

Calendar No. 548

104TH CONGRESS  
2D Session

**S. 1130**

[Report No. 104-339]

**A BILL**

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

JULY 30, 1996

Reported with an amendment

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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, Mr. INHOFE, Mr. LOTT, Mr. GLENN, Mr. NICKLES, Mr. GORTON, Mr. LEVIN, Mr. FAIRCLOTH, Mr. GRASSLEY, and Mr. KYL) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

JULY 30, 1996

Reported by Mr. STEVENS, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italie*]**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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Accounting Standard-  
3 ization Act of 1995”.

4 **SEC. 2. FINDINGS AND PURPOSES.**

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

6 (1) Much effort has been devoted to strengthen-  
7 ing Federal internal accounting controls in the past.  
8 Although progress has been made in recent years,  
9 there still exists no uniform Federal accounting sys-  
10 tem for Federal Government entities and institu-  
11 tions.

12 (2) As a result, Federal financial management  
13 continues to be seriously deficient, and Federal fi-  
14 nancial management and fiscal practices have failed  
15 to identify costs, failed to reflect the total liabilities  
16 of congressional actions, and failed to accurately re-  
17 port the financial condition of the Federal Govern-  
18 ment.

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

1           (4) Waste and inefficiency in Federal Govern-  
2           ment undermine the confidence of the American peo-  
3           ple in the Government and reduces the Federal Gov-  
4           ernment's ability to address adequately vital public  
5           needs.

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

19          (6) Since its establishment in October 1990, the  
20          Federal Account Standards Advisory Board (herein-  
21          after referred to as the "FASAB") has made sub-  
22          stantial progress in completing its efforts to develop  
23          and recommend uniform "generally accepted ac-  
24          counting standards" for the Federal Government.  
25          The FASAB has issued statements on accounting

1 and managerial cost standards based on sound, mod-  
 2 ern business practices. The proposed standards will  
 3 provide cost and financial information that will as-  
 4 sist the Congress and financial managers evaluate  
 5 the cost and performance of Federal programs and  
 6 activities, and will therefore provide important infor-  
 7 mation that has been lacking, but is needed for im-  
 8 proved decisionmaking by financial managers and  
 9 the Congress.

10 (7) Through implementation of these standards  
 11 in Federal accounting systems, over the long term,  
 12 improved financial management is a likely outcome.  
 13 Codification and implementation of these standards  
 14 will resolve a long standing deficiency with Federal  
 15 accounting systems.

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

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

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

21 (B) uniformity of accounting between the  
 22 several Federal entities and governmentwide;  
 23 and

24 (2) make full disclosure of Federal financial  
 25 data, including the full cost of Federal programs

1 and activities, to the citizens, the Congress, the  
 2 President, and agency management, so that pro-  
 3 grams and activities can be considered based on  
 4 their full costs and merits;

5 (3) increase the accountability and credibility of  
 6 Federal financial management;

7 (4) improve performance, productivity, and effi-  
 8 ciency of the Federal Government financial manage-  
 9 ment;

10 (5) control the cost of Federal Government;

11 (6) build upon and complement the authorities  
 12 provided the Comptroller General, the Secretary of  
 13 the Treasury, and the Director of the Office of Man-  
 14 agement and Budget in the Accounting and Audit-  
 15 ing Act of 1950, the Chief Financial Officers Act of  
 16 1990, the Government Performance and Results Act  
 17 of 1993, and the Government Management Reform  
 18 Act of 1994; and

19 (7) monitor budget execution, financially and  
 20 performance-wise, including the regular reporting to  
 21 actual dollars and activities.

22 **SEC. 3. ESTABLISHMENT OF A UNIFORM FEDERAL AC-**  
 23 **COUNTING SYSTEM.**

24 (a) IN GENERAL.—Beginning with fiscal year 1997,  
 25 the President shall require the heads of agencies to imple-

1 ment and maintain a uniform Federal accounting system  
 2 established in accordance with this Act and other applica-  
 3 ble law.

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

15 (c) ~~APPROVED FEDERAL ACCOUNTING STAND-~~  
 16 ~~ARDS.~~—

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

23 (2) ~~INTERIM PRINCIPALS.~~—Pending issuance of  
 24 the FASAB final accounting standards or in the ab-  
 25 sence of the FASAB accounting standards, the fol-

1        lowing hierarchy of the generally accepted account-  
 2        ing principles for the Federal Government shall  
 3        apply:

4                (A) Individual statements agreed to and  
 5                published by the Joint Financial Management  
 6                Improvement Program (JFMIP) principals.

7                (B) Form and content requirements in-  
 8                cluded in OMB Bulletin 93-02, dated October  
 9                22, 1992, and subsequent issuance.

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

14              (D) Accounting principles published by au-  
 15              thoritative standards setting bodies and other  
 16              authoritative sources—

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

19                      (ii) if the use of such accounting  
 20                      standards improve the meaningfulness of  
 21                      the financial statements.

22        (d) ~~AUTHORITY TO MODIFY OR AMEND.~~—In accord-  
 23        ance with the Memorandum of Understanding dated Octo-  
 24        ber 10, 1990, the FASAB may recommend the modifica-  
 25        tion, amendment, or revision, or interpretation of any Fed-

1 eral accounting standard to the Secretary of the Treasury,  
2 the Director, Office of Management and Budget, and the  
3 Comptroller General.

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

13 (f) FEDERAL ACCOUNTING SYSTEM REQUIRE-  
14 MENTS.—For purposes of this Act, a Federal accounting  
15 system shall be consistent with the Federal financial man-  
16 agement systems requirements, as amended from time to  
17 time, adopted by the Secretary of the Treasury, the Direc-  
18 tor of the Office of Management and Budget, and the  
19 Comptroller General pursuant to the continuing program  
20 for improving financial management authorized by section  
21 3511(e), title 31, United States Code, and the Federal ac-  
22 counting standards published pursuant to subsections (b),  
23 (c), and (d) of this section.

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

2       (a) ~~IN GENERAL.~~—The FASAB may recommend to  
3 the Secretary of the Treasury, the Director of the Office  
4 of Management and Budget, and the Comptroller General,  
5 the application of Federal accounting standards and Fed-  
6 eral financial management systems requirements to a cor-  
7 poration, agency or instrumentality subject to chapter 91  
8 of title 31, United States Code, or a federally chartered  
9 corporation or instrumentality.

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

19 **SEC. 5. ENFORCEMENT.**

20       (a) ~~IN GENERAL.~~—

21               (1) ~~UNIFORM SYSTEM.~~—Each Federal agency  
22 shall implement and maintain a uniform Federal ac-  
23 counting system in accordance with the requirements  
24 of this Act.

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

4           (3) PRIVATE SECTOR INVOLVEMENT.—Each  
5           Federal agency may implement this Act by utilizing  
6           the assistance of private sector firms to develop  
7           basic systems, subject to the requirements specified  
8           in this Act.

9           (b) AUDIT COMPLIANCE FINDING.—Each audit re-  
10          quired by section 3521 of title 31, United States Code,  
11          shall report whether the agency accounting system com-  
12          plies substantially with the requirements of a uniform  
13          Federal accounting system.

14          (c) PENALTIES.—

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

plies substantially with the requirements of a uniform Federal accounting system.

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

~~(A) 1 percent across-the-board budget reduction of the entity's or institution's budget for the fiscal year 1998.~~

~~(B) 2 percent across-the-board budget reduction of the entity's or institution's budget for the fiscal year 1999.~~

~~(C) 3 percent across-the-board budget reduction of the entity's or institution's budget for the fiscal year 2000.~~

~~(D) 4 percent across-the-board budget reduction of the entity's or institution's budget for the fiscal year 2001.~~

~~(E) 5 percent across-the-board budget reduction of the entity's or institution's budget for the fiscal year 2002.~~

~~(3) PENALTIES ENFORCEMENT.~~—The Department of the Treasury shall accordingly reduce the amount as set forth in paragraph ~~(2)~~ upon receipt

1 of determination of noncompliance from the Control-  
 2 ler.

3 ~~(4) ANTI-DEFICIENCY VIOLATION PENALTIES.—~~

4 Any financial officer who knowingly or willingly com-  
 5 mits, permits, or authorizes deviation from the ac-  
 6 counting and reporting standards and procedures es-  
 7 tablished in accordance with this Act and other ap-  
 8 plicable law, shall be subject to possible administra-  
 9 tive disciplinary action, suspension from duty, or re-  
 10 moval from office; and, when warranted, upon con-  
 11 viction, shall be fined not more than \$5,000 or im-  
 12 prisoned for not more than 2 years, or both.

13 **SEC. 6. APPLICATION TO CONGRESS AND THE JUDICIAL**  
 14 **BRANCH.**

15 The Federal accounting system required by this Act  
 16 may be—

17 (1) adopted by the Senate by resolution as an  
 18 exercise of the rulemaking power of the Senate;

19 (2) adopted by the House of Representatives by  
 20 resolution as an exercise of the rulemaking power of  
 21 the House of Representatives; and

22 (3) adopted by the Administrative Conference  
 23 of the Courts by regulations for the judicial branch.

1 **SEC. 7. REPORTING REQUIREMENTS.**

2 Not later than March 31 of each year, the Office of  
 3 Management and Budget and the General Accounting Of-  
 4 fice shall report separately to the Congress regarding im-  
 5 plementation of this Act. The Office of Management and  
 6 Budget may include its report in the Financial Manage-  
 7 ment Status Report and the 5-year Financial Management  
 8 Plan issued pursuant to section 3512(a)(1) of title 31,  
 9 United States Code.

10 **SEC. 8. DEFINITIONS.**

11 For purposes of this Act:

12 (1) **AGENCIES.**—The term “agencies” means a  
 13 department or agency of the United States Govern-  
 14 ment but does not include a Government corporation  
 15 as such term is defined in chapter 91 of title 31,  
 16 United States Code, or a federally chartered cor-  
 17 poration.

18 (2) **CONSISTENCY.**—The term “consistency” re-  
 19 fers to the compilation or allocation of reporting of  
 20 costs in the same manner by the Federal entity from  
 21 one fiscal year to another. An inconsistent compila-  
 22 tion, use or reporting of data must be clearly and  
 23 conspicuously communicated by the Federal entity to  
 24 the Congress, President, GAO, OMB, and the Treas-  
 25 ury in the year of inconsistency.

1           ~~(3) UNIFORMITY.—~~The term “uniformity” re-  
 2           fers to the comparability of compilation or alloca-  
 3           tion, use or reporting of costs between Federal enti-  
 4           ties and governmentwide pursuant to the standards  
 5           recommended by the FASAB.

6           ~~(4) FULL DISCLOSURE.—~~The term “full disclo-  
 7           sure” refers to the accuracy of the financial state-  
 8           ments, operating reports and related and appro-  
 9           priate footnote disclosures made in compliance with  
 10          the standards recommended by the FASAB.

11          ~~(5) FULL COST.—~~The term “full cost” refers to  
 12          the uniform and consistent determination, compila-  
 13          tion, and reporting of costs in compliance with  
 14          standards recommended by the FASAB.

15          ~~(6) FEDERAL ACCOUNTING STANDARDS.—~~The  
 16          term “Federal accounting standards” includes re-  
 17          porting objectives.

18 **SEC. 9. CONFORMING AMENDMENT.**

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

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

24          Nothing in this Act shall be construed to supersede  
 25          or diminish the authority of the Comptroller General to

1 prescribe accounting principles, standards, and require-  
 2 ments pursuant to section 3511, title 31, United States  
 3 Code.

4 **SEC. 11. EFFECTIVE DATE.**

5 This Act shall take effect on the date of enactment  
 6 of this Act.

7 **SECTION 1. SHORT TITLE.**

8 *This Act may be cited as the “Federal Financial Man-*  
 9 *agement Improvement Act of 1996”.*

10 **SEC. 2. FINDINGS AND PURPOSES.**

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

12 *(1) Much effort has been devoted to strengthening*  
 13 *Federal internal accounting controls in the past. Al-*  
 14 *though progress has been made in recent years, Fed-*  
 15 *eral accounting standards have not been uniformly*  
 16 *implemented in financial management systems for*  
 17 *agencies.*

18 *(2) Federal financial management continues to*  
 19 *be seriously deficient, and Federal financial manage-*  
 20 *ment and fiscal practices have failed to—*

21 *(A) identify costs fully;*

22 *(B) reflect the total liabilities of congres-*  
 23 *sional actions; and*

24 *(C) accurately report the financial condi-*  
 25 *tion of the Federal Government.*

1           (3) *Current Federal accounting practices do not*  
2           *accurately report financial results of the Federal Gov-*  
3           *ernment or the full costs of programs and activities.*  
4           *The continued use of these practices undermines the*  
5           *Government's ability to provide credible and reliable*  
6           *financial data and encourages already widespread*  
7           *Government waste, and will not assist in achieving a*  
8           *balanced budget.*

9           (4) *Waste and inefficiency in the Federal Gov-*  
10          *ernment undermine the confidence of the American*  
11          *people in the Government and reduce the Federal*  
12          *Government's ability to address vital public needs*  
13          *adequately.*

14          (5) *To rebuild the accountability and credibility*  
15          *of the Federal Government, and restore public con-*  
16          *fidence in the Federal Government, agencies must in-*  
17          *corporate accounting standards and reporting objec-*  
18          *tives established for the Federal Government into their*  
19          *financial management systems so that all the assets*  
20          *and liabilities, revenues, and expenditures or ex-*  
21          *penses, and the full costs of programs and activities*  
22          *of the Federal Government can be consistently and ac-*  
23          *curately recorded, monitored, and uniformly reported*  
24          *throughout the Federal Government.*

1           (6) *Since its establishment in October 1990, the*  
 2           *Federal Accounting Standards Advisory Board (here-*  
 3           *inafter referred to as the “FASAB”) has made sub-*  
 4           *stantial progress toward developing and recommend-*  
 5           *ing a comprehensive set of accounting concepts and*  
 6           *standards for the Federal Government. When the ac-*  
 7           *counting concepts and standards developed by*  
 8           *FASAB are incorporated into Federal financial man-*  
 9           *agement systems, agencies will be able to provide cost*  
 10          *and financial information that will assist the Con-*  
 11          *gress and financial managers to evaluate the cost and*  
 12          *performance of Federal programs and activities, and*  
 13          *will therefore provide important information that has*  
 14          *been lacking, but is needed for improved decisionmak-*  
 15          *ing by financial managers and the Congress.*

16          (7) *The development of financial management*  
 17          *systems with the capacity to support these standards*  
 18          *and concepts will, over the long term, improve Fed-*  
 19          *eral financial management.*

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

21               (1) *provide for consistency of accounting by an*  
 22               *agency from one fiscal year to the next, and uniform*  
 23               *accounting standards throughout the Federal Govern-*  
 24               *ment;*

1           (2) *require Federal financial management sys-*  
2           *tems to support full disclosure of Federal financial*  
3           *data, including the full costs of Federal programs and*  
4           *activities, to the citizens, the Congress, the President,*  
5           *and agency management, so that programs and ac-*  
6           *tivities can be considered based on their full costs and*  
7           *merits;*

8           (3) *increase the accountability and credibility of*  
9           *Federal financial management;*

10          (4) *improve performance, productivity and effi-*  
11          *ciency of Federal Government financial management;*

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

14          (6) *build upon and complement the Chief Finan-*  
15          *cial Officers Act of 1990 (Public Law 101–576; 104*  
16          *Stat. 2838), the Government Performance and Results*  
17          *Act of 1993 (Public Law 103–62; 107 Stat. 285), and*  
18          *the Government Management Reform Act of 1994*  
19          *(Public Law 103–356; 108 Stat. 3410); and*

20          (7) *increase the capability of agencies to monitor*  
21          *execution of the budget by more readily permitting re-*  
22          *ports that compare spending of resources to results of*  
23          *activities.*

1 **SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MAN-**  
 2 **AGEMENT IMPROVEMENTS.**

3 (a) *IN GENERAL.*—Each agency shall implement and  
 4 maintain financial management systems that comply with  
 5 Federal financial management systems requirements, appli-  
 6 cable Federal accounting standards, and the United States  
 7 Government Standard General Ledger at the transaction  
 8 level.

9 (b) *PRIORITY.*—Each agency shall give priority in  
 10 funding and provide sufficient resources to implement this  
 11 Act.

12 (c) *AUDIT COMPLIANCE FINDING.*—

13 (1) *IN GENERAL.*—Each audit required by sec-  
 14 tion 3521(e) of title 31, United States Code, shall re-  
 15 port whether the agency financial management sys-  
 16 tems comply with the requirements of subsection (a).

17 (2) *CONTENT OF REPORTS.*—When the person  
 18 performing the audit required by section 3521(e) of  
 19 title 31, United States Code, reports that the agency  
 20 financial management systems do not comply with  
 21 the requirements of subsection (a), the person per-  
 22 forming the audit shall include in the report on the  
 23 audit—

24 (A) the name and position of any officer or em-  
 25 ployee responsible for the financial management sys-

1        *tems that have been found not to comply with the re-*  
 2        *quirements of subsection (a);*

3                *(B) all facts pertaining to the failure to comply*  
 4        *with the requirements of subsection (a), including—*

5                        *(i) the nature and extent of the noncompli-*  
 6        *ance;*

7                        *(ii) the primary reason or cause of the non-*  
 8        *compliance;*

9                        *(iii) any official responsible for the non-*  
 10        *compliance; and*

11                        *(iv) any relevant comments from any re-*  
 12        *sponsible officer or employee; and*

13                *(C) a statement with respect to the recommended*  
 14        *remedial actions and the timeframes to implement*  
 15        *such actions.*

16        *(d) COMPLIANCE DETERMINATION.—*

17                *(1) IN GENERAL.—No later than the date de-*  
 18        *scribed under paragraph (2), the Director, acting*  
 19        *through the Controller of the Office of Federal Finan-*  
 20        *cial Management, shall determine whether the finan-*  
 21        *cial management systems of an agency comply with*  
 22        *the requirements of subsection (a). Such determina-*  
 23        *tion shall be based on—*

24                        *(A) a review of the report on the applicable*  
 25        *agency-wide audited financial statement;*

1                   (B) the agency comments on such report;  
2                   and

3                   (C) any other information the Director con-  
4                   siders relevant and appropriate.

5                   (2) *DATE OF DETERMINATION.*—The determina-  
6                   tion under paragraph (1) shall be made no later than  
7                   90 days after the earlier of—

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

10                  (B) the last day of the fiscal year following  
11                  the year covered by such statement.

12                  (e) *COMPLIANCE IMPLEMENTATION.*—

13                  (1) *IN GENERAL.*—If the Director determines  
14                  that the financial management systems of an agency  
15                  do not comply with the requirements of subsection (a),  
16                  the head of the agency, in consultation with the Di-  
17                  rector, shall establish a remediation plan that shall  
18                  include the resources, remedies, and intermediate tar-  
19                  get dates necessary to bring the agency's financial  
20                  management systems into compliance.

21                  (2) *TIME PERIOD FOR COMPLIANCE.*—A remedi-  
22                  ation plan shall bring the agency's financial manage-  
23                  ment systems into compliance no later than 2 years  
24                  after the date on which the Director makes a deter-

1        *mination under paragraph (1), unless the agency,*  
 2        *with concurrence of the Director—*

3                *(A) determines that the agency's financial*  
 4                *management systems are so deficient as to pre-*  
 5                *clude compliance with the requirements of sub-*  
 6                *section (a) within 2 years;*

7                *(B) specifies the most feasible date for*  
 8                *bringing the agency's financial management sys-*  
 9                *tems into compliance with the requirements of*  
 10               *subsection (a); and*

11               *(C) designates an official of the agency who*  
 12               *shall be responsible for bringing the agency's fi-*  
 13               *nancial management systems into compliance*  
 14               *with the requirements of subsection (a) by the*  
 15               *date specified under subparagraph (B).*

16               *(3) TRANSFER OF FUNDS FOR CERTAIN IMPROVE-*  
 17               *MENTS.—For an agency that has established a reme-*  
 18               *diation plan under paragraph (2), the head of the*  
 19               *agency, to the extent provided in an appropriation*  
 20               *and with the concurrence of the Director, may trans-*  
 21               *fer not to exceed 2 percent of available agency appro-*  
 22               *priations to be merged with and to be available for*  
 23               *the same period of time as the appropriation or fund*  
 24               *to which transferred, for priority financial manage-*  
 25               *ment system improvements. Such authority shall be*

1        *used only for priority financial management system*  
 2        *improvements as identified by the head of the agency,*  
 3        *with the concurrence of the Director, and in no case*  
 4        *for an item for which Congress has denied funds. The*  
 5        *head of the agency shall notify Congress 30 days be-*  
 6        *fore such a transfer is made pursuant to such author-*  
 7        *ity.*

8                *(4) REPORT IF NONCOMPLIANCE WITHIN TIME*  
 9        *PERIOD.—If an agency fails to bring its financial*  
 10        *management systems into compliance within the time*  
 11        *period specified under paragraph (2), the Director*  
 12        *shall submit a report of such failure to the Commit-*  
 13        *tees on Governmental Affairs and Appropriations of*  
 14        *the Senate and the Committees on Government Re-*  
 15        *form and Oversight and Appropriations of the House*  
 16        *of Representatives. The report shall include—*

17                *(A) the name and position of any officer or*  
 18        *employee responsible for the financial manage-*  
 19        *ment systems that have been found not to comply*  
 20        *with the requirements of subsection (a);*

21                *(B) the facts pertaining to the failure to*  
 22        *comply with the requirements of subsection (a),*  
 23        *including the nature and extent of the non-*  
 24        *compliance, the primary reason or cause for the*

1           *failure to comply, and any extenuating cir-*  
 2           *cumstances;*

3           (C) *a statement of the remedial actions*  
 4           *needed; and*

5           (D) *a statement of any administrative ac-*  
 6           *tion to be taken with respect to any responsible*  
 7           *officer or employee.*

8           (f) *PERSONAL RESPONSIBILITY.—Any financial officer*  
 9           *or program manager who knowingly and willfully commits,*  
 10          *permits, or authorizes material deviation from the require-*  
 11          *ments of subsection (a) may be subject to administrative*  
 12          *disciplinary action, suspension from duty, or removal from*  
 13          *office.*

14       **SEC. 4. APPLICATION TO CONGRESS AND THE JUDICIAL**  
 15               **BRANCH.**

16          (a) *IN GENERAL.—The Federal financial management*  
 17          *requirements of this Act may be adopted by—*

18               (1) *the Senate by resolution as an exercise of the*  
 19               *rulemaking power of the Senate;*

20               (2) *the House of Representatives by resolution as*  
 21               *an exercise of the rulemaking power of the House of*  
 22               *Representatives; or*

23               (3) *the Judicial Conference of the United States*  
 24               *by regulation for the judicial branch.*

1       (b) *STUDY AND REPORT.*—No later than October 1,  
2 1997—

3           (1) *the Secretary of the Senate and the Clerk of*  
4 *the House of Representatives shall jointly conduct a*  
5 *study and submit a report to Congress on how the of-*  
6 *fices and committees of the Senate and the House of*  
7 *Representatives, and all offices and agencies of the*  
8 *legislative branch may achieve compliance with fi-*  
9 *nancial management and accounting standards in a*  
10 *manner comparable to the requirements of this Act;*  
11 *and*

12           (2) *the Chief Justice of the United States shall*  
13 *conduct a study and submit a report to Congress on*  
14 *how the judiciary may achieve compliance with fi-*  
15 *nancial management and accounting standards in a*  
16 *manner comparable to the requirements of this Act.*

17 **SEC. 5. REPORTING REQUIREMENTS.**

18       (a) *REPORTS BY DIRECTOR.*—No later than March 31  
19 *of each year, the Director shall submit a report to the Con-*  
20 *gress regarding implementation of this Act. The Director*  
21 *may include the report in the financial management status*  
22 *report and the 5-year financial management plan submit-*  
23 *ted under section 3512(a)(1) of title 31, United States Code.*

24       (b) *REPORTS BY THE COMPTROLLER GENERAL.*—No  
25 *later than October 1, 1997, and October 1, of each year*

1 *thereafter, the Comptroller General of the United States*  
 2 *shall report to the appropriate committees of the Congress*  
 3 *concerning—*

4 *(1) compliance with the requirements of section*  
 5 *3(a) of this Act, including whether the financial state-*  
 6 *ments of the Federal Government have been prepared*  
 7 *in accordance with applicable accounting standards;*  
 8 *and*

9 *(2) the adequacy of uniform accounting stand-*  
 10 *ards for the Federal Government.*

11 **SEC. 6. CONFORMING AMENDMENTS.**

12 *(a) AUDITS BY AGENCIES.—Section 3521(f)(1) of title*  
 13 *31, United States Code, is amended in the first sentence*  
 14 *by inserting “and the Controller of the Office of Federal*  
 15 *Financial Management” before the period.*

16 *(b) FINANCIAL MANAGEMENT STATUS REPORT.—Sec-*  
 17 *tion 3512(a)(2) of title 31, United States Code, is amended*  
 18 *by—*

19 *(1) in subparagraph (D) by striking “and” after*  
 20 *the semicolon;*

21 *(2) by redesignating subparagraph (E) as sub-*  
 22 *paragraph (F); and*

23 *(3) by inserting after subparagraph (D) the fol-*  
 24 *lowing:*

“(E) a listing of agencies whose financial management systems do not comply substantially with the requirements of the Federal Financial Management Improvement Act of 1996, the period of time that such agencies have not been in compliance, and a summary statement of the efforts underway to remedy the noncompliance; and”.

**SEC. 7. DEFINITIONS.**

*For purposes of this Act:*

(1) *AGENCY.*—The term “agency” means a department or agency of the United States Government as defined in section 901(b) of title 31, United States Code.

(2) *DIRECTOR.*—The term “Director” means the Director of the Office of Management and Budget.

(3) *FEDERAL ACCOUNTING STANDARDS.*—The term “Federal accounting standards” means applicable accounting principles, standards, and requirements consistent with section 902(a)(3)(A) of title 31, United States Code, and includes concept statements with respect to the objectives of Federal financial reporting.

(4) *FINANCIAL MANAGEMENT SYSTEMS.*—The term “financial management systems” includes the fi-

1      *nancial systems and the financial portions of mixed*  
 2      *systems necessary to support financial management,*  
 3      *including automated and manual processes, proce-*  
 4      *dures, controls, data, hardware, software, and support*  
 5      *personnel dedicated to the operation and maintenance*  
 6      *of system functions.*

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

10           (A) *collecting, processing, maintaining,*  
 11           *transmitting, or reporting data about financial*  
 12           *events;*

13           (B) *supporting financial planning or budg-*  
 14           *eting activities;*

15           (C) *accumulating and reporting costs infor-*  
 16           *mation; or*

17           (D) *supporting the preparation of financial*  
 18           *statements.*

19           (6) *MIXED SYSTEM.*—*The term “mixed system”*  
 20      *means an information system that supports both fi-*  
 21      *nancial and nonfinancial functions of the Federal*  
 22      *Government or components thereof.*

23   **SEC. 8. EFFECTIVE DATE.**

24      *This Act shall take effect on October 1, 1996.*