

substitute be agreed to, the bill be deemed read the third time and passed, as amended, the motion to reconsider be laid upon the table, and any statements relating to the bill appear at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 1559), as amended, was deemed read the third time and passed.

(The text of the bill will be printed in a future edition of the RECORD.)

REAUTHORIZATION OF THE INDIAN ENVIRONMENTAL GENERAL ASSISTANCE PROGRAM ACT

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of calendar No. 544, S. 1834.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1834) to reauthorize the Indian Environmental General Assistance Program Act of 1992, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. STEVENS. Mr. President, I ask unanimous consent that the bill be deemed read a third time, passed, the motion to reconsider be laid upon the table, and any statements relating to the bill appear at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 1834) was deemed read the third time and passed, as follows:

S. 1834

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. REAUTHORIZATION.**

Section 502(h) of the Indian Environmental General Assistance Program Act of 1992 (42 U.S.C. 4368b(h)) is amended by striking "\$15,000,000" and inserting "such sums as may be necessary".

**FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996**

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of calendar No. 548, S. 1130.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1130) to provide for the establishment of uniform accounting systems, standards and reporting systems in the Federal Government, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Governmental Affairs, with an amendment to strike all after the enacting clause and insert in lieu thereof the following:

**SECTION 1. SHORT TITLE.**

*This Act may be cited as the "Federal Financial Management Improvement Act of 1996".*

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

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

(1) *Much effort has been devoted to strengthening Federal internal accounting controls in the past. Although progress has been made in recent years, Federal accounting standards have not been uniformly implemented in financial management systems for agencies.*

(2) *Federal financial management continues to be seriously deficient, and Federal financial management and fiscal practices have failed to—*

(A) *identify costs fully;*

(B) *reflect the total liabilities of congressional actions; and*

(C) *accurately report the financial condition of the Federal Government.*

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

(4) *Waste and inefficiency in the Federal Government undermine the confidence of the American people in the Government and reduce the Federal Government's ability to address vital public needs adequately.*

(5) *To rebuild the accountability and credibility of the Federal Government, and restore public confidence in the Federal Government, agencies must incorporate accounting standards and reporting objectives established for the Federal Government into their financial management systems so that all the assets and liabilities, revenues, and expenditures or expenses, and the full costs of programs and activities of the Federal Government can be consistently and accurately recorded, monitored, and uniformly reported throughout the Federal Government.*

(6) *Since its establishment in October 1990, the Federal Accounting Standards Advisory Board (hereinafter referred to as the "FASAB") has made substantial progress toward developing and recommending a comprehensive set of accounting concepts and standards for the Federal Government. When the accounting concepts and standards developed by FASAB are incorporated into Federal financial management systems, agencies will be able to provide cost and financial information that will assist the Congress and financial managers to evaluate the cost and performance of Federal programs and activities, and will therefore provide important information that has been lacking, but is needed for improved decisionmaking by financial managers and the Congress.*

(7) *The development of financial management systems with the capacity to support these standards and concepts will, over the long term, improve Federal financial management.*

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

(1) *provide for consistency of accounting by an agency from one fiscal year to the next, and uniform accounting standards throughout the Federal Government;*

(2) *require Federal financial management systems to support full disclosure of Federal financial data, including the full costs of Federal programs and activities, to the citizens, the Congress, the President, and agency management, so that programs and activities can be considered based on their full costs and merits;*

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

(4) *improve performance, productivity and efficiency of Federal Government financial management;*

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

(6) *build upon and complement the Chief Financial Officers Act of 1990 (Public Law 101-576; 104 Stat. 2838), the Government Performance and Results Act of 1993 (Public Law 103-62; 107 Stat. 285), and the Government Management Reform Act of 1994 (Public Law 103-356; 108 Stat. 3410); and*

(7) *increase the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities.*

**SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MANAGEMENT IMPROVEMENTS.**

(a) *IN GENERAL.—Each agency shall implement and maintain financial management systems that comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.*

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

(c) *AUDIT COMPLIANCE FINDING.—*

(1) *IN GENERAL.—Each audit required by section 3521(e) of title 31, United States Code, shall report whether the agency financial management systems comply with the requirements of subsection (a).*

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

(A) *the name and position of any officer or employee responsible for the financial management systems that have been found not to comply with the requirements of subsection (a);*

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

(i) *the nature and extent of the noncompliance;*

(ii) *the primary reason or cause of the noncompliance;*

(iii) *any official responsible for the noncompliance; and*

(iv) *any relevant comments from any responsible officer or employee; and*

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

(d) *COMPLIANCE DETERMINATION.—*

(1) *IN GENERAL.—No later than the date described under paragraph (2), the Director, acting through the Controller of the Office of Federal Financial Management, shall determine whether the financial management systems of an agency comply with the requirements of subsection (a). Such determination shall be based on—*

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

(B) *the agency comments on such report; and*

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

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

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

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

(e) *COMPLIANCE IMPLEMENTATION.—*

(1) *IN GENERAL.—If the Director determines that the financial management systems of an agency do not comply with the requirements of subsection (a), the head of the agency, in consultation with the Director, shall establish a remediation plan that shall include the resources, remedies, and intermediate target dates necessary to bring the agency's financial management systems into compliance.*

(2) *TIME PERIOD FOR COMPLIANCE.—A remediation plan shall bring the agency's financial management systems into compliance no later*

than 2 years after the date on which the Director makes a determination under paragraph (1), unless the agency, with concurrence of the Director—

(A) determines that the agency's financial management systems are so deficient as to preclude compliance with the requirements of subsection (a) within 2 years;

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

(C) designates an official of the agency who shall be responsible for bringing the agency's financial management systems into compliance with the requirements of subsection (a) by the date specified under subparagraph (B).

(3) **TRANSFER OF FUNDS FOR CERTAIN IMPROVEMENTS.**—For an agency that has established a remediation plan under paragraph (2), the head of the agency, to the extent provided in an appropriation and with the concurrence of the Director, may transfer not to exceed 2 percent of available agency appropriations to be merged with and to be available for the same period of time as the appropriation or fund to which transferred, for priority financial management system improvements. Such authority shall be used only for priority financial management system improvements as identified by the head of the agency, with the concurrence of the Director, and in no case for an item for which Congress has denied funds. The head of the agency shall notify Congress 30 days before such a transfer is made pursuant to such authority.

(4) **REPORT IF NONCOMPLIANCE WITHIN TIME PERIOD.**—If an agency fails to bring its financial management system into compliance within the time period specified under paragraph (2), the Director shall submit a report of such failure to the Committees on Governmental Affairs and Appropriations of the Senate and the Committees on Government Reform and Oversight and Appropriations of the House of Representatives. The report shall include—

(A) the name and position of any officer or employee responsible for the financial management systems that have been found not to comply with the requirements of subsection (a);

(B) the facts pertaining to the failure to comply with the requirements of subsection (a), including the nature and extent of the noncompliance, the primary reason or cause for the failure to comply, and any extenuating circumstances;

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

(D) a statement of any administrative action to be taken with respect to any responsible officer or employee.

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

#### SEC. 4. APPLICATION TO CONGRESS AND THE JUDICIAL BRANCH.

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

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

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

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

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

(1) the Secretary of the Senate and the Clerk of the House of Representatives shall jointly conduct a study and submit a report to Congress on how the offices and committees of the Senate and the House of Representatives, and all offices and agencies of the legislative branch may achieve compliance with financial management

and accounting standards in a manner comparable to the requirements of this Act; and

(2) the Chief Justice of the United States shall conduct a study and submit a report to Congress on how the judiciary may achieve compliance with financial management and accounting standards in a manner comparable to the requirements of this Act.

#### SEC. 5. REPORTING REQUIREMENTS.

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

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

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

(2) the adequacy of uniform accounting standards for the Federal Government.

#### SEC. 6. CONFORMING AMENDMENTS.

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

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

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

(2) by redesignating subparagraph (E) as subparagraph (F); and

(3) by inserting after subparagraph (D) the following:

“(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 financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, 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.

Mr. BROWN. Mr. President, several years ago, in an effort to identify excess spending in the federal budget, I inquired as to overhead costs in federal programs. I was advised that the federal accounting system makes it impossible to identify overhead expenses for most federal operations. The Federal Government, it turned out, has over two hundred separate primary accounting systems, making it impossible to compare something as basic as overhead costs.

Worse, many of these systems are shamefully inadequate even on their own terms. A 1995 General Accounting Office report reveals that the Pentagon made more than \$400 billion in adjustments to correct errors in defense reporting data for fiscal years 1991 to 1993—and the resulting statements still were not reliable. The Pentagon paid vendors \$29 billion that could not be matched with supporting documents to determine if these payments were proper. The Pentagon made an estimated \$3 million in fraudulent payments to a former Navy supply officer for more than 100 false invoice claims, and approximately \$8 million in Army payroll payments were made to unauthorized persons, including six “ghost” soldiers and 76 deserters.

The Internal Revenue Service offers another disturbing example of poor financial management and its consequences. The General Accounting Office testified before the Governmental Affairs Committee on June 6, 1996 that despite years of criticism, “fundamental, persistent problems remain uncorrected” at the IRS. For example, the IRS cannot substantiate the amounts reported for specific types of taxes collected, such as social security taxes, income taxes, and excise taxes. The IRS cannot even verify a significant portion of its own nonpayroll operating expenses, which total \$3 billion. One can hardly resist observing that this is the agency that demands precision from every taxpayer in America.

The General Accounting Office also reports that the Medicare program is undermined by flawed payment policies, weak billing controls and inconsistent program management. Instances of fraud and abuse abound in the \$190 billion program. In a January 1996 report, GAO detailed a long list of frauds. They include a \$4.3 million overpayment to a company providing heart monitoring services as well as 4,000 fraudulent claims by a Medicare supplier totaling approximately \$1.5 million. GAO discovered that frauds like these are perpetrated on a vast scale; one recently uncovered was operating across 20 states. The GAO report

locates the root of the problem in financial management: "[O]ur work shows that outlandish charges or very large reimbursements routinely escape the controls and typically go unquestioned." Even when fraudulent billing is discovered, Medicare usually has paid out the money and rarely acts effectively to recover it.

Together the Department of Defense, the IRS, and the Medicare Program are just a small part of a government so massive and complex that it controls and directs cash resources of almost \$2 trillion per year, issuing 900 million checks and maintaining a payroll and benefits system for over 5 million government employees. Clearly it is imperative that the government use a uniform and widely accepted set of accounting standards across the hundreds of agencies and departments that make up this government.

Today we are taking a great step toward putting Federal financial management in order. The Federal Financial Management Improvement Act of 1996 requires that all Federal agencies implement and maintain uniform accounting standards. The result will be more accurate and reliable information for program managers and leaders in Congress, meaning better decisions will be made: tax dollars will be put to better use, and a measure of confidence in the government will be restored. While this is not the kind of legislation that makes headlines, it is of great significance and I am proud that the Senate has passed it. I am very grateful to Senator STEVENS for steering the bill through his Committee.

Mr. GLENN. Mr. President, over the last 6 years, we have enacted several laws to improve Federal agency financial management. The Chief Financial Officers Act of 1990 put into place the first requirements for agencies to prepare annual audited financial statements. These requirements were strengthened by the Government Management Reform Act of 1994, and now all the major agencies are covered by the CFO Act requirements.

In oversight hearings conducted by the Governmental Affairs Committee, both when I was Chair and now as Ranking Minority Member, we have seen how these laws are making significant improvements in agency financial management. Unfortunately, we also have seen that many agencies still have a ways to go to make the necessary reforms.

The legislation before us today, the "Federal Financial Management Improvement Act" (S. 1130), which I cosponsored, helps agencies go those final miles to put into place necessary financial management systems and provide real accountability for the expenditure of public funds.

The legislation addresses the financial management systems that are needed to provide financial accountability. Annual financial statements will not do it alone, if agencies do not have the systems or personnel in place

to account for their financial operations. Accordingly, the bill requires agencies to comply with applicable accounting standards and systems requirements.

The legislation further requires auditors to identify agencies with deficient financial management systems. This puts added teeth in the CFO Act financial statement process, and will lead to practical remediation steps, to be overseen by OMB. I am concerned, however, that the legislation's requirements for auditors to identify officials responsible for agency financial systems may have the untoward consequence of intimidating our civil servants.

If this requirement is used to identify specific decisions that have frustrated the development of needed financial management reforms, it will be a success. It will also be a success if it creates incentives for improved training for financial management personnel. If, however, it is used to unfairly blame managers who are constrained by resource or policy decisions made above them, whether in the agency or by Congress, then we will have to revisit this requirement. At this point, however, I believe that on balance the time has come to demand more accountability from our agencies and agency officials for their financial management performance.

I commend Senator BROWN for introducing this bill and for working with us in Committee to improve it. I believe the "Federal Financial Management Improvement Act" is important legislation and will work to improve agency financial management. I urge my colleagues to support it.

Mr. STEVENS. Mr. President, I ask unanimous consent that the committee substitute be agreed to, the bill be deemed read the third time, passed, the motion to reconsider be laid upon the table, and any statement relating to this bill appear at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 1130), as amended, was deemed read the third time and passed.

#### NATIONAL ENVIRONMENTAL EDUCATION AMENDMENT ACT OF 1996

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of calendar 542, S. 1873.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1873) to amend the National Environmental Education Act to extend programs under the Act, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Environment and Public Works, with an amendment to strike all after

the enacting clause and insert in lieu thereof the following:

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "National Environmental Education Amendments Act of 1996".

#### SEC. 2. OFFICE OF ENVIRONMENTAL EDUCATION.

Section 4 of the National Environmental Education Act (20 U.S.C. 5503) is amended—

(1) in subsection (b)—

(A) in paragraph (1) by inserting after "support" the following: "balanced and scientifically sound";

(B) by striking paragraph (6);

(C) by redesignating paragraphs (7) through (13) as paragraphs (6) through (12), respectively; and

(D) in paragraph (12) (as so redesignated), by inserting before the period the following: "through the headquarters and the regional offices of the Agency"; and

(2) by striking subsection (c) and inserting the following:

"(c) STAFF.—The Office of Environmental Education shall—

"(1) include a headquarters staff of not more than 10 full-time equivalent employees; and

"(2) be supported by 1 full-time equivalent employee in each Agency regional office.

"(d) ACTIVITIES.—The Administrator may carry out the activities specified in subsection (b) directly or through awards of grants, cooperative agreements, or contracts."

#### SEC. 3. ENVIRONMENTAL EDUCATION GRANTS.

Section 6 of the National Environmental Education Act (20 U.S.C. 5505) is amended—

(1) in the second sentence of subsection (i), by striking "25 percent" and inserting "15 percent"; and

(2) by adding at the end the following:

"(j) LOBBYING ACTIVITIES.—A grant under this section may not be used to support a lobbying activity (as described in the documents issued by the Office of Management and Budget and designated as OMB Circulars No. A-21 and No. A-122)."

#### SEC. 4. ENVIRONMENTAL INTERNSHIPS AND FELLOWSHIPS.

(a) IN GENERAL.—The National Environmental Education Act is amended—

(1) by striking section 7 (20 U.S.C. 5506); and

(2) by redesignating sections 8 through 11 (20 U.S.C. 5507 through 5510) as sections 7 through 10, respectively.

(b) CONFORMING AMENDMENTS.—The National Environmental Education Act is amended—

(1) in the table of contents in section 1(b) (20 U.S.C. prec. 5501)—

(A) by striking the item relating to section 7; and

(B) by redesignating the items relating to sections 8 through 11 as items relating to sections 7 through 10, respectively;

(2) in section 4(b) (20 U.S.C. 5503(b))—

(A) in paragraph (6) (as redesignated by section 2(1)(C)), by striking "section 8 of this Act" and inserting "section 7"; and

(B) in paragraph (7) (as so redesignated), by striking "section 9 of this Act" and inserting "section 8";

(3) in section 6(c)(3) (20 U.S.C. 5505(c)(3)), by striking "section 9(d) of this Act" and inserting "section 8(d)";

(4) in the matter preceding subsection (c)(3)(A) of section 9 (as redesignated by subsection (a)(2)), by striking "section 10(a) of this Act" and inserting "subsection (a)"; and

(5) in subsection (c)(2) of section 10 (as redesignated by subsection (a)(2)), by striking "section 10(d) of this Act" and inserting "section 9(d)".

#### SEC. 5. NATIONAL EDUCATION AWARDS.

Section 7 of the National Environmental Education Act (as redesignated by section 4(a)(2)) is amended to read as follows:

#### "SEC. 7. NATIONAL EDUCATION AWARDS.

"The Administrator may provide for awards to be known as the 'President's Environmental