REPORTS BY THE COMPTROLLER GENERAL.—No  
21 later than October 1, 1997, and October 1, of each year  
22 thereafter, the Comptroller General of the United States  
23 shall report to the appropriate committees of the Congress  
24 concerning—

1           (1) compliance with the requirements of section  
 2           3(a) of this Act, including whether the financial  
 3           statements of the Federal Government have been  
 4           prepared in accordance with applicable accounting  
 5           standards; and

6           (2) the adequacy of uniform accounting stand-  
 7           ards for the Federal Government.

8   **SEC. 6. CONFORMING AMENDMENTS.**

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

13          (b) FINANCIAL MANAGEMENT STATUS REPORT.—  
 14          Section 3512(a)(2) of title 31, United States Code, is  
 15          amended by—

16               (1) in subparagraph (D) by striking “and”  
 17               after the semicolon;

18               (2) by redesignating subparagraph (E) as sub-  
 19               paragraph (F); and

20               (3) by inserting after subparagraph (D) the fol-  
 21               lowing:

22                       “(E) a listing of agencies whose financial  
 23                       management systems do not comply substan-  
 24                       tially with the requirements of the Federal Fi-  
 25                       nancial Management Improvement Act of 1996,

1 the period of time that such agencies have not  
2 been in compliance, and a summary statement  
3 of the efforts underway to remedy the non-  
4 compliance; and”.

5 **SEC. 7. DEFINITIONS.**

6 For purposes of this Act:

7 (1) AGENCY.—The term “agency” means a de-  
8 partment or agency of the United States Govern-  
9 ment as defined in section 901(b) of title 31, United  
10 States Code.

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

14 (3) FEDERAL ACCOUNTING STANDARDS.—The  
15 term “Federal accounting standards” means appli-  
16 cable accounting principles, standards, and require-  
17 ments consistent with section 902(a)(3)(A) of title  
18 31, United States Code, and includes concept state-  
19 ments with respect to the objectives of Federal fi-  
20 nancial reporting.

21 (4) FINANCIAL MANAGEMENT SYSTEMS.—The  
22 term “financial management systems” includes the  
23 financial systems and the financial portions of mixed  
24 systems necessary to support financial management,  
25 including automated and manual processes, proce-

dures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions.

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

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

(B) supporting financial planning or budgeting activities;

(C) accumulating and reporting costs information; or

(D) supporting the preparation of financial statements.

(6) MIXED SYSTEM.—The term “mixed system” means an information system that supports both financial and nonfinancial functions of the Federal Government or components thereof.

**SEC. 8. EFFECTIVE DATE.**

This Act shall take effect on October 1, 1996.

Passed the Senate August 2, 1996.

Attest: KELLY D. JOHNSTON,  
*Secretary.*