



Message from the Secretary of HHS



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

As the senior policy official charged with serving the health and human services needs of our Nation, I recognize the crucial role that financial management plays in the ability of HHS to carry out its mission. Good financial management ensures that Medicare insurance claims are paid on time for the appropriate amount, that custodial parents receive proper child support payments, that medical research grants are properly processed, and that fees charged to process new drug applications are accounted for properly and deposited with the US Treasury.

HHS spent over \$327 billion in FY 1996, approximately 20% of the Federal budget. We are committed to being accountable for those taxpayer funds. In order to provide the integrity and accountability for such a vast sum of money, a strong financial management infrastructure is needed. We define the financial management infrastructure as including a full set of accounting standards, reliable performance measurement practices, qualified staff, streamlined financial management reporting practices, integrated financial management information systems with strong internal controls, effective audit resolution practices, responsible asset management, audited financial statements, and responsible administration of Federal assistance programs.

In this report, I am happy to present the status of our financial management infrastructure as well as our future plans for continued improvements. We have made significant progress in the financial management arena since the passage of the Chief Financial Officer (CFO) Act of 1990, but we have major challenges ahead as we increase the scope of our audit coverage, improve our debt collection practices, make greater use of advancing technologies, and institute improved performance measurement in an environment of shrinking resources. This plan portrays our financial management priorities, and our concerted commitment to strengthening our financial management infrastructure, with the ultimate goal of providing more accountability for the dollars entrusted to us while simultaneously achieving our mission of improving America's health and well-being.

Donna E. Shalala



Message from the Chief Financial Officer



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201



As the senior policy official for financial management at the Department of Health and Human Services, I am pleased to present the "FY 1996 CFO Financial Management Status Report and Five Year Plan." This report provides the financial management strategic vision for HHS, as well as the status of and plans for our financial management infrastructure.

Although we are proud of our past accomplishments, we recognize the significant challenges that lie ahead as we work to implement recent financial management legislation including the Debt Collection Improvement Act of 1996 and the Federal Financial Management Improvement Act of 1996. Additionally, we are still gearing up for full implementation of the Government Performance and Results Act of 1993 and the Government Management and Reform Act of 1994.

We are committed to making improvements in HHS' financial management because it is the right way to do business. Although HHS may be primarily a service organization, rather than a profit-making enterprise, the principles of sound financial management are the same: integrated systems that account for every dollar; sound policies and procedures; cost-effective decisions and practices; qualified and knowledgeable staff; and timely accountability, service, and information for the customer and senior management.

In FY 1996, we made significant strides in improving financial management at HHS. We were one of the few departments to utilize the FY 1998 budget process to test GPRA requirements for performance plans and to identify issues which must be addressed for full compliance. We continued to co-chair the Governmentwide Research Roundtable working with our sister agencies to develop performance measures for research programs and identify best practices to minimize duplication of effort across government. We prepared FY 1995 financial statements for all HHS programs and expanded our financial statement audit coverage, and we are in the process of developing a prototype FY 1995 Accountability Report in preparation for the first Annual Accountability Report in FY 1996, which will be published. The Accountability Report will reflect our continued efforts to improve the linkage between financial, budget, and performance information.

We also redesigned our centralized grant payments system and payroll/personnel systems, expanded the use of electronic funds transfer for payments, consolidated accounting operations and made significant progress in developing a centralized grants information system. Our future plans include improvements in financial systems, performance reporting, asset management, audit resolution, and the use of technology and innovation to manage our business.

We hope that readers of this document will find the details of our financial management status and plans to be both useful and informative. We also hope that the magnitude of the challenges that lie ahead is apparent, as is our commitment to meeting those challenges.

John J. Callahan



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Introduction

We proudly present the Department of Health and Human Services' (HHS) Financial Management Status Report and 5-Year Plan for Fiscal Years (FY) 1997 through 2001. Information on the current status of the Plan's many and varied objectives is for the period June 1995 through June 1996. It reflects new trends in how we will operate as government heads into the 21st century.

The 1996 Plan continues our ongoing efforts to blend diverse objectives supported by a financial process which at the same time is attuned to the Department's many and varied programs. The partnerships we have with our programs has added a new dimension to financial management planning. These partnerships are embodied in the Department's implementation of the Government Performance and Results Act (GPRA) where program and financial managers work together to develop and achieve important strategic goals in an era of diminishing resources.

Last year we began our initial efforts to expand the usefulness of financial information by taking advantage of new communications technologies. This year our overall strategy remains unchanged in that we will continue to take advantage of emerging automation and management tools to develop reliable, relevant, and cost effective information systems not only for ourselves but for our customers, the public, and other stakeholders. Now, we invite you to browse through our Plan so that you may get to know us better.

STRATEGIC VISION

HHS's financial management vision continues to be one of a true partnership among program and financial managers who are dedicated to the efficient accomplishment of the Department's mission, goals and objectives. Accountability for accomplishing stated goals is an intrinsic part of this vision.

Our underlying theme in financial management is collaboration among managers and program partners who together solve program and financial management problems seamlessly across traditional fiscal and program boundaries. In this new environment financial managers participate in articulating program goals and priorities and contribute directly to the accomplishment of the Department's substantive agenda. At the same time, program managers understand their financial management role in both increasing the efficient use of the fiscal resources entrusted to HHS and in properly accounting for, and reporting on, the expenditures and assets that HHS uses.

HHS's GPRA implementation strategy (see chapter 1.A.) is founded on the assumption that the Chief Financial Officer (CFO) organization will directly contribute to the formulation of agency goals, objectives and measures of performance through active participation in agency planning and measurement development activities. This strategy requires financial managers to demonstrate that they can add real value to program management rather than merely imposing external, control-oriented oversight activity on them.

Fundamental to successful collaboration is the timely dissemination of information to all partners. Data and analysis on financial position, spending compared to budget, program performance, individual financial transactions, and the activities being considered for performance improvement are of little value unless it is in the hands of those who need it, on a timely basis, to make informed decisions



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and perform vital Departmental functions. In the world encompassed by this vision, all HHS employees need information. They need financial and programmatic information in order to make sound decisions and to guide them in accomplishing their mission. Volumes of financial reports representing HHS fiscal resources are rapidly being replaced by user-created electronic queries for relevant and useful information from flexible, distributed databases. Activities that will create or improve the systems necessary to make this transition are described throughout this plan.

HHS welcomed the passage of the Government Management Reform Act (GMRA) since it extends the important accountability mechanism of preparing audited financial statements to all HHS programs. For FY 1996 and beyond, we plan to provide the public with our story of how we served the American people with the dollars entrusted to us. All HHS Operating Divisions (OPDIVs) are experiencing the benefit from the discipline and rigor of statement preparation and auditing. GMRA, together with the new accounting and cost accounting standards, will enable HHS to provide not only fundamental accountability but also useful information for oversight and decision making.

HHS will outlay approximately \$327.4 billion in FY 1996. Accountability for this proportion of the resources of the Nation must be thorough and comprehensive. HHS has specific duties with respect to three components of the accountability equation:

- Accountability for the disposition of resources, i.e., for the accuracy and balancing of financial transactions,
- Accountability for the prevention of fraud, waste and abuse through the use of proper controls, and
- Accountability for the return on the Nation's investment, i.e., for the results achieved by the expenditure of resources.

This accountability triad is accomplished by an integrated approach consisting of an aggressive internal management control program and comprehensive measurement of performance and results accompanied by annual financial statement audits. It is the cumulative impact of the three-pronged approach that will yield true accountability.

In summary, collaboration at HHS needs to be marked by inclusiveness, a high degree of useful information sharing, organizational streamlining, multitiered accountability and an ability to accommodate change. Much has changed at HHS during the past several years and the recent passage of legislation will challenge us in the future. HHS financial and program managers need to keep their eye on the prize: the best quality service to all of our customers. As resources continue to dwindle, active collaboration among managers who are focused on the same goals will provide the best possible environment for continuing health and other supportive services to all Americans. Financial managers will bear a steadily increasing share of this burden and its corresponding opportunities.



Accountability and Performance Standards

1. ACCOUNTABILITY AND PERFORMANCE STANDARDS

HHS is committed to earning and maintaining the confidence of the American people. This confidence will be gained by:

- accounting for the public funds entrusted to HHS clearly and effectively, and
- providing services to the American people effectively and efficiently.

To accomplish these goals, HHS supports results-oriented management which plans for and measures performance. HHS has sought to integrate management initiatives across the Department in order to strengthen the approach to management. Initiatives such as the customer service standards for grantees and cross organizational work groups were established to facilitate accomplishing our goals.

With the passage of GMRA, agencies are required to prepare financial statements and accountability reports for their organizations. With our vast array of programs, HHS will be challenged to bring together our accomplishments and present our audited financial statements in a manner that will explain to the American taxpayers how we used their resources wisely. Our first public Annual Accountability Report will bring together our program performance and our audited financial statement showing the results we have achieved for the resources we have spent, which is discussed in chapter 6. In addition, we have increased our participation in the development of our applications for sound financial practices and standards which will provide more useful information to management on program performance.

A. Implement the Government Performance and Results Act (GPRA).

HHS's implementation goal for GPRA is to achieve full compliance with the Act's requirements by September 1997. The Act is intended to restore public confidence in government by results-oriented management. By September 1997 the Act requires:

- Strategic plans
- Annual performance plans which establish accountability for results (i.e., targeted performance levels and indicators) for FY 1999 budget requests
- Measurement systems to collect data on performance

HHS is following a decentralized, performance-based implementation approach for GPRA under the leadership of the Office of the Assistant Secretary for Management and Budget (ASMB). Under HHS's strategy, the OPDIVs and individual programs have the primary responsibility for transitioning to full compliance with GPRA. The OPDIVs have flexibility to decide how they will meet the Act's requirements and achieve results-oriented performance within their organizational cultures. Recognizing that there is no single "right" approach, the OPDIVs have been encouraged to experiment in their imple-



Accountability and Performance Standards

mentation approach. They may use current systems and/or develop new ones and implement processes and procedures which are compatible with their operating environments. The OPDIVs have also been encouraged to begin their implementation efforts as soon as possible because of two key paradigm shifts associated with GPRA: The focus on accountability for outcome (results) performance measures and on establishing viable partnerships.

To assist the OPDIVs, ASMB staff have used a business model that considers the OPDIVs and individual programs as customers. This model consists of the following services:

- Providing general information on GPRA requirements;
- Providing specific training and assistance in developing goals, objectives and performance measures;
- Learning how to establish and maintain partnerships;
- Participating in strategic and tactical planning;
- Obtaining customer and stakeholder input;
- Sponsoring roundtable sessions to exchange information and experiences on key implementation issues and problems;
- Facilitating groups that are involved in these development activities; and
- Coordinating Office of Management and Budget (OMB) and Congressional requirements.

Requests for these services have increased steadily over the past year. The ASMB is providing direct support to three OPDIVs, 12 individual programs, three Departmental cross-cutting work groups and four government-wide work groups.

In addition to these services, ASMB staff members are also involved in other Department level GPRA-related initiatives (e.g., HHS's strategic planning process, customer service standards, implementation of the Information Technology Management Reform Act (ITMRA), and budget preparation/justification). ASMB staff seek to ensure that program level requirements are smoothly integrated into ongoing planning and budget activities.

ASMB staff chair the HHS GPRA Roundtable which focuses on current issues and features guest speakers. OPDIVs share their "lessons learned" and have an opportunity to discuss issues of concern. The Health Care Financing Administration (HCFA) and Administration for Children and Families (ACF) discussed their experiences with strategic planning, performance measurement, and partnerships. The General Accounting Office (GAO) presented the new GPRA Executive Guide the day after it was published.

The OMB Summer Review focused on the development of Departmental and OPDIV strategic goals and objectives. OMB has indicated that the Department has made a good start and it must now direct its efforts to preparing strategic plans and realistic performance plans and measures which link with the strategic goals and objectives and the budget. The ASMB and HHS have anticipated the OMB Fall



Accountability and Performance Standards

Review (on representative performance plans and measures) and the requirements of GPRA in September 1997, by using the FY 1998 budget process to pilot a performance plan for at least one program activity in each OPDIV, and for identifying plans for aggregation of program activities.

Below is a summary of the Department's activities under GPRA:

- HHS has two programs participating in OMB's GPRA pilot program.
- Eight other entities are involved in an internal HHS GPRA pilot program.
- Other components of HHS not involved in the OMB or HHS pilot activities are pursuing efforts to meet GPRA requirements.
- All major components of HHS have developed strategic goals and objectives, and Departmental cross-cutting goals have been identified.
- GPRA principles are already being reflected in and linked with the FY 1998 budget submission; most HHS components have submitted annual performance plans for a major program activity.
- Training strategies have been developed and are being implemented.
- HHS has prepared a draft strategic plan.
- HHS efforts in the co-sponsorship of the Research Roundtable have been recognized by OMB and in testimony before Congress.

HHS PROGRAMS PARTICIPATING IN THE OMB GPRA PILOT PROGRAM

Child Support Enforcement Program: The Office of Child Support Enforcement (OCSE) has achieved a strong working partnership with State IV-D Directors. The partners have agreed on a set of national strategic goals and objectives and two performance measures. The majority of draft OCSE performance indicators have consensus, but consensus among CSE partners has not been reached on all measures. Several states are now piloting the draft indicators and will report progress to the State/Federal work group. A team of HHS headquarters and regional office staff will be providing comprehensive technical assistance to the 30 volunteer State, local and multi-State projects which have been started since the inception of OCSE's GPRA pilot. Also, there are six experimental cooperative agreements which are demonstrating aspects of results-oriented management such as an analysis of performance indicators; a study to support strategic planning efforts; and evaluation of performance-based contracting.

Prescription Drug Users Fee Act Program (PDUFA): FDA has developed an annual performance plan and has performance measures in place. The plan describes current and planned progress in processing drug applications in a timely and effective manner.



Accountability and Performance Standards

GPRA ACTIVITIES OF HHS PROGRAMS

STATUS: There has been a concerted effort in ACF to develop cross-cutting goals and objectives in cooperation with its partners. The cross-cutting and program specific goals, objectives, and targets have been identified for several major ACF programs.

The *Office of Community Services (OCS)* has achieved a strong working partnership among Federal, State and local officials. The Community Services Network Task Force has reached tentative agreement on six community service strategic goals and approximately 25 national performance measures. A number of States are considering making changes to their program activities in order to begin collecting preliminary data in FY 1996. OCS has grants with the National Association of Community Action Agencies and the National Association of State Community Services Programs to develop model monitoring and goal/measuring procedures for State and community action agencies administering the Community Services Block Grants. These grants have been extended to help develop the Low Income Home Energy Assistance Program model goals and measures.

The *Administration on Developmental Disabilities (ADD)* has recently initiated efforts to gather partner, customer and stakeholder input to determine the future direction for the program. This consensus document will provide the basis for developing strategic goals and objectives. ADD continues to work closely with the Developmental Disabilities Program Network in identifying program measures. An effort is underway to automate the program reporting process in order to integrate program specific and cross-cutting measures. This information will be invaluable in efforts to comply with the GPRA. However, given the variability in grantee capacity to respond to the demands of an automated approach, this system will have to be phased-in over several years. ADD is also developing partnerships with the disability community and representatives, has developed a logic model for analyzing performance, is partnering for development of outcome measures; and has devised a new way of program reporting.

The *Administration on Children, Youth and Families (ACYF)* continues to develop a new results-oriented strategy for reviewing Federally assisted child and family service programs. As part of its consultation strategy, ACYF staff have held a series of focus groups which have provided valuable input that has been used to guide this work. The consultation with State child welfare representatives will continue through the development of the new strategy and the pilot reviews. A State self-assessment and protocol for on-site reviews has been developed. In addition, draft regulations governing the new review procedures are being developed for publication in the Federal Register in December 1996. The pilot testing in the States will be completed in September.

In August 1995, the *Office of Refugee Resettlement (ORR)* sent guidance to States on setting and preparing annual outcome goal plans. Between August and November 1995, ORR staff provided technical assistance and participated in negotiations with each State regarding FY 1996 goal-setting on the six ORR performance measures based on FY 1995 actual performance. During FY 1996, annual outcome goal plans for the 47 States participating in the State-administered program were approved. The ORR performance measures are tracked quarterly and feedback is used to monitor goal achievement and to identify areas for technical assistance. ORR is in the process of extending performance measurement to the Wilson/Fish alternative and to the Match Grant program for FY 1997.



Accountability and Performance Standards

The *Head Start Bureau* of ACF has developed nine performance measures representing four broad areas of its program: health services, education, family oriented services and program management. These measures fulfill the requirement for Head Start under section 641A(b) and will provide for the identification of strengths and weaknesses in national and subnational level operations through aggregate data. Individual program compliance monitoring will be performed using Head Start's performance standards. Head Start collaborated with its partners and stakeholders throughout this process by sponsoring a series of focus groups involving service providers, parents, national organizations and experts in education, health, child development and early intervention. The program plans to establish an ongoing system for collection, analysis and reporting on measures but still needs to identify data sources for some program aspects such as child and family outcomes.

Presently ACF has piloted a parent survey instrument and intends to expand this pilot in the fall of 1997. Work continues on the development of an assessment tool to gauge child outcomes in the classroom.

PLAN: ACF is working with its partners to set program priorities, to establish goals and objectives that are quantifiable, and to use multilevel partnerships to achieve results. ACF will continue to develop goals, objectives, and measures for all of its program activities.

A key element in OCSE's effort will be to resolve issues that are delaying consensus among the partners on the outcome, customer-oriented performance measures to be used to monitor progress toward the plan's goals and objectives. Also, in anticipation of the enactment of welfare reform legislation, OCSE continues to meet with State partners to gain input on implementation issues. OCSE will be submitting a proposed rule deleting all obsolete and unnecessary regulations and will continue to consult with States to streamline regulations.

- *Head Start* will continue to develop tools to be used in classroom observations.
- *Quality Control Academy*—The findings of the Quality Control Academy will be applied and considered with respect to appropriate performance provisions of the block grant for Temporary Assistance to Needy Families.
- *Children, Youth and Families*—The regulations are being drafted for the child and family services review process; it is expected that a Notice of Proposed Rule Making will be developed by December 1996.
- The *Office of Refugee Resettlement* will continue to collect, track, and refine its performance data for the State-administered program. Future activities will include collecting and analyzing performance data on Wilson/Fish and Match Grant grantees in FY 1997.
- The *Administration on Developmental Disabilities* is continuing to work with grantees to reach consensus on national objectives and indicators. In collaboration with partners and stakeholders, it was decided that additional effort is needed to bring grantees from the various components of the networks to consensus.



Accountability and Performance Standards

GPRA ACTIVITIES OF THE HHS OPERATING AND STAFF COMPONENTS OF HHS

The Administration on Aging (AoA)

STATUS: AoA has held meetings with regional and State directors as part of the agency's strategic planning effort. This will be a joint Federal, State and area agency planning and performance measures initiative. AoA has held internal workshops and organizational assessments to prepare its staff for successfully developing goals, objectives, and performance measures. There have also been several external sessions with its network. AoA has also progressed in identifying sources of data to measure positive outcomes for older Americans. In addition, AoA has begun to transition to full implementation of GPRA by developing performance plans for eight of its major programs; and an excellent ombudsman plan has been completed.

PLAN: AoA is developing strategies to systematically involve partners at all levels, and the national organizations that represent those partners, in a comprehensive and cooperative planning process that will reinvigorate the Nation's system of services for older Americans. AoA will also analyze its resources to assure that they are available to pursue its strategies. AoA is also collaborating with HCFA to conduct a customer satisfaction survey of older Americans.

The Agency for Health Care Policy and Research (AHCPR)

STATUS: AHCPR has initiated its GPRA effort by developing strategic goals and objectives, determining how it will aggregate its programs, and preparing a performance plan for the Medical Expenditure Panel survey.

PLAN: In preparation for a full agency performance plan in FY 1999, AHCPR will continue to assess customers needs, finalize details of new programs, determine preliminary areas of emphasis, and develop, corresponding performance plans for program areas to whatever extent is possible.

The Centers for Disease Control and Prevention (CDC)

STATUS: CDC has launched an agency-wide strategic and performance planning effort. Strategic planning is being coordinated extensively within CDC and will be drafted by September 1996. A performance plan has been submitted with the FY 1998 budget for the immunization program.

PLAN: The strategic plan will be shared with employees, stakeholders, and partners. Performance measures will be developed by operating units within CDC and the first draft of the agency performance plan is expected by January 1997.

The Food and Drug Administration (FDA)

STATUS: FDA continues to make progress toward meeting GPRA requirements. Agency components improved their selection of performance goals as part of the FY 1997 and FY 1998 budget submissions.



Accountability and Performance Standards

These goals are moving away from characterizing performance goals as activity levels and toward stating the goals as outputs and outcomes when ever possible. FDA has also submitted a prototype performance plan for the Seafood and Petition review plans in the Agency's Center for Food, Safety and Nutrition, complete with performance goals and ties to the FY 1998 budget request.

PLAN: In FY 1997, FDA will develop an agency-wide performance plan for FY 1999. The FY 1999 performance plan is due to the Department by September 1997 to meet GPRA requirements. FDA is also making progress in updating its agency-wide strategic plan, which is also a major requirement of GPRA. A broad strategic planning framework is now under development, and a draft FDA strategic plan should be completed by the end of 1996. The target date for completion of a final FDA strategic plan is September 1997 in accordance with the requirements of GPRA.

Health Care Financing Administration (HCFA)

STATUS: HCFA has produced an agency strategic plan and has developed performance measures related to the agency's key success factors. HCFA was the first OPDIV to develop a budget request based on the goals and objectives in its strategic plan. It has revised this approach based on OMB's response. HCFA plans to involve its partners and customers in the performance measures development effort.

PLAN: HCFA is revising its strategic plan and is developing baselines for its performance measures.

Health Resource Services Administration (HRSA)

STATUS: HRSA has already developed a strategic plan (1994-1995) and program priorities. HRSA's major program activities have undergone a readiness assessment for performance measurement. Agency resources have already been focused on the key areas where developmental activities are needed. HRSA has provided one of the clearest strategies for aggregation of its programs and has also submitted performance plans for five clusters of its programs.

PLAN: HRSA will be revising its strategic plan to conform more fully with GPRA and will be developing annual performance plans for the remainder of its major program activities.

Indian Health Service (IHS)

STATUS: IHS has developed a strategic plan, which is being revised to incorporate GPRA requirements. Revision is expected by the end of 1996. IHS has also developed a model evaluation system for assessing performance linked with strategic objectives. IHS submitted two excellent performance plans for the dental and diabetics programs which included baselines, targets, and outcome measures.

PLAN: A draft IHS-wide performance plan will be developed in FY 1997 which incorporates strategic goals and objectives.



Accountability and Performance Standards

National Institutes of Health (NIH)

STATUS: NIH has developed a strategic plan. Senior staff and agency budget officers have received briefings by ASMB staff on GPRA planning and reporting requirements.

PLAN: NIH has submitted a preliminary document outlining its capability for reporting under GPRA. NIH will request authorization to use the GPRA alternative form of performance assessment for at least its basic research activities. NIH submitted a plan for its infrastructure (buildings and facilities).

Program Support Center (PSC)

STATUS: PSC was established in FY 1996 to provide administrative support to HHS components in an entrepreneurial, competitive fee-for-service mode.

PLAN: PSC will work with the ASMB staff to implement GPRA activities. This will involve training staff in the requirements of GPRA, developing a strategic plan by September 1997, establishing performance goals and measures, and developing systems for collecting and reporting on performance.

Substance Abuse and Mental Health Services Administration (SAMHSA)

STATUS: SAMHSA has established a GPRA working group to integrate GPRA into all its activities. SAMHSA is beginning to engage in performance partnerships and Knowledge Development and Application (KDA) for service improvement and effectiveness. States appear willing to integrate performance measures into the services they perform with SAMHSA grants. SAMHSA prepared an innovative performance plan for a comprehensive assessment of its grantees' performance.

PLAN: SAMHSA will integrate GPRA requirements into performance partnerships and KDAs. The KDA program will be expanded in FY 1997 and outcome measures will be developed.

Office of the Inspector General (OIG)

STATUS: OIG has agreed to prepare for GPRA implementation by preparing a performance plan for health care investigations in which performance indicators and resources are linked.

PLAN: OIG will use interagency and Federal-State task forces, information technology, and outreach and educational activities to make investigative resources more efficient.

Partnership Service Standards

STATUS: In FY 1996, the Department issued a comprehensive set of partnership service standards to all HHS grantee partners. These standards were developed to promote an even closer collaboration with the HHS grantee community in recognition of the need to work closely with State, tribal and, local governments as well as the academic, non-profit, and private sectors to achieve HHS's mission. The Department's partnership service standards are:



Accountability and Performance Standards

- Invite our partners to collaborate in the development of HHS program policies and procedures.
- Emphasize program outcomes rather than process.
- Create no new unfunded mandates through policy or process changes.
- Provide prompt, courteous service and accessible information.
- Process waiver requests from States as quickly as possible, generally within 120 days.
- Provide technical assistance to help our partners meet program goals.
- Work with our partners to assure integrity in the use of public funds.
- Assist our partners in developing their own standards of customer service.

PLAN: The OPDIVs are committed to meeting these standards and will be focusing on improvements to the grant programs and processes including conducting technical workshops, reducing rules when appropriate, and using information technology to make the grant application process easier. Customer service standards are a key element of Departmental GPRA implementation. These grant improvement initiatives will benefit customers by contributing to the earlier availability and improvement of services.

DEPARTMENTAL GPRA ACTIVITIES

HHS will continue to pursue and expand on the successful GPRA implementation activities cited above. At the same time, ASMB staff will also initiate the following efforts to ensure that all HHS programs and operations comply with GPRA's requirements by the September 1997 effective date.

ASMB staff have identified the critical activities and issues that are common to many OPDIVs and that must be addressed to comply with GPRA. These are:

- OPDIV strategic plans and linkage to Departmental goals and objectives
- Annual performance plan development for all major program activities
- OMB summer and fall review assessments
- Congressional and outside consultations

In addition, there are five cross-cutting issues that still need to be addressed more fully by most OPDIVs in their development of plans and measures. These are:

1. The refinement of current plans and development of the remainder of performance plans which contain all of the GPRA elements (e.g., baselines, targets, and indicators), and which also link the strategic objectives and performance goals and objectives.
2. The determination of the availability of data, capability and cost-effectiveness of collecting data, and the consideration of whether the data adds value to the assessment of the success or failure of a program.
3. The timely and effective engagement of partners, stakeholders, and customers in the development of plans and measures and a focus on servicing our customers in the performance of grants and other programs in the Department.



Accountability and Performance Standards

4. The determination of the extent of grouping programs with common goals and measures.
5. The assurance that GPRA efforts, plans, and measures are real; i.e., that the OPDIV has the capacity and capability to perform them, and that there is a commitment of management to do so.

If these issues are addressed, the Department will be able to comply with GPRA, will meet OMB's current expectations, and will be ready for Congressional consultations (planned for March-June, 1997).

B. Improve internal participation in the accounting standards and policy implementation review process.

STATUS: During FY 1996, the CFO tasked the Office of the Secretary's (OS) Office of Financial Policy to serve as a catalyst for the Financial Policies Group (FPG). The FPG, comprised of representatives from the OPDIV CFO community, were responsible for assessing HHS financial management policy issues and for developing recommendations that would serve as the basis for the Department's financial management priorities for FY 1996-1997. The FPG recognized the need to address the extensive legislative requirements placed on Federal agencies by the CFO Act; GMRA; GPRA; and the Debt Collection Improvement Act (DCIA). In addition, the FPG also acknowledged the government-wide initiatives to improve and integrate financial systems and achieve the accounting standards set forth by the Federal Accounting Standards Advisory Board.

PLAN: Beginning in FY 1996 and continuing through the first performance reporting under GPRA in FY 2000, the FPG has established several subgroups to develop implementation plans and provide recommendations to the CFO on the priorities of the FPG. The results of these multi-tasked groups will be the definition of the CFO and the OPDIV financial communities' role and responsibilities for these priorities and the agreement on an implementation timetable for achieving financial priorities and the resolution of accounting issues and impediments to implementation.

C. Support the development and implementation of accounting standards by the Federal Accounting Standards Advisory Board (FASAB).

In order to effectively assess the impact of the FASAB concepts and accounting standards being developed for the Federal government, HHS has chosen to involve itself in the government-wide discussions and concurrently involve the HHS CFO community. Our approach is reflected by the following steps:

1. HHS participated on FASAB work groups during the initial development of standards for consideration by the Board.
2. HHS includes OPDIV feedback in its response to each exposure draft.

Accountability and Performance Standards

3. HHS participates on the Standard General Ledger (SGL) issues resolution committee as it develops government-wide SGL accounts and transactions to implement the approved accounting standards.
4. The OPDIVs participate in responding to the FASAB on the standards exposure drafts and in the development of Departmental policies and procedures once the standards are approved.

STATUS: The FASAB issued exposure drafts on recommended accounting standards for the following:

- Accounting for Revenue and Other Financing Sources, July 1995
- Supplementary Stewardship Reporting, August 1995

Comments from OPDIVs were sought on these exposure drafts and incorporated in the Departmental response to FASAB staff. The standards were completed and approved by FASAB principals. Issuance to agencies is expected by the close of FY 1996. The following accounting standards were published:

- Accounting for Property, Plant and Equipment, approved by FASAB principals in June 1996, will be released to government agencies once cleared by the Congress.
- Entity and Display (accounting concept), July 1995
- Managerial Cost Accounting, July 1995

Additional action has been taken government-wide to provide guidance to agencies on implementing the managerial cost accounting standard. A draft document, Cost Accounting System Requirements, has been prepared by a HHS task group working with the Joint Financial Management Improvement Program (JFMIP). This companion document to the FASAB accounting standard is also meant to assist in GPRA implementation. It contains detailed systems requirements for cost systems and calls for a phased implementation to 1999 to coincide with GPRA requirements. Another group, the government-wide cost accounting work group under the auspices of the CFO Council, is also meeting to help agencies resolve common problems during implementation of cost accounting standards. HHS participates in these endeavors through the SGL issues resolution committee and as a member of the task groups.

The newly formed FPG will be key partners in assisting in the development of Departmental policies and procedures. The group has listed implementation of FASAB standards as a critical issue.

HHS will need to perform additional work to complete implementation of standards #2 and #3, Accounting for Direct Loans & Guarantees and Accounting for Inventory and Related Property, respectively.

When the revenue and stewardship standards, are issued, the FASAB will have completed the comprehensive set of standards called for by the National Performance Review (NPR).

PLAN: HHS will continue to face a significant workload during the next two years to implement the full set of accounting standards:



Accountability and Performance Standards

- In FY 1997, OPDIV work groups will be formed to carry out the tasks identified for each accounting standard.
- Work on the Accounting for Direct Loans and Guarantees and Accounting for Inventory and Related Property will be completed.
- Early implementation of HHS capitalization threshold from standard # 6 — Property, Plant and Equipment

HHS will also develop plans and procedures for standards 4 through 8 in FY 1998:

- #4 Managerial Cost Accounting Concepts & Standards (converting present cost collections to the government standard)
- #5 Accounting for Liabilities (the remaining tasks)
- #6 Accounting for Property, Plant & Equipment
- #7 Accounting for Operating Revenue & Other Financing Sources
- #8 Supplemental Stewardship Reporting

D. Provide more useful financial data to management.

STATUS: The Financial Information Reporting System (FIRS) continues to be developed to meet this objective. Since last year's CFO report, the central database of financial data and the interfaces with source systems to obtain the data timely and cost-effectively have been developed. Also, the database has been populated with monthly Payment Management System (PMS) and Treasury data covering one full year. Client-server technology (in a graphical user interface or GUI environment) continues to be utilized to maximize the resources we have in-house. We did not achieve all the goals in last year's plan because of the government shutdowns last winter and the unplanned enhancement of the Financial Assistance Reporting System (FARS) database,

In spite of the challenging year, the following has been achieved:

- Major portions of FIRS functionality were operational at the beginning of FY 1996 — a major goal in last year's plan.
- Construction of the database tables, scripts, and queries is complete for major data sources.
- Links have been established with all but two of the OPDIVs and Common Accounting Number (CAN) tables and monthly files have been collected.
- Monthly charging data have been collected from the PMS for more than a year. This has provided invaluable spending information at the budget activity level, significantly improving our outlay estimating capability.

Accountability and Performance Standards

- The monthly treasury statement file has been collected from Treasury for more than a year.
- FARS tables were developed and added to FIRS thereby allowing FARS data to be added to the database. A front-end screen was developed (called “FIND”) which permits the user to easily make on-line queries of program information by geographical area.

We have implemented open database connectivity between desktop PCs and the Oracle server. This provides the capability for Structured Query Language (SQL) queries from PCs utilizing existing desktop software. This capability has enabled us to delay a formal front-end to FIRS and leverage the software we already have. This permits us to concentrate on developing the functionality of the data housed in FIRS.

In Addition, the HHS budget office implemented a State and formula grant allocation system to support decision-making and speed answers to Congressional inquiries and can be used to verify and correct algorithms used by the OPDIVs for grant awards.

PLAN: We will continue to work with the remaining OPDIVs to reflect their data in FIRS. Table linkages will be developed to permit a reporting capability at the budget activity level. Once all the functionality has been developed and tested, we will focus on front-end tools, i.e., software which will enable us to feed data from FIRS to the desktop of managers, program offices, budget offices, and any other organizations which will benefit from this information. In addition these tools will enable us to conduct trend analysis, develop future projections, and so on. This development effort will continue to employ the client-server technology and GUI environment that has been established. Once FIRS is fully operational, phase two of the project — the addition of performance measurement data to the database and the linking of that information to the financial and budget information residing there — will begin. The final phase — development of unit cost information — will follow.

The HHS financial management systems approach of using common standards, core accounting software, and an executive information system not only fulfills the OMB requirement for a “single integrated financial management system,” it also allows management access to information for decision making and performance measurement.

E. Improve the capacity to determine the full cost of selected HHS activities.

STATUS: We have devoted considerable time to studying FASAB standard # 4 on managerial cost accounting and the companion JFMIP-proposed system requirements and to meet with the government-wide cost accounting work group. A significant part of cost accounting is developing the capacity to gather data for full costing of activities and cost objects, taking into consideration the need to relate unit cost information to performance measures.

Our OPDIVs continue to develop cost data and collect fees where their operations are self-sustaining or where reimbursable operations are indicated. In addition to our revolving and working capital funds, other reimbursable activities are described below:



Accountability and Performance Standards

FDA

New fee schedules to collect full costs, where permitted, were developed for: Insulin Certification Program, Review of Human Drug Application, Inspection of Mammography Screening Facilities, and Certification of Lawful Exports.

ACF

The ACF has continued to develop the full costs of operating the Child Support Enforcement Network and effect collection by check or by offset from a State's semiannual child support grant.

PLAN: The activities mentioned above will continue and other fee schedules may be established. CDC plans to review seven fee schedules using full cost as base criteria. The newly established HHS Service and Supply Fund, a merger of the Public Health Service (PHS) Service and Supply Fund and the OS Working Capital Fund (WCF), will reexamine past practices and define all allocable charges including overhead costs. Comprehensive memoranda of understanding will be prepared for internal HHS customers. In addition, interagency agreements for cross-serviced agencies will be completed.

This fiscal year, HHS must devote time and resources to plan the expansion of the current cost gathering techniques to assure that full costs can be assigned to the various functions, programs, activities, and items whose costs are to be measured. Working through the FPG and with subgroups, an implementation plan will be developed. Some primary issues to be resolved are:

- Are the current accounting systems capable of meeting the prescribed cost specifications?
- Can the systems maintain units of output with financial data?
- Do we presently identify and record all intra-HHS costs?
- What is the proper unit or activity to be costed in a grant oriented OPDIV?
- Must products and services be identified for all offices?
- What basis will be used for allocating indirect costs?
- Should all Departmental and OPDIV overhead be allocated and to what extent?
- To what extent must unit cost information be included in the financial statement?
- Will HHS support the inclusion of inter-entity costs that are not fully reimbursed?
- Is the present HHS CAN structure sufficient for gathering direct costs to be included in full cost of goods and services?

F. User fees (merged).

STATUS: This initiative has been merged into chapter 1.e., “Improve the capacity to determine the full cost of selected HHS activities.” The issues previously identified with the composition and review of user fees are included in the narrative concerning the development of full costing of goods and services, the topic of chapter 1.e.



Financial Management Organization

2. FINANCIAL MANAGEMENT ORGANIZATION

It is important to develop and nurture our most valuable resource — our employees — and provide them with a working environment that promotes their development and that results in improved individual and organizational performance. We have chosen these avenues to encourage this goal— by increasing the participation of the staff, by strengthening the planning process, by maximizing our use of technology, by partnering with program managers on common financial management goals, and by developing our staff through training opportunities to gain new skills. By building on these factors, we will be able to maintain an organization with the means to meet the challenge of constant change that face us in the 21st century.

A. Improve participation in financial management deliberations.

HHS collaborates with the OPDIVs to develop strategies that address financial management and programmatic issues. This collaborative method has continued to prove itself useful in the current environment of change and increased responsibilities placed on financial organizations.

STATUS: Our collaborative efforts this past year include:

- OPDIVs actively participated in Department-wide CFO and GPRA work groups including the CFO Planning Group, the FPG and GPRA Roundtable to identify and address policy issues and to plan and implement financial management improvement efforts.
- HHS served for the second year as co-chair, along with USDA, of the GPRA Research Roundtable consisting of 25 government agencies building on the common bond of specific issues in research related to performance measurement.
- IHS joined with tribal officials in work groups to develop recommendations for transferring administrative resources to the tribes along with administrative and management functions. This resulted in the transfer of over \$30 million from the area and headquarters organizations.
- The NIH Director, Office of Financial Management, conducted several off-site retreats with OFM senior managers and budget officers as part of its effort to strengthen financial management communications and reporting requirements.

The AHCPR reorganization in FY 1996 reflected a departure from traditional top down management. Instead, the offices and center staffs now have a new agency structure consisting of 13 offices and centers with no formal substructures. The offices and center staffs are organized around major program activities and operational functions. A further refinement of the agency's structure in April 1996 resulted in three existing centers being combined into two, and AHCPR employees now have greater autonomy and accountability in their functions.

PLAN: HHS will continue to co-chair the Research Roundtable to identify further areas for collaboration in areas of common interest and will also continue to engage OPDIVs in the financial policy development, financial planning and performance measurement processes to further improvements in these areas.



Financial Management Organization

B. Improve the planning process.

STATUS: In FY 1996, HHS's CFO organization began pilot testing the use of Lotus Notes, an off the shelf collaborative software package for identifying information for its annual CFO Five Year Plan and Status Report. The pilot was designed to test the use of Lotus Notes for the CFO Five Year planning process and reduce the reporting burden on participating agencies. Six OPDIV finance offices (HCFA, FDA, NIH, CDC, ATSDR and AoA) participated in the development of the initial pilot. The pilot was designed to simplify the reporting of financial initiatives as well as coordinating and drafting the report.

The OPDIVs that shared connectivity provided information on the status and future plans for their financial initiatives. This information can be viewed by other OPDIVs on Lotus Notes to encourage the sharing of information and collaboration. Users are able to view and search specific information and topics of the FY 1996 financial initiatives in the Department.

The pilot program for the FY 1996 reporting period provided pilot agencies with the following initial results:

- Eliminated hard copy, formal reporting on CFO initiatives.
- Provided access to other agencies input and Department-wide information.
- Facilitated management of financial initiatives within their organizations.
- Enabled collaboration on common issues and projects.
- Created a new medium for communicating CFO issues within the HHS financial community.

PLAN: During FY 1997 and beyond, HHS will expand the use of Lotus Notes to the remaining agencies. In addition, the use of groupware will be explored for integrating CFO planning with performance information in subsequent applications of Lotus Notes and in support of the CFO financial improvement initiatives for GPRA, GMRA, and other financial management areas.

C. Broaden CFO operating activities.

STATUS: The CFO staff has placed a priority on the integration of planning, financial management, budgeting and reporting requirements in support of financial management needs of programmatic goals in HHS. During FY 1996, organizational changes, as well as an expansion of roles and responsibilities, have resulted in the incremental progress for effective integration. Highlights include:

- The elimination of the Office of the Assistant Secretary for Health (OASH), which occurred at the beginning of FY 1996, resulted in eliminating the position of the PHS CFO and raised the former PHS agencies and their CFOs to OPDIV status. A key aspect of the reorganization was the establishment of the PSC as a separate OPDIV which consolidated major financial management operations under a single administrative entity providing common administrative services on a competitive, businesslike basis to other OPDIVs and external HHS customers.



Financial Management Organization

- The FPG was implemented, bringing together OPDIV and Department senior financial management staff to address significant financial policy issues as well as to develop strategies for implementation and linking of financial management initiatives.
- A pilot to automate the CFO planning process (see chapter 2.b.) using Lotus Notes was implemented.
- The creation of a GPRA roundtable in HHS has provided a forum for the discussion of the opportunities and the need to integrate planning, program, budget and financial initiatives. Representatives from these functional areas meet routinely to develop and exchange information on results oriented management initiatives.

PLAN: In FY 1997, HHS will continue its efforts to strengthen the link between performance planning and measurement and budget formulation and justification through the GPRA Roundtable with a special emphasis on GPRA implementation and the development of financial and performance information for the HHS FY 1996 Annual Accountability Report.

PSC managers will participate with OPDIV management in decisions about financial management services and work with its customers to provide them with cost-effective and efficient goods and services.

D. Organize around technological opportunities.

STATUS: The major initiative under this objective was the transfer of the regional accounting operations to OPDIV core accounting systems. As anticipated in last year's Plan, the regional transition was completed in FY 1995, one year ahead of the original schedule. The OPDIVs now support their regional accounting requirements through their respective headquarters' finance organizations. This reorganization takes advantage of the new systems implemented by the OPDIVs and eliminated the regional finance offices.

This objective is now complete. As new technological opportunities such as Electronic Data Interchange (EDI), groupware and the Internet are developed, additional opportunities to reorganize by taking advantage of these enhancements are expected.

E. Support reduction of the financial management reporting burden.

HHS noted three projects for this objective in last year's report: the Accountability Report, FIRS, and the use of Lotus Notes to streamline the Financial Management Status Report and Five Year Plan. Two of these projects, the Accountability Report and the use of Lotus Notes, have increased in importance and significant progress is noted for this year.

The third project, the planned reporting reduction resulting from the use of FIRS, has been superseded by other developments (see chapter 1.e.). One of the goals of FIRS was to reduce the OPDIVs' quarterly requirement for hard copy reporting to OMB by electronically deriving the information for the report from monthly data feeds directly from the OPDIV accounting organizations. With the implementation of government-wide requirements for the electronic submission of quarterly Report on Budget Execution (SF 133s), and the requirement for an annual submission of Federal Agencies' Centralized Trial-Balance System II data through the Government On-Line Accounting System, this function is no longer required as part of FIRS development.

STATUS: The OS/Office of Finance (OF) took the lead role with several operating components as pilots (FDA, HCFA, NIH, CDC/ATSDR, and AoA) into converting the Departmental Five Year planning process into a more efficient process through the interactive sharing of information using Lotus Notes (see chapter 2.b. which discusses the improved planning process). This was a report streamlining initiative of the Department's CFO Planning Group. OPDIVs participating in the pilot submitted information through Lotus Notes and were not required to provide a formal submission to the Department.

The Lotus Notes pilot operates in a shared groupware environment. OPDIV and OS Lotus Notes users input and retrieve information from the same shared database. The Lotus Notes database for the Five Year Plan also added the following capabilities that were not available using the old manual system:

- A standardized format for collecting data.
- Documentation of comments to reduce redundancy of discussions.
- Automated tracking of documents.
- Reduction of travel and meeting time associated with the five year plan.
- Reduction in the volume of paper used as well as document management.
- Improved tracking of performance against the five year plan.
- The most important benefit is that OS and the OPDIVs will have access to the same document.
- For the first time, OPDIVs have access to information about financial activities and initiatives in the Department and can share best practices.

PLAN: For FY 1996, HHS plans to issue its first Annual Accountability Report which will consolidate many financial management reports that were previously issued separately. The streamlined report will provide more concise reporting and will link program performance and financial management. HHS has contracted with an independent CPA firm to assist in the development and design of a prototype FY 1995 report. The prototype will be used internally as a practice run for the FY 1996 report.

OF will continue to link the remaining OPDIVs on Lotus Notes for next year's CFO Five Year Plan process. OF will assist the OPDIVs that already have Lotus Notes to install more users and to assist in identifying other applications. Under consideration in FY 1997 is the expansion of Lotus Notes to other financial management processes.



Financial Management Organization

F. Improve communication and cooperation between financial and program managers.

STATUS: HHS has expanded its efforts to promote communication with and among Departmental programs. HHS established a GPRA Roundtable this year that includes members from Departmental components. The Roundtable programs have included best practices and information on performance planning and budget. The Roundtable's subcommittee on training and information developed a strategy for sharing information and expertise on GPRA. A similar interagency effort is underway through a subcommittee of the FPG.

We have also taken a lead role in advocating cross-cutting performance objectives and measures. By bringing planning, program, finance, and budget staff together from various components, we believe that richer, more meaningful outcome measures will result. The first such effort, in collaboration with the HHS Children's Council, focused on children's health issues.

HHS developed and implemented a home page site to share information on finance activities, organization and accomplishments. As a result, more information is being shared electronically and reports, such as this one, are being prepared electronically allowing for wider participation in the Department.

PLAN: Communication and collaboration will expand and accelerate as we move to full implementation of GPRA and GMRA. We see increased use of cross-functional teams that involve staff from several HHS agencies. Staff training and facilitation expertise will also be identified and published electronically. Information on financial management will be made available to the Department, other Federal agencies and the public at large through OF's home page.

G. Develop and retain a highly skilled, strongly motivated financial management staff.

STATUS: HHS remains committed to its goal of developing a highly skilled financial management staff through funding and management support for increased training of staff, especially in light of reduced budgets and continuing shifts in organizational structures.

HHS enlisted The George Washington University to provide a group training for budget office personnel in appropriations law on site. Plans for future sessions will be offered to OPDIV budget personnel in the spring.

In response to reorganizations, including the newly-established PSC, AHCPR, and the NIH Office of Financial Management, have provided formal and informal training opportunities to their staffs through various CFO Council activities such as the Financial Implementation Team for Electronic Commerce (FITEC) as well as matrix approaches to organizing functions (e.g. finance and budget).



Financial Management Organization

OPDIVs have also moved to identify and develop existing and future technical and managerial expertise through formal and informal training opportunities. For example:

- PSC's fiscal services organization promotes career development in the form of accounting classes for technicians, continuing education for CPAs, and review classes for the CPA exam.
- IHS resource management staff promote staff training conducted by other Federal agencies on specific topics of financial management importance such as GPRA, GMRA, and the SGL.
- NIH has developed a course "Understanding the New 132." (The "132" is the new format required by the OMB for the reporting of apportionments and reapportionments.)
- ACF provided an advanced appropriations law course attended by 40 employees from a cross section of functional areas including grants, fiscal, budget, contracts, financial integrity, audit oversight, debt management, and facilities management.
- Under a pilot program approved by the Department, ACF is also continuing to develop its own grants administration and certification program, which encompasses all phases in the life-cycle of a grant, and is presented in five modules for a total of 15 days of training. The module on the pre-award process for discretionary grants was developed and delivered to more than 220 employees. ACF is also developing training on grant administration for executive and management staff who make grant funding decisions.
- Financial management staff in various OPDIVs have completed course work or attended seminars and workshops sponsored by the Department of the Treasury, the Office of Personnel Management, JFMIP, among others.

The variety of training efforts throughout the Department has as a by-product the development of the work force for the year 2000. Staff are becoming more and more team oriented and encouraged to gain the skills and knowledge needed in the high-technology and information-based financial organizations of the future. For example:

- Financial management staff have participated in training for Windows, Word, WordPerfect, Lotus for Windows, Lotus Notes, various other software packages, and various database systems along with courses to improve writing and managerial skills.
- Cross-training efforts and developmental assignments are in place and will continue to be emphasized. Problem-solving teams have sprung up and shown their utility and effectiveness.

PLAN: Recognizing that its staff is its best resource, HHS will use a combination of current efforts and other innovations to meet its program and financial management goals and responsibilities with a well trained and motivated workforce. Therefore, HHS will continue to focus on training efforts that respond to organizational changes and their impact on functions and personnel; identify and develop existing and potential technical expertise and future managers; and develop the workforce for the Year 2000. Concurrently, OPDIVs also plan to focus on human resource initiatives.



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- ACF will pilot client-focused employee teams, trained in financial and grants management, to manage and monitor nearly all of its discretionary grant programs.
- ACF subteams will address specific aspects of the grants reengineering program to continue to identify necessary supportive actions such as improved training, technical assistance, and policy changes.
- NIH's Office of Financial Management, as it enters the next phase of its reorganization, will assess the training needs of each employee to determine how to best meet those needs.
- CDC will encourage its financial management staff to accept special developmental assignments and special projects in order to gain new skills and to help accomplish the agency's mission. Assignments in different functional areas will also be offered and will broaden the employees' knowledge base, increase their promotion potential, and build a core of well trained financial management staff. Eventually, CDC hopes to extend these opportunities to staff in the program offices.

3. FINANCIAL SYSTEMS

The improvement of financial management systems continues to be a major priority of HHS in line with the government-wide CFO Council's goals. HHS's financial systems plan envisions the implementation of integrated financial systems which rely heavily on standardization and take advantage of the current technology to support the Department's program needs and administrative processes. We will take advantage of the rapidly expanding Internet to improve public and employee access to information about HHS. The plan also focuses attention on a widespread problem facing many financial and nonfinancial systems worldwide, i.e., the ability of the systems to handle the turn of the century and reporting information.

To ensure that HHS financial systems continue to meet external requirements, we actively participate in the development of government-wide financial policy in numerous committees impacting financial management systems. To ensure that we meet external requirements, HHS established an FPG to implement these changes with consistency in the accounting systems. HHS also participates on a government-wide systems task force, established by the CFO Council Systems Committee, to develop a strategy to improve government financial management systems.

HHS is taking a proactive approach in the improvement of financial systems. Because of the emphasis on standardization among all of its financial systems, the Department is able to share successful implementations in one OPDIV with other OPDIVs and can support common functions, such as grant payment and payroll, through centralized systems. Consolidation of systems and replacement of legacy systems is a priority in the Department's approach to improving financial management systems and financial data. As a result of the creation of the PSC, two accounting organizations merged and will provide full accounting services for the majority of OPDIVs. The merger of the two accounting systems which support these organizations will be completed in FY 1997.

The following chart depicts the Department's single integrated financial management system. The high level view of the planned HHS financial systems structure has been revised to reflect the merger of the OS and Health Accounting System (HAS) into the PSC. Financial information is electronically transmitted between the centralized systems (PMS and payroll system) and the accounting systems of the OPDIVs. The information can then be summarized into a Departmental Executive Information System (EIS).

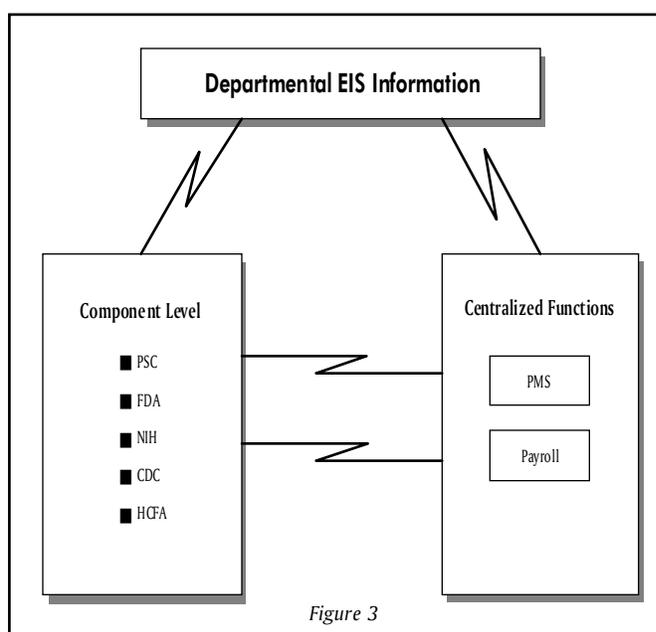


Figure 3



Financial Systems

HHS utilizes technology to improve financial management system performance. HHS plans to take advantage of client server technology to improve efficiency and cost effectiveness. The technology itself will allow end users to have a greater flexibility in determining the manner in which they view the data.

The HHS implementation of the government-wide Electronic Commerce (EC) continues. HHS is an active participant in the government-wide FITEC.

The Internet opens up new possibilities for HHS to disseminate information about the Department and its OPDIVs. HHS also uses the Internet to provide access to applications across organizational lines.

These systems will assist the Department in the implementation of the many changes to HHS financial systems required by the OMB, GAO and Treasury, and the recommendations of FASAB. The Five Year Plan includes the implementation of these systems changes and outlines a realistic approach to complete these changes timely based on available resources.

A. Develop and implement integrated financial systems throughout HHS.

STATUS: HHS continues its compliance with the concept of a single integrated financial management system as defined by OMB Circular A-127. The OPDIVs incorporate Department-wide standards in their financial systems and in the processing of data. Compliance with government-wide standards, such as the use of the SGL, is nearly complete for Departmental financial systems with the recent addition of FDA's compliance. Payment of grants (PMS) and payroll (Payroll/Personnel System) through central systems operated by the PSC help to ensure that the processing of data is efficient and accurate, since this information automatically updates the HHS accounting systems.

Revisions to these central systems are proceeding on schedule. During 1996, PSC initiated an open architect reengineering of the PMS. A business review of the manual and automated procedures associated with PMS resulted in a series of recommendations. The study clearly showed the cost effectiveness of a revised system using client server technology to meet current and future needs. During 1996, disbursement reporting (SF-272) by grantees to PMS was automated.

The Payroll/Personnel Modernization Program (PPMP) project continued on schedule during 1996. Like the PMS redesign, this system utilizes client server technology. The PPMP is an object-oriented application that operates under Windows and provides an integrated payroll/personnel system for the Department.

The OPDIVs have a variety of efforts that integrate or improve financial processes. Following are some examples:

- The PSC merger of HAS and OS accounting system is proceeding on schedule. During 1996, the OS core accounting software was installed at the PSC computer center. The software is being

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analyzed to identify changes needed to accommodate the HAS requirements. In 1997, HHS will consolidate the accounting for the majority of the OPDIVs in the new accounting system.

- PSC provides more than just accounting services, and provides services beyond HHS and its OPDIVs. For example, PSC provides debt management services to HHS and other Federal agencies. During 1996, they made grant payments for more than 30 other Federal grant awarding organizations, approximately 75 percent of all Federal grantees. PSC also provides services and products in the areas of human resources, financial and property management, and information technology. PSC's goals are to enhance the productivity, quality, and responsiveness of organizations with administrative service responsibilities and to be number one in customer service; goals consistent with the government-wide CFO Council's strategy.
- CDC is currently working on a feasibility study for the installation of a new procurement system. If implemented, an automatic interface will be developed between the personal property system, the warehouse inventory system and the accounting system. CDC also began work to implement the automated budget module developed by and in use at PSC. This budget module is fully integrated with the accounting system. Finally, CDC has acquired a commercial off the shelf package that will automate the processes required in the acquisition of goods and services using the government credit card, I.M.P.A.C.
- In addition to making their core accounting system SGL compliant, FDA updated their accounts payable system to provide for electronic vendor payments. To date, approximately 40 percent of FDA's total dollar volume to vendors is paid via electronic funds transfer (EFT). Other FDA financial system activities included initiating a project to provide on-line funds control capabilities and completing a review of FDA's business processes and systems by a contractor. The contractor completed a draft business process baseline in July 1996 and will provide the conceptual design in 1997.
- HCFA completed the automation of financial statements from adjusted trial balances during 1996.
- Development of automated interfaces from mixed financial systems in the OPDIVs continues to provide data to core accounting systems and to the central payroll system.

PLAN: HHS will continue its effort to identify opportunities to streamline and consolidate operations in the financial management arena. The use of front-end modules that provide an automated feed to accounting systems will continue. Also, planning for systems changes required by OMB, GAO and Treasury will be a coordinated effort, conducted through the FPG to determine the best methods to implement required changes to Departmental financial management systems. HHS will maintain its active involvement in government-wide policy groups to serve as an advocate of HHS needs and to contribute to government-wide solutions.

The objective of integrated financial systems is being accomplished through the OPDIVs in projects such as:

- **PSC:** The merger of the HAS accounting system into the OS core accounting system will be completed in FY 1997. Future plans include system migration from the mainframe environment to

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a client server environment in FY 1998. In FY 1998, PSC also plans to have in operation their new state-of-the-art payroll and personnel system, PPMP, and the new PMS. PSC anticipates expanding cross-servicing of these functions to additional Federal departments and agencies.

- FDA: A contractor has completed a review of FDA's business processes and systems and will provide recommendations during FY 1997. As a result of these recommendations, future systems plans may be impacted. The current plan is as follows: in FY 1997, develop an on-line funds control module and add additional vendors to the accounts payable system for Automated Clearing House (ACH) payments; in FY 1998, update the Center Financial Management System, which serves as the point of entry for all commitments and obligations outside of the Office of Financial Management.
- CDC plans to implement the government credit card system. This system will generate obligations, support electronic invoices, provide on-line interactive reconciliation of invoiced items, provide the approval process, support procedures for disputed items, and schedule payments for reconciled and approved invoices.
- HCFA continues to implement the automated Time and Attendance Information Management System in central and regional offices as they become Local Area Network (LAN) ready.

All of the OPDIVs plan to continue to automate feeder systems to enter transactions one time into a system and electronically transfer the transactions to other transaction processing systems.

B. Improve automated systems environment and technology.

STATUS: HHS has consistently focused on improving automated financial systems to ensure that they provide complete and useful financial information on the Department's operations and that they support financial and performance reporting. In addition to providing useful information, automated systems will be constructed to provide seamless integration of data for operational and management decision making. To support these efforts, a technological environment is being established to ensure that financial systems operate efficiently and effectively.

To achieve the goal of providing complete, useful, and timely information, HHS is focusing on implementing ITMRA; increasing the use of client-server technology; utilizing the Internet technology to support and streamline financial management processes; and electronically linking front-end and financial systems.

Increasing the use of client-server technology is a key element to the management of financial and mixed systems within the department. Some of the financial or mixed systems have migrated to a client-server environment, while others are in the planning phase.

Internet technology, through TCP/IP, plays a fundamental communication role to many of the new initiatives within the Department. Systems such as the Travel Management System (TMS), FIRS, SF 272 reporting at PMS, and FIND, a front-end interface to grants information, rely on TCP/IP to provide users the ability to access these systems across organizational lines.



Financial Systems

EC provides many opportunities for improving efficiencies and services. The Department's infrastructure includes an enterprise network supporting TCP/IP and providing e-mail and interactive links to the Internet. Each of the Department's components can communicate through the Departmental Integrated Management Exchange System (DIMES), which then provides a single gateway for EC type activity to the Federal Acquisition Computer Network (FACNET) and others. Through the continued usage of DIMES, the Department will be in position to take advantage of new EC initiatives and efforts as they are developed.

HHS has also looked to other technologies that can improve business processes. For example, CDC implemented an imaging system for their computer generated accounting reports. Video conferencing technologies and voice activated systems have also been reviewed.

PLAN: HHS will improve the automated systems environment and technology, in part by applying the requirements for performance and results based management, capital planning, and investment review contained in the ITMRA. Toward this end, the Deputy CFO will serve as a member of the Departmental investment review board, which is chaired by the Deputy Chief Information Officer (CIO). Plans are being developed for the implementation of ITMRA in FY 1997.

Client-server planning efforts are underway in a number of the OPDIVs. PSC's PPMP is being developed in an object-oriented, client-server application that operates under Windows. FDA's time and attendance process is being developed in the Oracle environment. This environment will provide a table-driven, rules-based design that will be easily customized and able to respond to the particular needs of FDA while maintaining the various sets of standards. CDC plans on implementing a budget SQL database that relies on client-server technology. Plans are also underway for the development of an infrastructure to support an expanded data-sharing community. This basic infrastructure will be based on common Internet technology and will be integrated into a private environment, Intranet, to support the needs of the Department.

At the Department level, a number of projects are underway which are based on electronically moving data sets from Departmental transactional systems to a client-server platform. These projects rely heavily on the use of current desktop tools to access the data that is available in these central databases. In addition to the Departmental efforts, many of the transactional processing systems are relying on user-friendly front-end interfaces to capture information, which is then processed into the larger financial, personnel/payroll, grant, etc. systems.

C. Link HHS to the Federal Internet environment.

STATUS: The Internet provides a mechanism for the OPDIVs to collaborate in improving public and employee access to Departmental information through electronic access. It also aims to improve program management through communications technology and to provide improved services for our clients and customers. Using the Internet to provide a forum and serve as a financial information resource is our goal.



Financial Systems

In conjunction with the Department's Continuous Improvement Program (CIP) Internet Laboratory, OF has developed a World Wide Web (WWW) home page containing information about HHS's financial management activities. Initial information includes the CFO Five Year Plan, points of contact for OF, lists of the Department's CFOs, financial management officers, and accounting officers, selected chapters of the Departmental accounting manual and the Departmental SGL listings. The finance home page Internet address is (<http://www.os.dhhs.gov:80/progorg1/fin/>).

The CIP Internet Lab has developed guidelines which are intended to help in the development of WWW pages. This guidance is intended to promote best practices and recommend specific guidelines for developing and maintaining WWW pages when disseminating information to the public.

HHS continues to participate in and support FinanceNet. FinanceNet has proven to be a useful tool in providing information to the various accounting organizations across HHS. Internet connectivity is increasing in many of the OPDIVs. The HHS CFO Planning Group has been the main focus for distributing information about FinanceNet. In addition, training was presented to this group to ensure that all OPDIVs know the capabilities and benefits of FinanceNet. Information on FinanceNet has been presented at several of the HHS CFO Planning Group meetings.

PLAN: During the next five years, HHS will continue to use the Internet to distribute information for internal use and to provide information to the public. Methods to share certain information for internal use only will be developed. We also plan to explore methods to share specific information on the Internet that includes password protection.

The implementation of OF's home page will prove to be a benefit to the organization, particularly in the dissemination of financial policy. We will solicit input from users on a regular basis for items to be added to the OF home page.

D. Year 2000 conversion.

STATUS: Many systems, including HHS's financial systems, either capture, store, display, calculate, or use dates based on two digits to indicate the year (e.g., 96 for 1996). When the century changes, many of these systems will either fail or give erroneous results unless corrective action is taken to modify the current program code. This issue has received high visibility and is the subject of many discussions and initiatives throughout the Department.

The OPDIVs have begun to make changes to their financial systems to accommodate the century change. Steps have been taken throughout the Department to ensure that financial systems will be ready for the Year 2000. All HHS components have identified Year 2000 project managers with responsibilities for carrying out the planning and implementation of the project. However, most OPDIVs are in the early stages of implementation and are currently developing a complete profile of affected systems and codes.

OS developed a core accounting system that meet the millennium requirement. This system, which will be used by the PSC starting in 1997, will service the majority of the OPDIVs.



Financial Systems

Two of our major components have made significant progress in the Year 2000 compliance. HCFA and CDC have developed general plans to implement the Year 2000 project.

In July 1995, HCFA instituted a formal year 2000 project and formed a millennium planning team with members from major components throughout HCFA. This team has conducted an inventory of HCFA's systems and has developed a scope assessment to determine the magnitude of any potential problem. The team is currently developing a plan for assuring millennium compliance.

CDC's central information systems office began investigating the information technology and systems implications in mid 1995. In 1996, the current prime programming support contractor distributed a survey and guideline for detecting and correcting Year 2000 compliance problems for all of the systems they support.

Making the changes to the OPDIV's systems will involve a great deal of resources, both man-hours and dollars. HCFA estimates the cost could be as high as \$62 million (includes \$47 million to modify external systems) and CDC estimates the costs could be as high as \$14 million. While there is potential to reduce the cost by leveraging multiple initiatives such as HCFA's Medicare Transaction System (MTS) and legacy system reengineering, the cost will still be substantial.

PLAN: The Year 2000 project has been designated by the Department's CIO/CFO as one of HHS's highest information technology projects. To ensure that we are on target for Year 2000 compliance, the CIO requires semiannual progress reports, coordinated by the Office of Information Resources Management (OIRM). OF will work closely with OIRM to ensure that the Department's financial systems will be ready for the new century.

All of the OPDIVs are planning risk assessments to assess the vulnerability of their programs, to be followed by formulation of plans. OPDIVs will develop plans during 1997-1998.

There are also significant development efforts underway, such as the reengineering of PSC's PPMP and PMS, which will satisfy the millennium requirements.

During 1997, HCFA will be developing a detailed plan that will factor in the following:

1. the technical approach for each application group;
2. the finalized scope that includes their assessment of the external entities;
3. the implications of other agency initiatives, such as the MTS;
4. the development of a test facility at the HCFA data center to validate millennium compliance; and
5. the use of tools and consulting services to assist in the conversion.

CDC has a similar five goal approach and will also develop a detailed plan. The experiences of HCFA and CDC will be shared with the other OPDIVs.

Both HCFA and CDC plan to reprogram funds and incorporate changes to financial systems into existing projects to pay for part of the Year 2000 effort. However, based on current estimates, CDC and HCFA will require additional funding.



Management Accountability and Control

4. MANAGEMENT ACCOUNTABILITY AND CONTROL

In the 1995 Five Year Plan, HHS emphasized its commitment to the implementation of new OMB management control initiatives, particularly the revised Circular A-123, Management Accountability and Control. Consistent with the Circular, HHS's management control initiatives reflect the empowerment and accountability of program managers. For the first time in FY 1995, HHS program managers identified in their annual assurance statements to the Secretary more extensive bases of management control than were allowed under the requirements of the previous management control Circular. The expanded bases for management control assurance, which include both Federal Managers Financial Integrity Act (FMFIA) and other management assessment tools, are summarized in this report.

In this report, HHS provides information on three management control objectives as it has in the last two status reports. When these objectives were first defined, the circumstances of Federal management control programs made the objectives distinct. However, with OMB's and HHS's efforts to integrate management accountability programs and initiatives including management control and audit follow-up, the HHS management control objectives that follow have converged so as to be almost indistinguishable. Integration and improvement of the efficiency and effectiveness of these programs are the core objectives of both HHS and OMB, and this will continue to be so. As a result of the integration that has occurred, but with the commitment that management control objectives are essential to this report, HHS will reevaluate these objectives over the next year and will modify them to reflect the convergence that has occurred.

The prevention of financial losses attributable to fraud, abuse and waste remains the primary objective of HHS management control efforts. To limit financial losses, HHS program managers continue to correct management control deficiencies. In the HHS FY 1995 FMFIA Report, HHS components reported the correction of eight material weaknesses. Since the implementation of the FMFIA, HHS has identified 355 material weaknesses and material non conformances, and has corrected 335 of those. HHS program components are continuing efforts to correct the 16 pending material weaknesses (note: four of the material weaknesses and/or non conformances included in the base number are now the responsibility of the Social Security Administration). Since 1989, HHS has corrected all of the seven high risk areas tracked by OMB in its High Risk Program.

A. Support OMB management accountability initiatives.

STATUS: HHS management control programs conform to the principles and standards provided by OMB in its revision of Circular A-123 in June 1995. Following publication of the Circular, HHS encouraged its OPDIVs to supplement their existing FMFIA review programs with ongoing assessment activities which would strengthen their annual assurance of management control. This initiative resulted in improved documentation of management assessment activities by program managers and stronger annual assurance statements to the Secretary. These are summarized, by OPDIV, below:

Management Accountability and Control

ACF

ACF initiated efforts to reinvent its FMFIA and management control activities in FY 1994 and 1995. Based on the findings of its ACF FMFIA Redesign Team, the agency decentralized management control responsibility and fostered an agency-wide focus on “results-oriented management.” The outcome in FY 1995 was extensive activity throughout the agency toward the development of strategic planning and performance measurement initiatives to supplement monitoring systems and to provide a consistent basis for management control assurance. In FY 1996, the FMFIA, CFO, and grants reengineering quality assurance functions were joined together in the new Office of Financial Services to initiate a more coordinated process for integrating management controls, performance measurements and results, and annual financial statements audits.

AoA

The AoA management control program is organized around seven administrative/fiscal functions and five programmatic functions. In addition to AoA’s formal Management Control Plan (MCP) and FMFIA review program, managers continuously monitor and improve the effectiveness of management controls associated with their programs. The managers’ performance plans state their responsibility to assure that effective controls are in place to comply with the requirements of the FMFIA. AoA has strengthened management accountability by delegating authority to line managers.

Because AoA believes that management accountability is mission driven, the agency includes mission initiatives in its assurance of management control. In response to specific mandates of the Older Americans Act, and in support of its mission to serve senior citizens, AoA has developed five initiatives to address the challenges of the nation’s aging population. These initiatives focus on critical issues of concern to agencies and individuals serving senior citizens, as well as to the senior population, and they demonstrate AoA’s commitment to proper stewardship of Federal resources through results-oriented program activities.

- Blueprint for an Aging Society provides a framework for action to prepare the nation and its citizens for economic security and quality life in old age.
- Long-Term Care Agenda fosters the development of consumer-driven home and community-based systems of care for persons who need services.
- Older Women’s Initiative focuses on mid-life and older women in areas of income security, health, caregiving, housing, and prevention of crime and violence.
- Nutrition/Malnutrition Initiative emphasizes prevention of malnutrition and food insecurity as well as promotion of good nutritional practices among older Americans and their families through information dissemination.
- Crime/Violence Prevention Initiative addresses issues of crime and violence against senior citizens and links state and local organizations working to combat domestic violence with aging agencies.



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AHCPR

AHCPR provided reasonable assurance on the basis of its structured FMFIA review program and on other ongoing management assessment activities. AHCPR executives exert significant control over priority policy and research activities through the agency's program planning process. At the beginning of each fiscal year, the senior leadership of the agency conducts a two-day policy review forum to critically assess research and policy goals for the next fiscal year. Agency leadership is also fully engaged in the budget formulation process to ensure that program priorities are accurately and substantively reflected in the budget presentation.

With the FY 1995 reorganization of the agency, AHCPR has initiated the review of its most fundamental management control systems: its operational policies and procedures. The intent of the review is to ensure that fundamental management controls are current and streamlined and include appropriate oversight. Plans are in place to automate revised policies and procedures and make them available to all AHCPR staff on an agency-wide LAN by the end of calendar year 1997.

CDC

CDC, including for purposes of this report ATSDR, maintains a formal FMFIA management control program. The agency relied primarily on its activity under that program for its FY 1995 annual assurance.

In future years, CDC will rely on additional financial management tools to support its management control assurance. CDC has prepared financial statements since FY 1992 in accordance with the CFOs Act and its first financial statement audit is planned for FY 1996. CDC plans to assess the applicability of performance measurement systems to the evaluation of management accountability and control. Information regarding results-oriented management is being developed through CDC's implementation of GPRA. CDC also seeks to reduce risk by carefully controlling access to automated systems. During the past year, CDC has increased controls on access to vendor files.

FDA

The management control assurance for programmatic activities provided by the Commissioner of the FDA incorporated the management control assessment efforts of the individual Centers and program offices of FDA. For the most part, the individual Centers: retain and employ formal FMFIA program and MCPs; rely on assurance on internal and audit reviews; develop corrective action plans to correct identified weaknesses; and develop new management control systems.

The Centers also identified significant program management control development activity outside the usual FMFIA process. Other ongoing or routine management accountability assessment activity included: the development and use of standard operating procedures; internal and external peer review programs; monitoring of application review processes; the Managed Review Process; the Science Advisory Board annual review; management surveys of reviewers; internal project reviews by managers; periodic management information system reports; safety review committees; quality



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assurance reviews; supervisory and performance reviews; Center planning processes; and staff meetings.

For administrative activities and functions, FDA also cited other management control assessment activity other than periodic reviews, including: administrative officer control operations; development of the Partners in Administrative Management Resource Guide; LAN risk analysis; the Administrative Systems Automation Project; periodic monitoring of administrative procedures; and routine management control problem reporting by the Office of Internal Affairs.

HCFA

HCFA will continue to rely on its established FMFIA program to form the primary basis for its assurance of management control and compliance with the FMFIA. However, HCFA has also reported significant information from other management sources to support its assurance of compliance with the FMFIA, including:

- Results from internal reviews of financial systems.
- Preparation of annual performance plans and reports pursuant to the requirements of GPRA.
- Controlled responses to all hotline complaints as well as responses to all OIG and GAO audit reports.
- Testimony or reports prepared and delivered by HCFA to Congressional committees or subcommittees.
- HCFA's successful collaboration with the Department of Justice implementing controls to combat Medicare fraud and abuse under Operation Restore Trust.
- Certifications of reasonable assurance provided by HCFA's bureau and office directors.
- Internal communications promulgated to ensure appropriate procurement, travel and human resource procedures.

As part of its continuing efforts to encourage effective management controls in Medicare contractor operations, HCFA also works closely with Part A and B Medicare contractors. A national conference was held June 27-29, 1995, with attendees from intermediaries, carriers and the OIG. The purpose of the conference was to initiate drafting a guide to assist contractors in reviewing internal controls. In FY 1995, work groups identified six major areas of performance review and are drafting control objectives for inclusion in a contractor review guide. HCFA envisions contractors performing internal control reviews of Medicare operations, with the assistance of the guide, perhaps as early as FY 1996. In addition, FY 1995 marked the first year that contractors submitted an annual statement of reasonable assurance reflecting that internal controls are a part of their ongoing operation.



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HRSA

HRSA continues to make use of and rely on its established FMFIA program to form the basis of its assurance of management control and compliance with the FMFIA. HRSA maintains a current MCP that consists of approximately 40 separate management control areas that cover both administrative and programmatic areas. HRSA has conducted approximately 30 reviews of management control areas included in their plan over the last three years. These reviews include management control reviews, alternative management control reviews and audits by the HHS OIG.

IHS

The assurance of FMFIA compliance by the IHS relies on the continued maintenance of its formal FMFIA program and MCP. IHS's five-year MCP, which contains approximately 35 management control areas and is updated annually, directs the agency's processes for reviewing management controls and identifying and correcting control weaknesses. In FY 1995, nine IHS functions at multiple sites were reviewed, for a total of 21 management control reviews IHS-wide. The majority of the reviews were concentrated on functions with high-risk ratings and were comprised of on-site reviews as well as agency self assessments. IHS also conducted corrective action reviews for the Alcohol and Substance Abuse Program functions, and the findings indicated general compliance with control standards and management control improvement for this management control area.

NIH

NIH employs a multifaceted approach to the assessment and assurance of management control including traditional FMFIA mechanisms and other management assessment sources and tools. In a continuous effort to monitor and strengthen management controls in program and administrative areas, NIH relied on internal investigations to assess allegations of misconduct and management controls. NIH conducted approximately 30 investigations in FY 1995 that evaluated management controls. The OIG conducted approximately six audits, and GAO completed four reviews that evaluated management controls in designated management control areas during the prior fiscal year.

Based on CFO reviews and approvals already provided by the GAO for the NIH accounting system and assurances given by the agency's CFO, NIH's accounting system, taken as a whole, generally conforms to the principles and standards developed by the Comptroller General and implemented through the OMB Circular A-127, Financial Management Systems.

PSC

In a reorganization associated with HHS implementation of Reinventing Government, Phase II, initiatives, the Department established a central administrative services unit, the PSC, to serve multiple HHS components. For the most part, the assurance of management control compliance for the PSC was provided by the HHS offices where most of the functions were housed in FY 1995. In particular, components of ASMB, the former Office of the Assistant Secretary for Personnel Administration, and

Management Accountability and Control

HRSA provided management control monitoring and assurance activity in FY 1995 for functions such as personnel, payroll, accounting systems, accounting operations, etc. PSC provided assurance of FMFIA compliance for the activities of the Division of Payment Management (DPM), formerly part of PHS. Following the issuance of, and in accordance with OMB Circular A-123, DPM performed evaluations of its financial management systems and management controls associated with cash advances of Federal assistance payments to grant recipients.

SAMHSA

In FY 1995, SAMHSA took up the challenge of OMB Circular A-123 to integrate its efforts to meet the requirement of the FMFIA with other efforts to improve effectiveness and accountability. SAMHSA reported on the initiation of efforts to improve management effectiveness and accountability in both programmatic and administrative areas.

With respect to program areas, SAMHSA's overarching effort has been the continued development of its strategic plan which defines its mission, vision, core principles, and strategic priority areas for the remainder of the 1990s. An agency action plan will ensure that strategic planning translates into agency action. For management accountability assessment, SAMHSA also relies on its demonstration planning group which has developed a targeted demonstration agenda for FY 1996. The agenda enables SAMHSA to better acquire knowledge on important policy-relevant questions in the mental health and substance abuse prevention and treatment fields and to make the most effective use of limited Federal funds.

SAMHSA also conducted a number of program evaluation efforts in FY 1995 in each of its centers, including: Pregnant and Postpartum Women and their Infants program; community partnership demonstration program; national training system and community technical assistance services of the Center for Substance Abuse Prevention; faculty development programs (health professions clinical training programs); National Treatment Improvement Evaluation Study; Job Corps Drug Treatment Enrichment Program; assessing costs in substance abuse treatment settings; Access to Community Care and Effective Services and Supports program; and children's mental health services.

In administrative areas, SAMHSA relied on both review activity and management improvement activity to support its assurance of compliance with FMFIA. In FY 1995, the agency conducted self-assessment reviews for three different personnel management functions: staffing, transactions, and activities associated with experts, consultants and advisory committee members. To assess and improve performance management in the NPR environment, SAMHSA created a performance management work group. The SAMHSA Division of Information Systems Management is directing a variety of automation initiatives which assess the control environment and will improve the effectiveness, efficiency and accountability of operations. Systems assessment and improvement areas include: LANs, property management, grant payback tracking, grants management information, and information systems security.

PLAN: The focus of HHS implementation of OMB's management control Circular will continue to mirror the central principles of the Circular itself. HHS maintains accountability through systematic



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and proactive management control programs, the assessment of management controls, and the clear demonstration and documentation of accountability through management controls.

HHS will continue to emphasize flexibility and empowerment to program managers and will minimize prescriptive requirements in the implementation of OMB Circular A-123. HHS program managers will have full authority for the design and implementation of management control processes and procedures for their programs.

A primary initiative to improve HHS management control coordination and reporting will be to integrate management control assessment and reporting with other financial management activities. As reflected in the OPDIV summaries above, HHS components are increasingly seeking to make greater use of performance measurement activity to satisfy management control assessment needs. As HHS expands its implementation of GPRA, HHS program managers will consider the applicability of additional performance measurement activity to the assessment of management controls. Similarly, as described in previous chapters of this report, HHS will begin to incorporate management control reporting into the Department's accountability report.

B. Improve the efficiency and effectiveness of HHS management control and audit follow-up programs.

STATUS: HHS initiated efforts to improve the efficiency and effectiveness of its management control and audit follow-up programs before the final issuance of the revised Circular A-123 in June 1995. Two years ago, in the Five Year Status Report and Plan for 1994, we identified how a CIP initiative reduced the burden and prescription of Department-level management control guidance, and how it provided program managers the opportunity to use internal management initiatives to improve management control efficiency and effectiveness. With OMB publication of the revised Circular A-123 and HHS implementation of it, efforts to improve the efficiency of management control assessments have increased. This is reflected in the summary assurance statements included under the first management control objective above.

OPDIVs are increasingly identifying existing internal assessment tools that will meet OMB Circular A-123 and FMFIA requirements. In this way, HHS program managers will realize efficiency improvements in management control assessment activity. Because they are increasingly basing management control assurance on existing management assessments, OPDIVs are reducing the number of separate and duplicate assessments performed solely for the sake of compliance with former FMFIA prescriptions.

Similarly, for HHS's audit follow-up activities, the Department initiated efforts in FY 1995 to reduce management paperwork through the elimination of burdensome reporting requirements and the use of technology. After a successful pilot test in early FY 1995 to reduce the number of audit follow up transactions processed in the Department's audit tracking systems, the audit follow-up staff in the OPDIVs and the OIG then implemented the improvements to those transactions on a broad scale. Subsequently, OIG and audit management representatives increasingly automated those transactions.



Management Accountability and Control

These initiatives have resulted in massive reductions in paper transactions on audit follow-up without compromising the quality of follow-up action or the documentation of audit resolution.

PLAN: For the next year, the Department's efforts to improve the efficiency and effectiveness of HHS's management accountability programs will focus on initiating efforts to integrate reporting for FMFIA and audit follow-up functions with other management accountability programs, including CFO and GPRA reporting. HHS will prepare for future accountability reports which the agency anticipates will incorporate reporting for these management accountability programs. Experimentation with a prototype report is expected prior to full implementation.

C. Coordinate Departmental programs for management control with those for financial management and strategic planning.

STATUS: HHS continues to ensure that reports of financial statement audits are reviewed for their management control implications, and that material weaknesses identified in financial statement audits are addressed in either the CFO or the FMFIA report. More significant strides have been made in the integration of traditional FMFIA review activity with other forms of management accountability. This is illustrated in the information provided for each OPDIV under chapter 4.A. "Support OMB management accountability initiatives".

HHS continues to support OMB's proposal to consolidate reporting for management programs which implement the CFO, GPRA, FMFIA and Inspector General Act Amendments of 1988. HHS will cooperate with the CFO Council and the OMB to ensure that sound and flexible reporting requirements are developed that achieve the efficiencies possible with a consolidation of reports.

PLAN: In addition to the efforts identified above to integrate management accountability reporting in a prototype accountability report, HHS will ensure interdisciplinary participation in the implementation of GPRA through the HHS GPRA Roundtable and the HHS CFO Council. As indicated in the OPDIV activities described in chapter 4.A. for this, HHS anticipates that performance measurement programs will contribute increasingly to future HHS management control assurances. In preparation for implementation of strategic plans and annual performance plans with the FY 1999 Budget, HHS will work closely with OMB through OMB's Summer and Fall Reviews and the Budget Officers Advisory Council.



Asset Management

5. ASSET MANAGEMENT

The Department's asset management goals and objectives continue to emphasize the efficient and effective management of our collection, disbursement, acquisition and disposal processes. HHS continues to participate in the government-wide EC acquisition project with representatives from finance and procurement work groups. The recently enacted DCIA will significantly enhance our ability to more quickly and effectively collect delinquent debts by using its enhanced collection tools. DCIA also mandates the use of EFT by January 1999. The mandatory use of EFT will be addressed through the existing FITEC group and FPG.

A. Debt and credit management.

1. USE THE MOST APPROPRIATE DEBT COLLECTION TECHNIQUES BASED ON THEIR COST EFFECTIVENESS.

STATUS: HHS has intensified its focus on the timely collection of monies owed to the Department. We strongly supported the efforts of the Treasury and the OMB in the recent passage of the DCIA. We have continued our support of various CFO Council initiatives, most notably the development of performance measures for loan receivables.

HCFA has expanded its participation in the IRS Tax Refund Offset Program (TROP) to include consumer debt. In addition, HCFA has implemented a national system for compiling and reporting to the IRS debts that are eligible for inclusion in TROP. HCFA also has complied with programmatic requirements, as required by Treasury, including submitting a commitment letter certifying that the agency will have debts for inclusion in the TROP and compiled a preliminary list of eligible debtors based on responses from agency regional office staff.

PSC's Division of Fiscal Services is evaluating image processing systems to select one to be installed in the Debt Management Branch (DMB) for imaging loans and accounts receivable documents and files. The imaging system will allow DMB to more efficiently and effectively manage its debt and loan programs and will improve and provide methods for information sharing to the Department of the Treasury as we begin to implement various provisions of DCIA.

CDC's plan to increase efficiency in debt management by automating the process for billing and collecting reimbursable agreements was delayed by other priorities; however, this automation project is still a significant part of CDC's future plans. HRSA and HCFA continue their efforts to develop an interagency agreement to offset Medicare disbursements.

ACF completed the issuance of new debt collection procedures to strengthen its recovery efforts. PSC completed the modification of its debt management and collection system to accommodate the receipt of receivables and fees from the National Practitioner Data Bank.

Asset Management

During the past year, HHS's recovery efforts have resulted in the collection of over \$7 billion owed to the government; \$82 million was determined to be uncollectible and was written off; and \$325 million is currently at the Department of Justice for litigation or other collection action.

PLAN: HHS will continue to expand its use of automation while integrating the new provisions of DCIA into our existing credit and debt management activities. We have established a special inter-OPDIV work group to implement the DCIA provisions timely and effectively throughout the Department; particularly in the areas of debt sales, applying for debt collection center designation, and administrative offset. HHS will also explore the possibility of using the new provisions of DCIA to assist in the recovery of past-due child support payments.

HCFA will explore expanding the application of the TROP to additional agency debts. PSC will select the imaging system and complete procurement actions in FY 1997. Installation, testing, training, and implementation should occur in FY 1998. In addition, PSC will examine being designated as a Debt Collection Center by the Department of the Treasury under DCIA.

B. Modernize payments.

HHS continues to aggressively pursue various alternatives to improve the timeliness of payments. The use of EFT has been a priority in HHS and, throughout the Department, various efforts are ongoing to make more payments by electronic means in order to improve timeliness and to reduce cost. With DCIA, EFT for all payments is mandatory by January 1999. HHS will look at cost effective ways to meet this mandate.

HHS continues to take an active role in Federal Electronic Benefits Transfer (EBT) initiative and in the government-wide FITEC. Additionally, various internal efforts to improve the timing of payments for employees, vendors, and recipients continue. The status of some of these are set forth in the individual objectives reported under this section.

1. DEVELOP ELECTRONIC BENEFITS TRANSFER (EBT) SYSTEM.

STATUS: The Federal EBT Task Force May 1994 Report to the Vice President "Creating a Benefit Delivery System that Works Better and Costs Less: An Implementation Plan for Nationwide EBT" is the blueprint for implementing a nationwide EBT system by March 1999 that provides Federal and State program beneficiaries electronic access to their benefits. The goal of EBT is to use one card, which is user-friendly, to provide unified electronic delivery of benefits under a Federal-State partnership.

ACF and the USDA's Food and Consumer Service (FCS), which manages the Food Stamp Program, continue to work with the States to support the goal of nationwide EBT:

- ACF worked with the Federal EBT Task Force, Treasury, and with the Southern Alliance of States to define the requirements for a prototype system capable of delivering both Federal and State-administered benefits on the same EBT card.



Asset Management

- ACF continues to be actively involved with over 40 States in providing technical assistance and planning for EBT technology.

PLAN: HHS will continue to actively support OMB, Treasury and the USDA/FCS to implement the Vice President's goal of nationwide EBT consistent with the plan laid out in the Vice President's Report. Title I of the Personal Responsibility and Work Opportunities Reconciliation Act, specifically the Block Grant, encourages implementation of EBT for providing assistance under the Temporary Assistance to Needy Families. Under the Block Grant, ACF's role in advanced approval of systems has changed; however, ACF will continue to assist States that have implemented or are planning to implement EBT systems for the delivery of assistance payments.

2. INCREASE THE USE OF ELECTRONIC FUNDS TRANSFER (EFT).

STATUS: Virtually all of the salary and grant payments made by HHS already meet the mandate to use EFT. However, some work is needed to increase the use of EFT for vendor and travel payments. HHS continues to use automated mechanisms to maximize efficiency in disbursement processing and continues to publicize the use of EFT as the payment method of choice. The mandatory use of EFT is being addressed through the Department's existing EC group and the FPG.

HHS processed approximately 94 percent of the dollar value of all payments using EFT. This percentage represents 24 percent of all HHS payment transactions. Ninety-five percent of the Department's salary payments and 99 percent of all grant payments are made by EFT. All payment offices are currently making some EFT payments. However, we need to focus our efforts to increase the use of EFT for payments to vendors and travelers.

PSC converted to ACH and manual schedules were eliminated with the implementation of the core accounting system.

FDA contracted with a vendor to develop an automated system for paying Federal Express invoices. Federal Express submits the invoices to the vendor in EDI X-12 810 format. The system audits invoices and removes exceptions before submitting them for payment. An EFT payment is transmitted to the vendor and the remittance advice is transmitted via the Value Added Network. Summary accounting transactions are provided to the accounts payable system.

The update to FDA's automated accounts payable system, establishing the ability to make ACH payments to vendors, was implemented sooner than anticipated. The original plan was targeted for June 1996. However, FDA began implementation in February and now has over 100 vendors in their ACH file. As of July 1996, FDA is making approximately 900 ACH payments monthly, for an average monthly dollar amount of \$5.5 million. This represents approximately 40 percent of FDA's total dollar volume of vendor payments.

NIH completed a reengineering study of its accounts payable process and is taking steps to improve performance under the Prompt Pay Act. Steps are being taken to implement electronic payments both through ACH and through a payment process called "E-Z Pay," in order to pay vendors quickly and easily. NIH began collecting ACH data for all of its vendors to make electronic payments in accordance

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with the requirements of DCIA. Letters were mailed to 2,500 vendors requesting the necessary information. The E-Z Pay program will allow the automatic recording of the receipt of certain goods and services (based on object codes) for small dollar purchases of \$2,500 or less. The payment of invoices based on the automatic recording of receipts will be evaluated based on statistical sampling after payment. In addition, during FY 1996, NIH successfully completed testing of the use of procurement credit cards at two Institutes and established electronic payment of credit card invoices.

CDC continues to promote EFT as the most cost effective method for making payments. Currently more than half of CDC invoices are paid by EFT, and these payments represent approximately 83 percent of the dollars disbursed. Also, during the last year, CDC added a feature to the Invoice Inquiry System (IVR) allowing vendors to obtain a telefax statement listing the payment status of any invoices received during the last 30 days plus any older invoices remaining unpaid. For paid invoices, the statement provides the date paid, whether payment was by check or direct deposit, and gives the check/deposit number. This is a significant feature as many vendors do not receive adequate deposit information from the banking institutions. Over 60,000 calls have been logged since the start up of IVR "800" telephone number.

PLAN: HHS will concentrate on meeting the mandated EFT requirements of DCIA. HHS plans to assess existing systems and resources to determine how they will ensure compliance with the mandatory EFT payment requirement. The immediate focus will be on the readiness of each OPDIV to meet the requirement for all new activities to be paid by EFT. The long term plan will address the full implementation of EFT for all Federal payments by January 1, 1999.

An important first step is to assess the current status of the use of EFT throughout HHS. The EC work group plans to establish an EFT profile for each OPDIV. The EFT profile will identify the current status of EFT usage by category of payment and will identify the impediments that each OPDIV must overcome. This profile will also serve as a basis for monitoring progress toward meeting the EFT mandate. Each OPDIV will be required to provide a short-term plan describing how they will meet the requirement to pay new activity by EFT and a long term plan to meet the January 1999 requirement to make all payments by EFT.

HHS will review existing Department-wide policy for grants, contracts, procurement, personnel, and payroll and update them to require banking information and Taxpayer Identification Numbers, and implement procedures to provide this information to finance offices. HHS also plans to participate in Treasury's Financial Management Service work group to develop the final rule for the January 1, 1999 requirement, including the development of criteria for requesting waivers. Other specific plans include:

- PSC is planning to make vendor payments directly to the vendor's designated bank via ACH. In the first quarter of FY 1997, banking information will be solicited from vendors and the goal will be implementation by December 1997.
- FDA plans to update its vendor file with employees' banking information in order to start making EFT payments to travelers. Also, FDA plans to develop an accounts payable system with a vendor file for district offices nationwide.

- The HHS payroll system is developing a system to make EFT payments to States for withholding taxes and for other payments such as union dues, charities, etc.

3. IMPROVE THE EFFICIENCY AND FUNCTIONALITY OF THE PAYMENT MANAGEMENT SYSTEM (PMS).

PSC's DPM operates the Department's PMS. This system handles all payment related activities for HHS grants from the time of award through grant close out. In FY 1995, PMS made over \$171 billion in payments to over 16,000 grant recipients. PMS also cross-serviced parts of other Federal agencies including various components of the Departments of Energy, Labor, Agriculture and Interior.

STATUS: During FY 1996, DPM initiated a reengineering effort of the PMS. This effort followed a business review of the manual and automated procedures associated with PMS and resulted in a series of recommendations for DPM's total business process. The study clearly showed the cost effectiveness of a revised system using client-server technology to meet current and future needs at a lower cost. Another FY 1996 improvement included the automation of the disbursement reporting process (standard form 272) by grantees.

PLAN: DPM intends to provide grant payment and associated services to as many prospective organizations as possible through PMS. DPM will pursue several significant information initiatives during the next several years. In FY 1998, PSC plans to have operational their new state-of-the-art PMS. The reengineered PMS will require a transition from a legacy mainframe system, written in COBOL, accessing a hierarchical data base.

The reengineering process will utilize software tools to the maximum extent. A Texas Instruments tool is being used to develop the process and data model. The Power Soft "Power Builder" will be used to perform design development and preliminary code. Software will provide inquiry access to the data base. The reengineering of the PMS will also transform the communications from a conglomeration of access techniques to a standard TCP/IP protocol available through the Internet, thus greatly expanding the accessibility to PMS data.

4. TRAVEL.

STATUS: JFMIP, through a travel reinvention project, has made a number of recommendations intended to improve the travel reimbursement system. We have already implemented some recommendations, e.g., increasing the receipt threshold from \$25 to \$75.

HHS is stressing the increased use of the government travel card, American Express. HHS is also focused on improving the payment history and decreasing the "delinquency" rate of its employees. At present, 82 percent of HHS's accounts are current. HHS has received American Express rebates of approximately \$55,000 since the inception of the program three years ago.

During the last year, CDC added a feature to the IVR that automatically generates an e-mail notice to a traveler when an EFT is made.

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PSC maintains TMS, which has been in production for six years. Payments for the transit subsidy benefit program and local travel module (SF-1164 module) were developed and implemented in TMS in the fourth quarter of FY 1995. The time required to process manual request for transit subsidies and local travel vouchers was significantly reduced through this initiative.

PLAN: As additional recommendations of the JFMIP travel reinvention project are issued by the General Services Administration (GSA) and, as those changes that require legislative action are passed, we anticipate implementing the recommendations in a timely fashion.

HHS will begin to evaluate the potential options under the developing GSA master contract award involving new government credit cards in the areas of procurement, motor pool, and travel. The master contract program will provide agencies with the flexibility to choose vendor(s) whose services best meet their individual needs.

PSC intends to upgrade the TMS server in FY 1997 in order to accommodate the ever expanding customer base. Along with this, there will be an upgrade to the data base to a SQL product that will allow a true client-server relationship. This upgrade will place TMS in a two-track mode. The current system will be upgraded with a graphical user interface that will allow point and click access from the desk top that is running Windows. The second track will allow the current action code driven system to be use by a non-Windows system. Development of this interface will start in late FY 1997 and run through FY 1998. Another planned event is the conversion of the TMS mail notification system from a LAN-based system to Internet. This will give universal access to send mail notifications to any user of the system in any environment. The TMS currently can be accessed from the Internet using the HHS home page.

C. Grant and contract management.

1. LINK CONTRACTS AND GRANTS PLANNING MORE CLOSELY WITH THE BUDGET PROCESS.

STATUS: The Logistics Management Institute has completed the final iteration of the flow process document. This document is available for OPDIV use and has been offered to and used by the OPDIVs as a tool to help in their EC efforts. The feasibility of future uses of the flow process document has been left to the discretion of the OPDIV. This project is now considered completed and no future reporting will take place.

2. IMPLEMENT THE PROCUREMENT CREDIT CARD PROGRAM.

STATUS: In conformance with the requirements of Pubic Law 103-355, HHS is committed to increasing use of the procurement credit card, (now known as the government purchase card). Usage of the card continues to increase with each quarter. Rocky Mountain BankCard Systems (RMBCS), the purchase card contractor, has now made a complete array of reports available electronically. This has the



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potential of increasing the effectiveness of HHS's management controls. In the third quarter of FY 1995, an automated training module using interactive multimedia for stand-alone PCs and LAN-based PCs was developed by HHS, the Army, and GSA, and made available to HHS and other agencies. This module is now the primary training tool for cardholders and it is also used as a ready reference tool. At HHS, PSC is now charged with issuance of the purchase card and with cardholder training.

CDC is actively promoting the government credit card program. Currently, CDC credit card purchases are approximately \$500 thousand per month and the program is expected to grow rapidly. An ongoing training program is in progress to train new card holders and approving officials.

The FDA purchase card program has expanded dramatically. Since last year, FDA credit card usage has expanded from central office locations to district and field offices. As of April 1996, all district offices have been trained in the I.M.P.A.C. program. Currently, there are 1,246 participants across FDA. For the 30 day cycle ending March 5, 1996, purchases totaled \$823,604 and 2,861 transactions were accomplished.

PLAN: The OPDIVs will continue to increase the use of the purchase credit cards.

CDC plans to complete new credit card software in the near future. The new software is expected to significantly improve participation in the program since it will be more user-friendly and will require less effort by the CIO administrative staff.

FDA expects to have on-line computer capability with RMBCS for selected Office of Facilities, Acquisitions and Central Services employees this year. This will enable all documents that are normally sent to the bank to be input directly. It will eliminate completion of set-up and maintenance forms that are required for establishment of participants and for changes occurring in accounts. Also, by August 1996, FDA expects to have on-line computer capability for selected staff to receive bank reports. FDA plans to continue auditing and monitoring the program for internal control purposes, to administer changes on cardholder accounts, and to train all new cardholders and approving officials.

D. Property management.

1. IMPROVE PERSONAL PROPERTY MANAGEMENT.

The following are the current initiatives to improve personal property management in HHS:

Redesign OPDIV property management systems

STATUS: HHS issued a policy that requires OPDIVs that are considering major changes in their automated property management systems to notify them. Preliminary work was finished on developing standard data elements for logistics. The work will not be finalized until after the NIH Business Process Reengineering work is completed.

ACF has completed bar-coding and inventorying their accountable personal property.



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IHS has implemented a program to bar-code all operating room supplies at the Santa Fe Indian hospital. This has resulted in significant cost savings.

FDA completed bar-coding for 100 percent of its headquarters activities. The field activities are 85 percent completed. Approximately 50 percent of field activities now have access to the property management system. This allows them to perform changes in location, view excess property accounts, and manage records maintained in their own property subsystems. The management control review set the stage for FDA programs to correct poor property procedures and practices. As a result, programs set up training for property personnel, developed new standard operating procedures, and involved management more by having them designated as accountable property officers.

FDA has programmed its property management information system to accept information from bar-code scanners and is bar-coding all accountable property. A property management control review, which identified additional areas for improvement, has been completed.

PLAN: The preliminary list of standard data elements will be integrated into the EC/EDI initiative so that the elements will be used in other functional areas. Also, the OS/Office of Grants and Acquisition Management (OGAM) will explore the possibility of using the Department's property disposal application as the software platform for a personal property management system.

In FY 1997, ACF staff will receive training on the use of the new personal property management system.

PSC has recently improved its warehouse management by automating several manual property control systems. The new warehouse information management system will track property from its receipt by the warehouse until it is issued from the warehouse. Also, during FY 1997, PSC plans to develop links between this system and the accounting system to facilitate reconciliation between the records in the two systems and plans similar links to the accountable property system.

Due to the lack of systems programming resources, CDC has finished its review of commercially available software for use in the small purchasing system. CDC has narrowed the selection to PACEX. CDC has developed a statement of work for modifying it to their small purchasing system. The long term plan includes integrating the software package with the personal property system.

FDA, through the Joint Application Development sessions, determined the necessary interfaces, including the property management information system with interrelated systems (procurement, receiving and accounting). Originally, a software package was reviewed for accomplishing the interfaces, but it was determined to be unsuitable. A new software package is being considered and will be set for testing in FY 1997.

Reconcile property records with accounting records

STATUS: ASMB provided technical assistance to the OPDIVs to improve reconciliation. In addition, the ASMB, after consultation with the OPDIVs, agreed to raise the threshold for capitalizing property to \$25,000. This will significantly reduce the number of items to be reconciled.



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The reconciliation work group discussed in last year's Plan was disbanded after submitting its report in FY 1995.

NIH continues to work to assure that the property and financial records accurately reflect acquisitions, transfers, and dispositions in order to facilitate the reconciliation of property and financial records.

As a result of the decision to merge functions from OS and OASH into the PSC, the WCF plan to build an electronic interface between financial and property records was postponed until the PSC selects a single property system for the merged functions.

CDC has selected a software package to aid in increasing the accuracy of their financial and property records.

PLAN: During FY 1997, the Department will continue to monitor OPDIV efforts to reconcile their property and financial records and plans to raise the threshold for designating capitalized property to \$25,000. This will reduce the opportunity for errors and make reconciliation less burdensome.

NIH financial, property, and computer personnel are working to correct the causes of differences.

CDC is planning to issue a contract to modify the above mentioned selected software to interface with their existing property system.

Revise and distribute the Logistics Management Manual (LMM)

STATUS: Development of the LMM is ongoing. During FY 1995, policies were developed and issued to the OPDIVs for supply, for transportation (motor vehicles and aircraft), and for personal property accountability. These LMM subchapters reflect many policy changes due to current trends in logistics management. These policy changes were originally identified by the logistics CIP work group.

The following work was done on various logistics guides since the initiative began:

- The supply and property organizational assessment guides were completed.
- Both the contractor and grantee management of government property guides and policies were completed, but are still being held pending issuance of a major revision to Federal Acquisition Regulation Part 45. We anticipate that the interagency work group will finalize the regulation in FY 1997.
- The utilization and disposal guide was reviewed and eliminated as part of the regulatory reduction reform.
- A guide, "Reuse or Disposition of Personal Computer (PC) Software", that addresses the problem of properly reusing or disposing of a growing inventory of excess PC software, was completed in draft form. Based on OPDIV comments, the guide will be issued in FY 1997.

During FY 1996, OGAM was a frequent user of the Internet interface tools on the HHS WWW server (OGAM's LogNet). Standards and procedures were developed for the sharing of the LMM and other



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logistics documents between the OPDIVs, private firms and citizens. This effort implements Title 41 Code of Federal Regulation Chapter 101.

PLAN: In FY 1997, ASMB will continue to review and eliminate all unnecessary existing LMM policy. ASMB expects to issue a new freight management policy. Intended users are transportation officers, shipping and receiving personnel, and others requiring freight transportation services. The Department also will explore the feasibility of developing logistics policy and data collection electronically among the OPDIVs and other affected functional areas. Also, based on a request from GSA to the civilian agencies, the Department plans to assist GSA in developing sound, cost effective policies to improve property management services government wide.

Additionally, in FY 1997, the Department seeks to improve business processes by assessing, designing, and constructing a secure system via Intranet to communicate documents and data to designated contacts.

Develop and implement an unrequired personal property disposal system

STATUS: The Department-wide automated system will manage the screening and disposal of unrequired personal property. The goal is to avoid costs of buying equipment by reusing existing equipment. The prototype application has been developed and tested at NIH, PSC and OS. Copies of the program have been provided to all of the OPDIVs. In addition, the system was significantly modified to support NIH's unique excess property disposal practices.

PLAN: In FY 1997, the system will be enhanced based on lessons learned from OPDIV experience using the system. In addition, further assessment will occur to determine how best to integrate this application with the EC initiative.

Best Practices Report

STATUS: The FY 1994 Best Practices Report on logistics was provided to senior management and the OPDIVs in FY 1995. The report was also forwarded to the CIP advisory group, which in turn provided the report to the NPR. As a result, OGAM has received many requests from other agencies for copies of the FY 1994 report. There was not enough data to publish a report for FY 1995. However, two of the larger OPDIVs reported anticipated savings from such logistics improvements as offering electronic forms, consolidating facilities, and property management functions, as well as implementing new systems and improvements to existing property systems in order to facilitate better tracking and accountability for property.

PLAN: The next report will cover a two-year period (FY 1995 through FY 1996) in order to obtain more data and to provide a report more reflective of logistics business improvements. Also, the possibility of converting the report to an electronic format to be accessed by the Internet will be explored.

Logistics interactive training/resource tool

STATUS: OGAM developed a prototype interactive performance support product on CD-ROM to be used for training HHS personnel in the logistics function. When fully developed, this interactive training is ideally suited for training large numbers of people in a relatively short period of time, and



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when further reference to the material is desired. This method also allows the software to continue to be used as an on-line helpdesk feature.

PLAN: In FY 1997, OGAM, in cooperation with the OPDIVs, will develop an interactive CD-ROM product by acquiring and reviewing existing related information and capturing other information such as examples, questions, references, and video interviews. The data and knowledge gained during this process will be assembled into the interactive product.

E. Electronic commerce (EC).

STATUS: During FY 1996, HHS aggressively continued the strategic planning process for EC, and, as a result, reshaped the direction of the EC program. The HHS EC program includes initiatives in acquisition (with links to finance and logistics) and EFT activities. When implemented, government-wide EC will provide the Federal government and private suppliers with the capability to electronically exchange standardized requests, quotes, orders, invoices and payments. HHS completed a draft strategic plan which provides a framework to implement this program.

In FY 1996, HHS continued to participate in the government-wide EC acquisition project management office and had representatives on the finance and procurement work groups. These government-wide work groups continue to develop and review architecture and implementation conventions.

HHS also continued to support the government-wide CFO Council's FITEC by providing volunteers to work on the team. In last year's plan, we stated objectives for FITEC only in order to give a sense of the effort that HHS was supporting. Accordingly, we will not report on the status of the efforts of this government-wide group.

Several major procurement and financial offices in HHS are working on local implementations. Initial operating capability has been achieved at FDA, HCFA, CDC, NIH, PSC, and OS. These OPDIVs have established EC connectivity through the Parklawn Computer Center with the Department of Defense network entry point. Since establishing this connection, these OPDIVs have successfully demonstrated the automated electronic capability to send requests for quotation, receive bids, and make electronic awards.

NIH has been using FACNET for some EC requirements during the last half of the fiscal year. There are two systems being used at this time. The Procurement Automation Institute system was the original pilot program and the other is an enterprise system which incorporates required functionality into the administrative data base. Both centralized and decentralized offices have used FACNET to a limited degree.

PLAN: By the beginning of FY 1997, HHS expects to have completed development of an overall plan for EC. The HHS steering committee will continue to oversee the Departmental implementation of EC projects to ensure that the strategic plan's milestones are being met.

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OS is developing interfaces between the accounting system and procurement system with an anticipated FY 1997 completion date.

At NIH, additional vendors will sign on the central contractor registry in FY 1997, offering a more extensive array of commodities typical of NIH procurement needs. Efforts are underway to increase the use of EFT by soliciting requests for banking information from their largest vendors. NIH intends to expand this solicitation letter and to incorporate the data requests into new blanket purchase agreements and contracts.

In FY 1997, NIH will also develop a prototype for EC using the Internet. The prototype is intended to provide useful experience on the security and data management aspects of the message-based and/or interactive EDI. The effort will also provide assistance to the Electronic Research Administration initiatives for electronic grants application and review. A cooperative research and development agreement has been awarded to CyberSystems, Inc. to develop a CyberMall through which Internet commerce can be conducted. The first phase of this project will focus on decreasing the payment backlog by focusing on high volume activities.

Under the FITEC umbrella, HHS volunteers will participate as team members to create integrated strategies, execution plans, and schedules for achieving the Federal financial community's EC goals. Emphasis will be on the widespread adoption and implementation of EC concepts for financial operations across the Federal government.

To meet the overall EC objectives, the Department will:

- Provide the capability to accept and process the American National Standards Institute Accredited Standards Committee X12 EDI standards within automated information systems.
- Increase and establish EFT as the usual and expected method for payments to vendors by HHS.
- Integrate procurement, financial and logistic systems to enable processing of electronic documents; reconciliation of invoices, receiving reports, and purchase orders; and to provide required financial data to the property and inventory system.
- Ensure that all appropriate EC actions with vendors are accomplished by EC and EFT, and that all internal agency processes are automated and integrated.
- Increase the use of the I.M.P.A.C. card as an acceptable method of payment for procurement. The method of payment to the credit card bank will be through EFT.
- Use the Information Technology Service (formerly the Parklawn Computer Center) as the single gateway to access the government-wide centralized vendor database maintained by the Department of Defense.
- Oversee the implementation of the EC steering committee's strategic project plan.
- ACF in Region IX will continue developing electronic access to GSA for its procurement activities.



Audited Financial Statements

6. AUDITED FINANCIAL STATEMENTS

In FY 1995, HHS made significant progress in the area of audited financial statements, and we have ambitious plans for the near future. We are expanding the audit coverage to include virtually all of HHS's operations and components, preparing audited HHS-wide financial statements, and we are preparing the HHS Annual Accountability Report in accordance with the streamlining project encouraged in GMRA.

We face significant challenges as we work to implement our plans. All OPDIVs will be preparing financial statements under OMB's CFO Act guidance; most of which have been selected for audit. Although financial statements had previously been prepared following GAO's Title 2 and Treasury guidance, the statements most often were not used in the decision-making process by Departmental financial management and program officials or by OMB and Congressional committees. Users continued to rely on more familiar budget-based reports because the GAAP-based financial statements lacked a rigorous discussion and analysis and were not audited. OPDIVs that have not prepared audited financial statements for their commercial type activities under the CFO Act may not yet have all of the procedures and mechanisms in place to provide auditors with a high level of comfort regarding the organizations' internal controls. Rather than downplay our audit problems, we consider the audit process to be an opportunity and a catalyst for identifying and implementing many needed internal controls, in order to be more accountable for the funds entrusted to us.

Perhaps our biggest challenge lies with the audit of HCFA's financial statements. HCFA administers the Medicare and Medicaid programs, two of the Nation's largest and most high-profile entitlement programs. HCFA accounts for approximately 80 percent of HHS's funds, and 16 percent of the Federal budget, so its audit opinion will greatly influence the HHS-wide and government-wide financial statement audit opinions (rendered by the OIG and GAO, respectively). The HHS-wide audit will be performed beginning in FY 1996, and the first government-wide audit will be conducted for FY 1997. HCFA has received disclaimer opinions on its audit for the past three years. OIG cited weaknesses in the areas of Medicare and Medicaid receivables and payables, and HCFA management has been working to resolve those weaknesses. Intensive efforts by OS, HCFA, and OIG senior management, in coordination with GAO, will be needed to adequately address and resolve those weaknesses. HCFA's audited financial statements are an important linchpin in the larger HHS-wide financial management strategic plan, as HCFA will be an important component of the HHS financial statements presented in the new streamlined Annual Accountability Report.

As figure 1 indicates, we have begun to build the foundation for the HHS-wide financial statements, which will be audited for the first time for FY 1996 (see next page).

In FY 1994, six reporting entities prepared financial statements, representing 84 percent of outlays. In 1995, 100 percent of outlays were represented in financial statements. Audits of financial statements covered 82 percent of outlays for both FY 1994 and FY 1995.

Audited Financial Statements

OPDIV	FY 1994 FINANCIAL STATEMENTS		FY 1995 FINANCIAL STATEMENTS	
	PREPARED	AUDITED	PREPARED	AUDITED
ACF			X	
AHCPR			X	
AoA			X	
CDC/ATSDR	X		X	
FDA all activities			X	
certification	X	X		
PDUFA	X	X		
HCFA	X	X	X	X
HRSA	X		X	X
INS	X		X	
NIH all activities			X	
Management Fund, Service and Supply Fund, and Superfund trust funds, royalties, and CRADAs	X	X	X	X
OS all activities		X		
WCF	X	X		
PHS Service & Supply Fund	X	X	X	X



Audited Financial Statements

A. Improve the quality of audited financial statements.

STATUS: HHS is committed to obtaining a clean audit opinion on its financial statements, both at the OPDIV level and at the Department-wide level. As only one of the reporting entities received a clean opinion in 1995, we have a significant challenge ahead to meet that goal. In order to facilitate the auditing process, the Deputy CFO and the Assistant Inspector General for Audit Operations and Financial Statement Activities issued a joint memorandum in August 1996 detailing the condensed audit schedule to be followed for the FY 1996 audit, and a schedule for the funding, planning, and performance of audits in future years. These milestones are intended to provide a framework for the timely commencement and completion of the financial statement audits. It also serves to help familiarize some of the OPDIVs with the most important steps involved in the auditing process. We have also instructed the OPDIVs to include funding for their FY 1997 audit in their FY 1998 budget requests.

HHS has identified a need for the OPDIVs to improve the quality of the financial statements and overviews. In response, HHS has engaged the services of an independent CPA firm to develop training materials on preparing financial statement overviews, related financial statement preparation and analysis, and GMRA implementation. The training, planned for the fall of 1996, will serve to improve the quality of the audited financial statements, making them more valuable to our stakeholders.

For FY 1995, HHS strategically selected the reporting entities which would and would not be audited in order to focus resources on preparing financial statements for all of HHS's funds in FY 1995, as a preparatory step for the FY 1996 audits.

The PSC Service and Supply Fund had a clean audit opinion in FY 1995 based on a waiver from OMB providing relief from the requirement to prepare the statements of cash flows and budget and actual expenses.

HCFA's disclaimer opinions (discussed above) were based on the weaknesses described below:

- Inadequate internal controls for Medicare accounts receivable,
- Unavailable supporting documentation for Medicare accounts payable, and
- Failure to record the Federal share of Medicaid accounts receivable and payable recorded in the states' records.

HCFA took the following actions in FY 1995 to assist the contractors in their reporting responsibilities:

- Developed a protocol for Medicare contractors to perform self-assessments of their internal control structure.
- Conducted CFO seminars to educate Medicare contractors and regional office staff on the preparation of financial reports and financial reporting problems.
- Revised contractor CFO reports to reflect changes as a result of those seminars.
- Revised financial reporting instructions.
- Instructed Medicare contractors to retain proper source documentation to support accounts receivable balances.



Audited Financial Statements

These actions, however, were not sufficient to correct the Medicare account balances weaknesses reported last year.

During FY 1996, HCFA took further actions to strengthen problem areas previously cited by the auditors. HCFA implemented electronic signatures on the submission of Medicare contractor CFO reports and the regional office status of accounts receivable report (previously submitted in hard copy form), reducing the opportunity for errors in, and the need for, reconciliations with the contractor's administrative-budget and financial management system data. The degree to which these actions will mitigate auditor concerns for the FY 1996 audit will be determined over the next several months.

HRSA's and IHS's balance sheets were audited for FY 1995 by Clifton Gunderson LLC, in order to confirm balances for future audits (FY 1995 year-end balances serve as beginning balances for FY 1996 audits). No opinion is planned to be rendered for the HRSA audit. The IHS statements received a disclaimer of opinion, due largely to unreliable records for plant, property, and equipment, much of which is associated with difficulties establishing the original costs of buildings over 30 years old.

A Statement of Auditing Standards (SAS) 70 review was performed for PSC's PMS (a component of the former WCF). This type of review reports on the control structure policies and procedures of a service organization that processes transactions for others. The intent of the SAS 70 review is that auditors of agency financial statements can rely on this report to determine the extent of necessary audit testing and increase the efficiency of the audit approach. This SAS 70 review will be used by all of the auditors of the OPDIVs which are serviced by the PSC and made available to auditors of other government agencies' financial statements.

In order to streamline and clarify the auditors' reports, the OIG has modified its reporting format. A single letter is now being used to transmit the following three reports that were previously issued:

- Report and opinion on the financial statements
- Report on internal controls
- Report on compliance with laws and regulations

PLAN: In FY 1995, the FPG was established to help communicate government-wide and HHS financial management policies, including accounting policies, and other issues related to financial statements. The FPG has identified a list of priorities to be addressed in the coming months, including the implementation of the new Statements of Federal Financial Accounting Standards originated by FASAB and issued by OMB (see chapter 1 for more information on implementation of accounting standards.) The FPG will be the venue by which training is provided to financial management staff on the preparation of financial statements, overviews, and other GMRA implementation issues. This training is planned for the fall of 1996.

ASMB is working with OIG and the OPDIVs to ensure that all FY 1996 audits are commenced and completed in a timely manner. ASMB is also working to ensure that significant audit findings are addressed and that plans are developed to correct material weaknesses, such as the ones identified in the HCFA and IHS FY 1995 financial statement audits.



Audited Financial Statements

HCFA is working to resolve weaknesses identified in the FY 1995 audit in order to show improvements in the FY 1996 audit opinion. In order to resolve one audit finding, HCFA has arranged for the Office of the Actuary to provide access to the methodologies used to estimate Medicare accounts payable for the FY 1996 audit. HCFA is also working to resolve the issues surrounding the recording of Medicaid payables and receivables and hopes to have this issue resolved for the FY 1996 audit. The ultimate resolution of these issues will depend upon approvals from the OIG and GAO, both of whom are actively involved in the HCFA financial statement audit.

As stated previously, the SAS 70 review performed on PMS this fiscal year will be performed during FY 1996 for PSC's accounting and payroll activities and the Parklawn Computer Center. As described earlier, these single reviews are more efficient from an audit standpoint and will greatly reduce accountants' time that would have otherwise been consumed under duplicative auditing circumstances.

The results of FY 1996 audits will determine further actions needed for many of the OPDIVs. The FY 1996 audit opinions are expected to be rendered in February/March of 1997. After that time, OPDIVs will have more information upon which to plan any needed corrective actions.

B. Implement the Government Management Reform Act (GMRA) of 1994.

Starting with FY 1996, GMRA broadens the coverage of the CFO Act by requiring annual audited financial statements for all accounts and associated activities for every office, bureau and activity of those agencies identified under the Act. HHS is required to provide three "stand alone" annual reports: Department-wide, HCFA, and IHS. The biggest impact on HHS will be the requirement for the Department-wide statements, which will be audited for the first time for FY 1996.

STATUS: For FY 1995, the OPDIVs prepared financial statements covering all accounts in preparation for the FY 1996 GMRA requirements. Also, Department-wide unaudited financial statements for FY 1995 were prepared and used internally as a trial run for the preparation of the FY 1996 financial statements. This exercise helped to identify pertinent issues to be addressed in the preparation of the audited FY 1996 financial statements.

GMRA offers agencies the opportunity to streamline their financial reporting. The government-wide CFO Council proposed that there be two annual reports — a planning and budget report and an accountability report. The planning and budget report is consistent with OMB's revision of Circular A-11 and addresses the integration of performance measurement (GPRA) planning with other current requirements. The accountability report would consolidate FMFIA, audited financial statements, performance reporting and other information into a single document to provide information in one place on how well an agency is performing its mission. HHS has elected to join with other government-wide CFO Council agencies in preparing the streamlined report. HHS's first Annual Accountability Report will be issued for FY 1996.



Audited Financial Statements

ASMB identified several goals for its Annual Accountability Report including:

- To serve as the premier document to represent the financial management activities and accountability of HHS management;
- To meet the reporting requirements of GMRA and GPRA;
- To provide a vehicle for streamlining other financial management reports (such as FMFIA, Prompt Pay, etc.);
- To link information on budgeting, performance measuring, and financial reporting;
- To interpret and analyze the financial statements for readers;
- To highlight major programmatic and managerial accomplishments;
- To meet the information needs of HHS's stakeholders (OMB, Congress, public interest groups, customers, and taxpayers);
- To highlight problems areas and show that HHS management is focusing on solutions; and
- To serve as a marketing tool for HHS programs and OPDIVs.

ASMB prepared a prototype HHS-wide Annual Accountability Report for FY 1995 as a practice run for the "live" FY 1996 report. Not only will the prototype help ASMB develop a process for preparing the FY 1996 report, but it will also serve as a model for the format and content of future reports. ASMB reviewed the pilot Accountability Reports prepared by other agencies, as well as the comments received on those pilot reports, in developing the prototype. ASMB also took into consideration the diversity of the Department's programs to develop a presentation that represented and highlighted the many activities and accomplishments of the Department.

The HHS Annual Accountability Report will be built upon the foundation of the OPDIV financial reports. We are working to improve the timeliness and quality of OPDIV financial reports. The Department's CFO and OIG staff visited each of the OPDIVs to discuss the preparation and presentation of their entity-wide financial statements. OF is currently addressing material weaknesses cited in previous HCFA and IHS audits (see chapter 6.a.) to improve the FY 1996 HHS-wide audit opinion. Areas of concern for each OPDIV were addressed and efforts made to identify any processing and systems problems affecting the preparation of financial statements. The Department-wide financial statements and/or supporting schedules will provide information grouped by budget function to form a tie to the President's budget.

Numerous other activities occurred at the OPDIV level in FY 1995 to implement GMRA. A few examples are listed below.

At ACF, a pre-audit survey was conducted by Gardiner, Kanya, & Associates, P.C. to provide an estimate of the cost to perform a first-year audit of the ACF's financial statements. The same auditors were selected to perform the FY 1996 audit and are currently engaged in interim fieldwork at ACF.

FDA prepared, on a test basis, entity-wide financial statements covering FY 1995. In June 1996, the Center Directors selected the performance measures to be included in the overview. The first FDA-wide overview was completed in August 1996.

NIH also prepared an entity-wide financial statement covering FY 1995 activities. Ernst & Young, LLP, has begun an assessment of NIH's accounting system for the planned audit of the FY 1996 financial



Audited Financial Statements

statements. The auditors have been meeting with NIH staff to discuss various processes within the accounting system. To help explain the audit process, the budget officers were provided with information on the FY 1995 financial statements and on the planned audit process for the FY 1996 financial statements. In addition, the auditors have made presentations to a number of NIH management groups including all of the deputy directors at NIH.

PLAN: In order to prepare the FY 1996 Department-wide audited financial statements, a major expansion of auditing is planned for FY 1996. Over several months, CFO staff met with the OIG and its contractor, Clifton Gunderson LLC, to determine how to achieve sufficient audit coverage to render a Department-wide opinion on the financial statements. CFO and OIG staff have agreed on timetables and milestones to ensure that the report preparation and audit processes will be completed by the due dates in GMRA. Most FY 1996 audits are beginning well ahead of past year's timetables. Commitments have been received for the funding of all of the FY 1996 financial statement audits. OMB representatives have been informed of the Department's attempt to achieve full financial statement audit coverage.

OIG either performs or contracts for financial statement audits. For the audit of the FY 1996 financial statements, OIG reports that it will:

- Continue to perform an audit of HCFA's entity-wide financial statements. This will be a full scope audit of the financial statements, which includes the Medicare and Medicaid programs. This will be the fourth audit of HCFA's accounts conducted by the OIG.
- Contract with private sector accounting firms for full scope financial statement audits at seven other OPDIVs (ACF, CDC, FDA, HRSA, IHS, NIH, and SAMHSA).
- Audit the NIH Computer Center (Division of Computer Research and Technology).
- Audit PSC's payroll, accounting services, PMS, and the Parklawn Computer Center.

C. Strengthen the linkage of GPRA performance measures with financial statements.

STATUS: As in previous years, HHS has concentrated its performance measurement development efforts within the context of GPRA implementation. HHS has formed a GPRA Roundtable, led by OF, with representation from all OPDIVs, in order to coordinate and facilitate information sharing on GPRA requirements, performance measure formulation, performance planning, linkage to strategic planning, and other related issues. The OPDIVs generally have made moderate progress on GPRA implementation and have incorporated some performance measures and plans into the recent FY 1998 Budget submissions.

However, much work remains to be done in linking program performance measures with financial statements. The GPRA Roundtable is focusing on more immediate benefits to the OPDIVs that will result from the preparation of the performance measures. For example, good performance may help a program expand (or simply survive) in the budget process.



Audited Financial Statements

The emphasis at the current time is on developing performance measures that will determine the level of success in reaching plans and objectives. Program and financial managers will work together to provide the linkage to financial statement. We intend for performance measures to be built around the mission of the agency, rather than the ease with which they will link to the financial statements. Naturally, it will then be more difficult to establish those direct links with the performance measures, and those challenges lie ahead.

Financial performance measures have, of course, proved somewhat easier to link to financial statements since many measures are captured in financial information systems. HHS has identified some performance measures that will be linked to the financial statements in its FY 1996 Annual Accountability Report.

HHS is represented on the CFO Council's GPRA subcommittee, which is working to develop training tools on linking performance measures with financial statements and integrating them into the budget process.

HCFA's executive steering committee realized the need to develop a strategic plan and began this process in 1993. It was determined that financial management planning requirements would be an integral part of HCFA's strategic plan and would be incorporated into the strategic planning process during FY 1995; however, only significant financial management projects would be reported. Continuing this effort, HCFA has made significant progress to enhance financial management using its strategic plan.

PLAN: All OPDIVs will be preparing financial statements under the CFO Act and GMRA guidelines for FY 1996. Those financial statements will be accompanied by overviews in which the OPDIVs will have an opportunity to link financial and program performance measures to the financial statements. This linkage will be incorporated into the FY 1996 Annual Accountability Report, which may be the first public document to provide HHS-wide performance measures to the public. ASMB will provide guidance to the OPDIVs on the preparation of the overview (as required by OMB Bulletin 94-01 or its successor) to help determine the most meaningful measures to include in the reports.

HHS will implement the new cost accounting standards which should further the linkage of program performance measures with financial statements. In order to do that, however, program and financial managers must coordinate on policy related to the level of products and services that should be measured and how costs should be allocated. Development of performance measures and cost data could easily be developed in isolation of one another, thus losing an opportunity to link costs and outcomes. Plans to implement the new cost accounting standards will also be affected by the availability of funds for financial information system modifications.

HHS will continue to participate in the CFO Council GPRA Subcommittee, working with other Federal agencies to determine how to best link performance measures and financial statements.

HCFA plans to include their relevant CFO Five Year reporting data within the HCFA strategic plan. HCFA will also replace its current performance measures with the HCFA strategic plan's "critical success factors."



Administration of Federal Assistance Programs

7. ADMINISTRATION OF FEDERAL ASSISTANCE PROGRAMS

Federal grant programs provide services to people through State, tribal, and other public and private entities, and local agencies. Some or all of the money for these services is provided by the Federal government. This financial management area addresses the important relationships between HHS, its grantees and others involved in the grant process. The objectives described outline significant enhancements in the manner in which the Department administers its assistance programs, collaborates with its various partners, and shares information pertinent to grants administration.

A. Integrate the concept of performance partnerships.

Two facets of GPRA (discussed in more detail in chapter 1.a.) have significant implications for the relationships within Federal assistance programs. First, GPRA promotes the development of outcome oriented measures that show how the lives of people we are serving are changed by our services. Second, GPRA advocates that all partners, in this case Federal, State, and local officials, agree on what they want to achieve in developing a program's outcome measures.

The Department continues to pursue "performance partnerships" as the way to work with States to achieve shared goals. Performance partnerships focus on the achievement of shared outcomes and outputs as the basic measures of success. Partnerships will empower local communities to make their own decisions about "how" to address their needs and be held accountable for results.

Partnership legislation includes proposals to:

- Consolidate funding streams in exchange for accountability for results.
- Increase flexibility to allocate resources to where they are most needed.
- Eliminate overlapping authorities, reduce micromanagement and wasteful paperwork.
- Create incentives to reward desirable results.

STATUS: HHS has a number of performance partnership efforts underway. Several GPRA pilots and other organizations have established model partnerships with their State and local agency partners to develop strategic goals, objectives and performance measures. For example, OCSE and OCS have completed initial efforts on partnership planning by reaching agreements with their State and local partners on outcome-oriented national strategic goals and objectives, and are coming to closure on performance measures to monitor progress toward these goals. ACF's Adoption program has worked with its partners to establish a preliminary national strategic plan.

In the President's FY 1996 Budget, the Department proposed legislation for six Performance Partnership Grants (PPGs) in the public health field. The PPGs cover the following program areas:

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- Mental health
- Substance abuse
- General preventive health
- Chronic disease and disability
- Immunizations and HIV
- Sexually transmitted diseases and tuberculosis

Although Congress did not enact any of these proposals, the Department held four regional meetings during the last year to develop statements of desired results in these program areas. Eventually, a menu of desired results will provide the basis for performance partnership agreements. Over 1,000 people from partner organizations such as State and local governments, public health groups, tribal governments, professional associations, providers, consumers and advocacy groups, have attended these meetings. Statements of preliminary results have been forwarded to the National Academy of Sciences (NAS) for technical review.

PLAN: During the next year, we expect OCSE and OCS to negotiate initial performance targets with their individual partners. These efforts have provided and should continue to provide valuable lessons learned for other performance partnership activities.

Under the public health PPG effort, NAS will publish two reports. The first report, due in September, will describe those objectives which are currently measurable and can be matched to existing data sources. The second report will identify development objectives (i.e., those results that are not now being measured) and will also recommend changes to State and Federal surveys and data systems to facilitate future measurement. NAS's first report, along with comments by the partners, will be used to develop a menu of performance objectives for each program's grant types.

If Congress enacts PPG legislation in the future, the Department will begin the process of establishing formal partnerships in appropriate PPG grant programs. In collaboration with local governments, community providers and consumers, States will develop partnership plans that strongly consider local health needs and priorities. These plans will contain objectives that are either found in the menu or that flow from local priorities. Before funds are distributed under the formula that is specific to each grant, the Department and States will negotiate and agree on the plans.

Performance partnerships, when fully implemented, will have significant implications on how Federal assistance programs provide services. Once all partners agree on the results they want to achieve, the focus will move from the process to whether program results are achieved. The Federal government will move from a detailed oversight role to a more supportive role that focuses on sharing information and eliminating barriers to providing service. In a successful performance partnership, a truly supportive association is developed for the benefit of the people receiving the service.

B. Improve HHS indirect cost negotiation capabilities.

Costs incurred by grantees and contractors (such as Medicaid and Head Start, among others) to administer Federal programs are reimbursed by the Federal government. Indirect costs are costs that are not specifically assigned to a particular activity (e.g., accounting, payroll, personnel), but that are



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necessary for the proper management of an organization. HHS approves these costs (in accordance with Federal cost Circulars) as a recurring administrative function, and distributes them on a rational basis among the Federally sponsored programs. This function has increased in importance as certain organizations have started using specialized studies to increase their Federal indirect cost reimbursements.

STATUS: Colleges and universities receiving significant amounts of Federal grant money frequently employ consulting firms to perform special utility studies. These studies apply engineering concepts (e.g., air flow exchange rates, type and location of buildings) as rationale for increasing a school's indirect cost financial claim. For example, if standard allocation procedures show that utility costs were \$1 per square foot, the special study could propose that utility costs for space used to perform Federally sponsored research is \$3.50 per square foot. The results of these studies are then included in the indirect cost proposals they submit for Federal reimbursement.

To ensure that these utility costs are limited to reasonable amounts permitted by Federal cost principles, HHS hired an engineering firm to establish revised standards (issued in February 1996) for use in assessing these special studies. These standards replaced the initial standards from December 1991, which did not specifically address the issues in the more recent special studies. The engineering firm also performed selected on-site reviews at selected universities to evaluate the new standards. Technical reports issued by this firm have assisted HHS in eliminating or significantly reducing the financial impact of the universities' special studies. Since these new standards were only recently adopted, resultant indirect cost savings are not yet evident.

State governments operate numerous types of self-insurance funds. These multimillion (or billion) dollar funds are financed by both Federal and State governments. Due to the significant amounts of Federal dollars involved, HHS engaged an actuarial firm to assess the reasonableness of the premiums charged and the related accumulated cash reserve balances for two funds. Based on the actuary's assessment, HHS reduced the Federal claims. Since both cases are currently under appeal, resultant cost savings are not yet known.

One section of the newly revised OMB Circular A-87 specifies the documentation requirements of internal service funds (which are generally administrative activities such as computer centers and motor pools) and self-insurance funds. Since this mirrors requirements that HHS had in place since 1987, no additional improvement to indirect cost negotiations are expected from this section of the revised Circular.

PLAN: As a result of the controversies associated with utility special studies, OMB issued regulations prohibiting the use of these studies at colleges and universities after June 1998. OMB has asked HHS to provide proposal(s) for alternative utility cost recovery approaches at colleges and universities by September 30, 1996. Our proposal(s) will be used by OMB to formulate a formal Federal position which will be published in the Federal Register by July 1997.

Currently, the indirect cost rates that HHS and other agencies issue are accumulated centrally and distributed as paper copies to 35 Federal government sites. Further document reproduction and distribution occur at these sites. HHS plans to establish an electronic system to distribute these rate agreements by either the Internet or Intranet. When this system is fully implemented, the current



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paper-based distribution system will be discontinued. Electronic distribution will eliminate reproduction and mailing costs and also reduce clerical staff time. More importantly, however, there will be an increased assurance that all currently active rate agreements (about 4,500) are promptly available to our customers — Federal grant and contracting officers.

C. Work with OMB to revise OMB Circulars.

HHS works with OMB on an ongoing basis to revise various OMB Circulars. The following are those Circulars that most specifically pertain to Federal assistance programs:

Circular A-21, Cost Principles for Educational Institutions

Circular A-50, Audit Followup

Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

Circular A-102, Grants and Cooperative Agreements with State and Local Governments

Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Non-Profit Organizations

Circular A-122, Cost Principles for Non-Profit Organizations

Circular A-128, Audits of State and Local Governments

Circular A-133, Audits of Institutions of Higher Education and Other Non-Profit Institutions

STATUS: In FY 1995, HHS worked with OMB on an equipment capitalization memorandum which, under Circulars A-21 and A-122, authorized Federal agencies to increase the equipment cost threshold from \$500 to \$5,000. The waiver authority provided by this memorandum (issued by OMB on June 29, 1995) brought the capitalization threshold into conformity with Circulars A-87, A-102 and A-110. It provides equitable treatment for grantees until Circulars A-21 and A-122 are revised to officially incorporate this updated equipment capitalization threshold as well as other changes.

HHS provided substantial technical comments on the final versions of Circulars A-21 and A-133. For example, HHS provided suggestions in revising Circular A-21 to restrict the reimbursement of interest expense and facility costs, which will ultimately result in substantial savings to the Federal government (see also chapter 7.b.).

HHS also worked with OMB in finalizing revisions to Circular A-122 concerning interest allowability on buildings and equipment for nonprofit grantees.

PLAN: HHS will continue to work with OMB and other interested Federal agencies on task forces and interagency advisory groups to review and update OMB administrative, cost, and audit Circulars. During 1997, HHS will work with the Department of Agriculture to replace the interim grants administration rules for entitlement programs with final common rules.



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To implement the revised cost policies in Circular A-87, HHS will revise its published documents that provide more detailed cost policy guidance for specific types of grantees. In the first quarter of 1997, HHS expects to issue ASMB C-10, *A Guide for State and Local Government Agencies - Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government*.

D. Automate grants management information systems.

Information from all major automated grants information systems and key financial systems throughout HHS will be consolidated in the Tracking and Accountability of Government Grants System (TAGGS). HHS currently has no central source of grants management information. While OPDIVs have automated grants information systems, these systems do not interface with each other. By consolidating HHS's grant information, TAGGS will provide more detailed and timely information about HHS grants programs to the Secretary, OMB, Congress and the public than was previously available. TAGGS will provide either pre-structured reports on grants and grant programs or responses to ad hoc requests for specific grant information. In addition, a component of TAGGS will also serve as an on-line library of current pre- and post-award policies, regulations and other pertinent information for use by grants management staff.

STATUS: There were several significant achievements in 1996. The initial system menu and screen prototypes, which provide a basic structure for querying the data contained in TAGGS, were created. The structure for the on-line grants document library was completed.

An interim mechanism called FIND was developed in 1996 to query geographical HHS financial assistance information contained in FARS. FIND employs user-friendly front-end queries to produce the requested information almost instantly. Previously, COBOL programs had to be written for each query and only a hard copy output of the report was available. FIND has additional functionality since its output is in electronic form, which can be loaded into software programs to produce charts and graphs. Additionally, multiple database queries can 'drill-down' to target specific information. As a consequence, multiple page hard copy output can be reduced to one or two pages. The FIND database will be encompassed by the much broader one in TAGGS which will include many more grant data elements from the OPDIV grants information systems and other key financial systems.

The FIND system has also been a learning tool. Since the systems are all based on Oracle relational databases, lessons learned from the work on the FIND process has been helpful and applied to FIRS and in the PMS redesign.

PLAN: In the final stage of TAGGS development, report and menu structures will be completed. TAGGS will then be piloted with data obtained from selected OPDIVs. TAGGS will be fully operational in the second quarter of FY 1997.

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E. Improve grants policy system.

STATUS: The Department continues in its effort to update and streamline the grants administrative policies contained in the HHS Grants Administration Manual (GAM). Following a Total Quality Management-based study of the Department's grants policy process in 1992, HHS developed a new process for developing, issuing, and implementing Departmental grants administrative policies known as the grants policy directives system. Under this system, individual Grants Policy Directives (GPDs) are replacing, on a phased basis, chapters in the HHS GAM. GPDs provide policy guidance that is current, more concise (focused on key policy guidance as opposed to procedural detail), and incorporates OPDIV comment. Prior to developing GPD policies, OPDIV comment is solicited through the distribution of concept papers pertaining to specific policy areas. Following the issuance of individual directives, OPDIVs prepare their own implementations of the requirements contained in the GPDs by updating or issuing new chapters in their agency-specific grants administration manuals.

Implementation of the new system began in FY 1993, and seven directives have been issued to date. During the 1996 reporting period, GPD development and issuance were limited due to other pressing Departmental priorities and resource constraints. HHS, however, remains committed to issuing all the GPDs necessary to update and replace policies contained in the HHS GAM.

PLAN: To help expedite the issuance of GPDs, steps are being taken to secure contract support in the development process. OGAM plans to develop all the remaining concept papers during FY 1997 and to increase the number of GPDs issued. It is anticipated that, in FY 1998, all current chapters in the HHS GAM will be replaced by GPDs. OGAM will continue to assist the OPDIVs, who are at varying stages in their implementations of the GPD system.

As a result of the PHS reorganization in FY 1996, the PHS office responsible for implementation of the GPDs in the former PHS agencies was dissolved. Consequently, a new strategy for GPD implementation in the former PHS agencies was devised. The newly recognized PHS OPDIVs can either prepare their own implementations of the GPDs or adopt a generic OPDIV grants administration manual. OGAM will develop this generic HHS grants administration manual.



APPENDIX A: ACRONYMS

Administration for Children and Families	ACF
Automated Clearing House	ACH
Administration for Children, Youth and Families (ACYF)	ACYF
Administration on Developmental Disabilities (ACF)	ADD
Agency for Health Care Policy and Research	AHCPR
Administration on Aging	AoA
Assistant Secretary for Management and Budget (OS)	ASMB
Agency for Toxic Substances and Disease Registry	ATSDR
Common Accounting Number	CAN
Centers for Disease Control and Prevention	CDC
Chief Financial Officer	CFO
Chief Information Officer	CIO
Continuous Improvement Program	CIP
Cooperative Research and Development Agreement	CRADA
Debt Collection Improvement Act of 1996	DCIA
Departmental Integrated Management Exchange System	DIMES
Debt Management Branch (PSC)	DMB
Division of Payment Management (PSC)	DPM
Electronic Benefits Transfer	EBT
Electronic Commerce	EC
Electronic Data Interchange	EDI
Electronic Funds Transfer	EFT
Executive Information System	EIS
Federal Acquisition Computer Network	FACNET
Financial Assistance Reporting System	FARS
Federal Accounting Standards Advisory Board	FASAB
USDA Food and Consumer Service	FCS
Food and Drug Administration	FDA
Financial Information Reporting System	FIRS
Financial Implementation Team for Electronic Commerce	FITEC
Federal Managers' Financial Integrity Act	FMFIA
Financial Policies Group	FPG
Fiscal Year	FY
Grants Administration Manual	GAM
General Accounting Office	GAO
Government Management Reform Act	GMRA
Grants Policy Directives	GPDs
Government Performance and Results Act	GPR
General Services Administration	GSA
Graphical User Interface	GUI
Health Accounting System	HAS
Health Care Financing Administration	HCFA
Department of Health and Human Services	HHS
Health Resources and Services Administration	HRSA
International Merchant Purchase Authorization Card	I.M.P.A.C.



Appendix A: Acronyms, continued

Indian Health Service	IHS
Internal Revenue Service	IRS
Information Technology Management Reform Act	ITMRA
Invoice Inquiry System	IVR
Joint Financial Management Improvement Program	JFMIP
Knowledge Development and Application	KDA
Local Area Network	LAN
Logistics Management Manual	LMM
Management Control Plan	MCP
Medicare Transaction System	MTS
National Academy of Sciences	NAS
National Institutes of Health	NIH
National Performance Review	NPR
Office of the Assistant Secretary for Health	OASH
Office of Community Services (ACF)	OCS
Office of Child Support Enforcement (ACF)	OCSE
Office of Finance (OS)	OF
Office of Grants and Acquisition Management (OS)	OGAM
Office of Inspector General (OS)	OIG
Office of Information Resources Management (OS)	OIRM
Office of Management and Budget	OMB
HHS Operating Divisions	OPDIVs
Office of Refugee Resettlement (ACF)	ORR
Office of the Secretary	OS
Prescription Drug User Fee Act (FDA)	PDUFA
Public Health Service	PHS
Payment Management System	PMS
Performance Partnership Grants	PPGs
Payroll Personnel Modernization Program	PPMP
Program Support Center	PSC
Rocky Mountain BankCard Systems	RMBS
Substance Abuse and Mental Health Services Administration	SAMHSA
Statement of Auditing Standards	SAS
Standard General Ledger	SGL
Structured Query Language	SQL
Tracking and Accountability of Government Grants System	TAGGS
Travel Management System	TMS
Tax Refund Offset Program	TROP
OS Working Capital Fund	WCF
World Wide Web	WWW



Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE
ACF		Promote employment	Adult AFDC recipient participation rate in the JOBS program	OP
			Proportion of AFDC cases with earnings	OC
			Number of job entries from the JOBS program	OC
			Number of refugees entering employment from employment-related social services	OC
			Number of individuals with developmental disabilities employed in integrated settings, e.g., competitive and supported employment	OC
		Promote independent living	Number of individuals with developmental disabilities living in residences of typical household size (6 or fewer members) and places they own, rent, or lease themselves	OC
		Promote parental responsibility	Number of paternity establishments	OP
Amount of total child support collections	OC			
Provide affordable child care	Number of children receiving subsidized child care child care	OP		
Provide quality child care	Number of children receiving Head Start	OP		
	Number of children receiving full day/full year Head Start services to meet the child care needs of parents in training or employment	OP		
	Number of child care facilities that are accredited by a nationally recognized early childhood development professional organization	OP		
Improve the health status of all children	Percentage of Head Start children who receive dental and medical exams during the school year	OP		
	Percentage of Head Start children who receive needed medical treatment, as indicated by exams they receive through Head Start during the school year	OC		
	Percentage of Head Start children who receive needed dental treatment, as indicated by the exams they receive through Head Start during the school year	OC		
Ensure safety and well-being of children and youth	Proportion of children who exit the foster care system through either reunification or adoption within two years of placement	OC		
	Proportion of children placed in foster care who are in foster family homes or homes of relatives (as opposed to group homes or institutional facilities)	OP		
	Number of children and youth with developmental disabilities living in residences of 16 or more persons (as they move to their own individual or small group homes in their communities)	OP		



APPENDIX B

Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE
ACF		Ensure safety and well-being of children and youth (cont'd.)	Proportion of youth returning to the streets after receiving basic center and/or transitional living services	OC
		Build healthy, safe and supportive communities and tribes	Proportion of Runaway and Homeless Youth programs using community networking and outreach activities to strengthen services	OP
			Number of volunteer hours contributed by Community Services Block Grant consumers in one or more community groups	OP
			Percentage of Low Income Home Energy Assistance Program recipient households that have young children under 6	OP
			Amount of non-Federal resources brought into low-income communities by the Community Services Network (non-federal funds mobilized)	OP
			Number of site visits in the delivery of outreach services by training and technical assistance providers to the diverse Native American population, with particular emphasis on urban Native organizations, rural and non-Federally recognized Tribes	OP
		Satisfy customers and partners	Partners' perceptions of services from ACF and its staff	OC
Develop partnerships focused on results	Number of "results-oriented" partnership agreements established by ACF regional offices with ACF partners (traditional State plans or grant instruments are not counted)	OP		
Streamline ACF's organizational layers	ACF-wide manager-to-staff ratio	OP		
	Diversity of ACF management positions during and after streamlining and reinvention as measured by changes or stability in proportionate representation of ethnic groups, gender, and disability status	OP		
ATSDR	Trust Fund Account	Health assessment activities	Number of evaluations	OP
			Number of site reviews	OP
			Number of updates	OP
		Response activities	Number of health consultations	OP
		Toxicological activities	Number of toxicology profiles	OP
Surveillance, health studies and registries	Number of site specific health studies	OP		
	Number of site specific interviews	OP		
Health education activities	Number of case studies	OP		
	Number of physicians trained	OP		

OP - Output
OC - Outcome



Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE
CDC	Appropriation Account	Preventive health	States with data sources	OP
		Sexually transmitted disease	Syphilis incidence rates	OC
		Immunization	Reported cases of measles and mumps	OC
		Infectious disease	Distribute information materials	OP
		Tuberculosis	Tuberculosis incidence rate	OC
		Chronic and environmental disease prevention	States with tobacco use reduction plans	OP
		Childhood lead poisoning prevention	Number of children screened	OP
		Breast and cervical cancer prevention screening	Number of women screened Accreditation rate for facilities	OP OP
		Injury control	Articles and progress reports published	OP
		Occupational safety and health	Fatality assessments Health hazard evaluations	OP OP
		Epidemic services	Epidemic outbreak investigations	OP
		Health statistics	Published statistical information	OP
		HIV/AIDS	# of trained teachers and health department workers	OP
		Prevention centers	Number of prevention center grantees	OP
		FDA	Prescription Drug User Fee	Human Drugs/Biologics
Operations	Foods and cosmetics			Samples analyzed Petitions completed
	Medical devices		Pending applications Timeliness of applications completed	OP OP
	Animal drugs		Applications reviewed Timely approval of applications	OP OP



APPENDIX B

Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE	
FDA	Operations (cont'd.)	Financial management/ accounting services	Travel vouchers processed	OP	
			Timeliness of travel payments	OP	
			Age of travel advances	OP	
			Invoices processed	OP	
			Timeliness of invoices paid	OP	
			# & type of disbursements	OP	
Accounts receivable turnover/aging	OP				
		# & type of collections	OP		
FDA	Revolving fund	Color certification	Cost per pound analysis	OP	
			Average days to certify	OP	
			Pounds of color additives certified	OP	
			Rejection rate	OC	
	Insulin certification	Cost per batch analysis	OP		
			Batches certified	OP	
HCFA		Improve the health of Medicare and Medicaid beneficiaries by making sure they have access to, and receive quality care	Decreased hospital mortality rates among Medicare beneficiaries due to acute myocardial infarction	OC	
			Inform Medicare and Medicaid beneficiaries of health care and delivery systems.	Proportion of Medicare beneficiaries who are highly satisfied with their choice of health plans and the information available to them to make choices	OC
			Financial stewardship	Reduced Medicare overpayments	OP
			Technically competent, customer focused and service oriented work force	Improvements to the organizational structure, training and workplace culture that result in improved customer service, customer focus and efficiency	OP
HRSA	Appropriation account	Health professions and nursing student loans	Default rates	OP	
			Debt collection rates	OP	
		Health profession graduate student loans	Default rate	OP	
			Debt collection rate	OP	
		Vaccine inquiry compensation	Savings returned to the Trust	OP	
			Payment processing timelines	OP	



Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE
HRSA	Appropriation account (cont'd.)	National practitioner data bank	% queries processed on-time	OP
			Query completion rate	OP
			Dispute resolution timeliness rate	OP
			User satisfaction rate	OC
IHS	Appropriation account	Operational	Population served	OP
			Total program resources	OP
			Health expenditures per capita	OP
			Admissions	OP
			Trends in patient services	OP
			FTE costs as % program obligations	OP
			Admin. costs as % program obligations	OP
			Hospital day unit cost	OP
			Outpatient visit unit cost	OP
			Work unit productivity	OP
			Accreditation rates	OP
		Effectiveness—health status	Various mortality rates	OC
			Life expectancy	OC
			Infant mortality rate	OC
PSC	Working Capital Fund	Personnel and payroll services	Cost per personnel account	OP
			Accounts processed per FTE	OP
			Customer satisfaction	OC
			Separation processing timeliness	OP
			Servicing ratios	OP
		OS mail services	Customer satisfaction	OC
			Time to delivery	OP
		Regional administrative services	Customer satisfaction by service and region	OC
		Financial and accounting services	Cost per financial transaction	OP
			Interest penalties - # and \$	OP
			Prompt payment rate	OP
			Penalty payment rate	OP
			% automated payments - # and \$	OP
Timely travel payments	OP			
Average posting of OPAC transactions	OP			
Timely report to central agencies	OP			
% collections to collectible receivables	OP			
% reconciled cash reconciliations	OP			
% reconciled suspense accounts	OP			



APPENDIX B

Performance Measures

AGENCY	ACCOUNT NAME	ACTIVITY/GOAL	PERFORMANCE MEASURE	TYPE
PSC	Working Capital Fund (cont'd.)	Unique supplies	Order cycle	OP
			Customer satisfaction	OC
		EEO complaint investigations	Cost per investigation	OP
			Investigations processed per FTE	OP
			% invest delivered within 150 days	OP
		Cost allocation services	Total cost savings	OP
	Case backlog		OP	
	\$ saved per negotiator		OP	
	Return on investment		OP	
	Audit resolution services	% of cases that go to appeal	OP	
		Cost per case	OP	
	CASU (NY and KC)	Savings over market rate	OP	
	Service & Supply Fund	Supply distribution	Fill rate	OP
Requisition process time			OP	
Back orders placed			OP	
Fiscal services		\$ value of invoices processed	OP	
	% of payments on-time	OP		
Pcc	\$ in interest penalties	OP		
	CPU usage	OP		
Personnel services	# of training programs	OP		
	Participant rating of training	OC		

OP - Output
OC - Outcome

