



# Federal Financial Management A MONTHLY REPORT NEWS

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## **FY 2000 audits come in clean and on time**

All 24 of the Chief Financial Officers (CFO) Act agencies submitted their audited fiscal year 2000 financial statements to Congress on time (March 1). Eighteen of those agencies also passed their audits, the highest success rate since the Act was passed in 1990.

Under the CFO Act, agencies are required to undergo annual independent audits of their financial statements. Agencies must submit the results to Congress so that they may be compiled into a financial report of the entire government. In 2000, the Reports Consolidation Act authorized agencies to combine their financial audit reports with their annual performance reports. *See Federal Financial Management News, November 15, 2000, page 4.*

Agencies whose 2000 opinions showed improvement over FY 1999 included the:

- Environmental Protection Agency;
- Department of Housing and Urban Development;
- Department of Interior;
- Office of Personnel Management;
- Department of State; and
- Department of Treasury.

Those agencies each received unqualified opinions on their FY 2000 audits, meaning that their statements were reliable. *See table on page 2 for details.*

While the Department of Defense (DoD) received an agencywide audit disclaimer, because auditors could not positively determine the reliability of its data, the Defense Finance Accounting Service (DFAS) received its first clean opinion. DFAS is the first Defense component to receive an unqualified audit opinion.

DFAS Director Thomas Bloom noted, "This is a tremendous achievement – a watershed day for DoD – and it's just the beginning. We have proven it can be done and are committed to the goal of helping to produce the same for all of DoD."

Senator Fred Thompson (R-TN), Chairman of the Senate Governmental Affairs Committee, praised agencies for their progress. "Most agencies are balancing their checkbooks. Knowing what you have and what you've spent is the first step in reducing waste, fraud, and abuse in the government," he said. "Now we need to work on keeping track of this money on a regular basis, not just once a year."

This year's audited financial statements demonstrate agencies' continued improvement in complying with the CFO Act, Senator Thompson concluded. "But there is more to be done," he added, stating that agencies still need to improve their financial systems to track expenditures, debts, and property on a regular basis.

<b>CFO Act Agency Audit Opinions on Financial Statements</b>	
<b>Agency</b>	<b>2000 Opinion</b>
USDA	Opinion disclaimer
<b>Commerce</b>	<b>Unqualified</b>
DoD	Opinion disclaimer
Education	Qualified
<b>DOE</b>	<b>Unqualified</b>
<b>HHS</b>	<b>Unqualified</b>
<b>HUD</b>	<b>Unqualified</b>
<b>DOI</b>	<b>Unqualified</b>
DOJ	Qualified
<b>DOL</b>	<b>Unqualified</b>
<b>State</b>	<b>Unqualified</b>
DOT	Qualified
<b>Treasury</b>	<b>Unqualified</b>
<b>VA</b>	<b>Unqualified</b>
AID	Opinion disclaimer
<b>EPA</b>	<b>Unqualified</b>
<b>FEMA</b>	<b>Unqualified</b>
<b>GSA</b>	<b>Unqualified</b>
<b>NASA</b>	<b>Unqualified</b>
<b>NRC</b>	<b>Unqualified</b>
<b>NSF</b>	<b>Unqualified</b>
<b>OPM</b>	<b>Unqualified</b>
<b>SBA</b>	<b>Unqualified</b>
<b>SSA</b>	<b>Unqualified</b>

## Performance plan deadline looms

The final stage deadline for submitting agencies' performance plans to the Office of Management and Budget (OMB) is rapidly approaching. All plans must be submitted by April 3, 2001, to be included in the fiscal year 2002 governmentwide performance plan.

The Government Performance and Results Act (GPRA) requires federal agencies to develop annual performance plans, including goals, objectives and the measures they will use to assess progress. Agencies initially sub-

**Continued on page 5**

## **Events Calendar**

### **CFO Council Meeting**

**When:** March 20, 2001  
2 p.m.

**Where:** Washington, DC

**Contact:** 202.690.7084

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Senior Managing Editor

### **Christi Silver**

Editor

### **Tom Cablk**

*Tom's Corner* Writer

*Federal Financial Management News* covers news and events in federal financial management. It is not intended to substitute for legal or other professional advice. The editor welcomes readers' comments and suggestions.

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## **Budget Status**

### **FY 2002 Budget Outlays by Function: FY 2001 versus FY 2002 estimates**

In billions of dollars

<b>Function</b>	<b>2001 estimate</b>	<b>2002 estimate</b>
National defense	299.1	318.9
International affairs	17.5	21.1
General science, space, and technology	19.7	21.2
Energy	-0.6	-0.3
Natural resources and environment	27.6	27.8
Agriculture	26.1	18.6
Commerce and housing credit	-0.7	6.9
On-Budget	(-3.3)	(3.8)
Off-Budget	(2.6)	(3.1)
Transportation	51.1	54.7
Community and regional development	10.7	11.3
Education, training, employment, and social services	64.7	76.2
Health	175.5	201.3
Medicare	219.3	229.8
Income security	262.9	275.7
Social security	433.3	454.7
On-Budget	(12.1)	(13.6)
Off-Budget	(421.5)	(441.1)
Veterans benefits and services	45.3	51.1
Administration of justice	29.1	31.6
General government	17.0	16.5
Net interest	206.5	188.3
On-Budget	(275.4)	(264.4)
Off-Budget	(-68.9)	(-76.1)
Allowances	—	2.7
Undistributed offsetting receipts	-48.0	-49.0
On-Budget	-39.8	-40.5
Off-Budget	-8.3	-8.5
<b>Total Outlays</b>	<b>1,856.3</b>	<b>1,959.3</b>
<b>On-Budget</b>	<b>(1,509.4)</b>	<b>(1,599.8)</b>
<b>Off-Budget</b>	<b>(346.9)</b>	<b>(359.5)</b>

## Reminder...

The Department of Transportation (DOT) has recently outlined instances when government employees can accept gifts of travel or associated costs, such as attendance fees, meals, and other incidentals. Federal employees are sometimes invited to attend meetings or functions by individuals or organizations from the private sector. The following table lists authorities allowing agencies and employees to accept travel-related payments from non-federal sources. 

Travel and Other Benefits in Connection with Meetings			
Benefit	<i>Gift is to the agency</i> 31 U.S.C. § 1353 and 41 CFR §§ 301-1 and 304-1 “Acceptance of Payment from a Non-Federal Source For Travel Expenses”	<i>Gift is to the employee</i> 5 U.S.C. § 4111 and 5 CFR §§ 410.501-410.503 “Government Employees Training Act”	<i>Gift is to the employee</i> 5 CFR § 2635.204 (g)(2) “The Widely Attended Gathering Exception”
Type of Event	Meeting or similar function that relates to the employee’s official duties.	Training or meeting in a non-government facility.	Widely attended gatherings of mutual interest to a number of parties.
Location	Event must take place away from the employee’s official duty station.	No restrictions on location. Event may be local or away from duty station.	No restrictions on location. Event may be local or away from duty station.
Source/ Type Payment	Source: Any non-federal source.  Payment in-kind (to employee) or by check made payable to the agency.	Source: either an organization exempt from taxation under 26 U.S.C. 501(c)(3), or a state or local government.  Payment in cash or in-kind to employee.	Source: the event sponsor, or a non-sponsor if more than 100 people will be attending and the cost of attendance is \$250 or less.  Payment in-kind only.
Nature of Benefits	Travel, subsistence, and related expenses. May exceed government per diem rates, if comparable to those made available to other participants.	Contributions or awards incident to training; or payments of travel, subsistence, and related expenses incident to attendance at meetings.	Waiver of attendance fee, food, refreshments, entertainment, and instructional materials integral to the event. <b>No travel expenses.</b>
Conflict Analysis	Acceptance permitted only if the agency determines that a reasonable person wouldn’t question the integrity of agency programs or operations.	Acceptance permitted if the agency applies specific conflict criteria and decides payment is proper.	Agency must determine that the employee’s attendance is in the interest of the agency and that it will further agency programs and operations.
Agency Approval	Authorization must be issued by the agency in advance of the travel.	The head of the agency or a designee must authorize acceptance in writing after a full evaluation of the circumstances.	If the person who extends the invitation has interests that could be affected by the employee’s performance, the agency must make a written determination of agency interest in advance of the event.

## Federal employees should work at home more

The Office of Personnel Management (OPM) has recently directed agencies to encourage their employees to occasionally work at home. The directive was issued to further the implementation of Public Law 106-346, of October 23, 2000, which mandated that agencies establish telecommuting policies.

OPM has found that telecommuting

- improves the quality of worklife and job performance and increases productivity;
- improves morale and reduces stress by giving employees more options to balance work and family;
- increases customer access to needed services;
- provides services when regular offices are closed;
- extends employment opportunities to people with disabilities;
- accommodates employees who have temporary or continuing health problems;
- potentially enhances recruitment and promotes diversity by expanding the geographic recruitment pool; and
- decreases traffic and parking congestion, energy consumption, and air pollution.

Section 359 of the Act states that 25 percent of the federal workforce should work from home at least part-time by April 23, 2001. "Part-time" has been defined to include at least one day per week. Up to an additional 25 percent should begin telecommuting each year after that, according to the statute.

Despite the Act's instructions, however, agencies have been slow in reaching the 25 percent benchmark. OPM recognizes that certain barriers have prevented agencies from being more successful. To identify and remove those barriers, OPM has directed agencies to complete a form, *Establishing Telecommuting Policies*, by April 2, 2001. The form is available online at [www.opm.gov/wrkfam/Dirmemo2.htm](http://www.opm.gov/wrkfam/Dirmemo2.htm). Also, see table for examples of jobs that are suitable for telecommuting. The form includes questions on whether an agency's telecommuting policy

- identifies suitable positions for working from home;
- permits union participation;
- tracks time and attendance;
- evaluates performance; and
- covers liabilities and responsibilities.

The information collected will help OPM draft guidance and recommendations on how to more effectively implement telecommuting strategies.

Job Characteristics	
Most Suitable for Telecommuting	Least Suitable
<ul style="list-style-type: none"> <li>• Jobs that involve thinking and writing</li> <li>• Data analysis</li> <li>• Telephone-intensive tasks</li> <li>• Computer-oriented tasks (data entry, web design, programming)</li> <li>• Analysis work (investigators, financial analysts)</li> <li>• Engineers</li> <li>• Architects</li> <li>• Researchers</li> <li>• Customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Jobs requiring face-to-face interaction</li> <li>• Positions that use Privacy Act-protected data</li> <li>• Jobs that require frequent access to material that cannot be moved from the federal office</li> <li>• Positions that use Top Secret documents</li> <li>• Site-specific occupations</li> <li>• Trainee and entry-level positions</li> <li>• Positions dealing with classified material</li> </ul>

### Continued from page 2

mitted drafts of their 2002 plans last fall, prior to the transition in administrations. Upon taking office, however, President Bush made policy changes aimed at better aligning performance information with budget resources. Those changes required agencies to alter their drafts. As a result, agencies submitted a second draft at the beginning of this month.

The revised performance guidelines

- de-layer management levels to streamline organizations;
- reduce erroneous payments to beneficiaries and other recipients of federal funds;
- make greater use of performance-based contracts; and
- make greater use of online procurement and other electronic government services.

Agencies were required to include new performance goals for each of these reforms. The revised plans are currently being reviewed by OMB and will be returned to the agencies by the middle of March. Agencies will then be required to make the necessary amendments recommended by OMB and re-submit the final version of their plans by the April 3 deadline.

## FMS collects billions in debt for agencies

The Department of the Treasury has announced that its Financial Management Service (FMS) is successfully collecting delinquent debt for federal and state agencies. Since the Debt Collection Improvement Act was passed in 1996, FMS has collected over \$9 billion in debt owed. The Act requires that agencies transfer outstanding debt to FMS for collection. This function was transferred to FMS to provide a single, consolidated source of debt collection for the federal government.

FMS mainly uses the following 2 debt collection tools:

- ✓ **Treasury Offset Program (TOP)** – utilizes payment offset by comparing the names and taxpayer identification numbers (TINs) of debtors with those of recipients of federal payments.

Matches result in reductions in federal payments to offset the debts;

AND

- ✓ **Cross-Servicing Program** – includes a variety of collection methods to encourage debtors to repay the government. Methods include Treasury demand letters, telephone follow-up, credit bureau reporting, and referral to private collection agencies (PCAs).

FMS recovers the majority of federal debt through TOP, offsetting

- tax refund payments;
- OPM annuity payments;
- federal salary payments; and
- vendor payments.

Over the past 3 years, FMS' collections have increased from \$2.04 billion in fiscal year 1998 to more than \$2.6 billion in FY 2000.

"FMS worked closely with federal agencies – such as the Departments of Education, Housing and Urban Development, Health and Human Services, and the Small Business Administration – to identify eligible debts and encourage referrals of their debts to FMS for collection," explained FMS Commissioner Richard L. Gregg. Gregg emphasized, however, that "[a]gency cooperation deserves a large amount of credit for FMS' successes."

# Decisions

## Agencies cannot pay real estate expenses for new hires even if they want to

*RULE: Agencies cannot reimburse new employees' real estate transaction costs — no exceptions exist.*

### GSBCA 15346-RELO

Employees relocated to new duty stations may be reimbursed most of the costs associated with moving their families and household goods, including the expense of selling their old house and buying a new one. Unfortunately, new hires are not entitled to all the same costs, as is demonstrated by the following case.

Barry McGuire, a civilian employee of the Department of the Army at Fort Meade, MD, was hired by the post's public works office. His order provided that as a new hire, he was entitled to reimbursement for relocation expenses, including real estate costs.

McGuire sold his home in Toney, AL, and bought a new one in Maryland. He submitted a voucher for the real estate expenses associated with the sale of his house in Alabama.

His claim was denied. The Defense Finance and Accounting Service (DFAS) informed him the Joint Travel Regulations (JTR) prohibit the reimbursement of any costs associated with buying and selling residences for new hires. DFAS recognized that McGuire's orders stated that he was eligible for such compensation; however, those orders were wrong.

DFAS expressed regret that he had been provided incorrect relocation instructions. As a result, it asked the General Services Board of Contract Appeals (GSBCA) whether an exception could be made.

The Board found that no exception was possible. It emphasized that section C14001-1 of the Joint Travel Regulations (JTR) is clear (a similar provision exists in the Federal Travel Regulation

at 301-1.10) — agencies may not provide new hires any allowances for real estate transactions.

The Board recognized that it had previously denied claims from new appointees based on this JTR section, and the facts in the instant case did not warrant a different result. It noted that it is a well-established rule that agencies simply may not authorize the payment of money in violation of a statute, no matter how well intentioned. Payment, in the absence of proper authorization, cannot be justified solely by the fact that an employee may have relied in good faith on an improper advice or instruction. While it may seem grossly unfair that employees must bear the consequences of an agency's mistake, the overriding concern is the protection of the taxpayers' interest in not having unlawful disbursement made from public funds.

*In the Matter of Barry McGuire*, February 27, 2001. ☞

## Tax time cometh . . .

Remember, agencies cannot modify relocation income tax (RIT) allowances to completely reimburse an employee for taxable income earned as a result of being reimbursed for relocation expenses. RIT allowances are designed to substantially, not wholly, reimburse employees for relocation allowances and cannot be adjusted to meet an employee's individual circumstances. Therefore, employees may have to pay some income tax on the benefits they receive as a result of relocation. *See, GSBGA 15073-RELO, In the Matter of Michael R. Planitz, January 11, 2000.*

In the case, Michael Planitz, an employee of the Department of the Army, was transferred to Huntsville, AL. Planitz was authorized for a moving allowance.

Planitz's salary for that year was \$58,421 – which placed him in the 28 percent federal income tax bracket. The Army, however, reimbursed him for relocation expenses at a rate of 15 percent because the marginal tax rate table used for calculating the relocation income tax (RIT) allowance did not reach the 28 percent rate until a gross income level of \$61,068. Planitz incurred an income tax liability for the 13 percent difference between his income tax bracket and the tax rate of the RIT allowance.

Planitz requested his agency to reimburse him that amount. The agency refused. Planitz appealed to the General Services Board of Contract Appeals (GSBCA).

The Board denied his appeal. It noted that the table in the Federal Travel Regulation (FTR)

## **Employee Corner**

**Q:** May an employee be paid for the incorrect calculation of annual leave by an agency if the error occurred more than 6 years previously?

**A:** No, if the proper calculation has been made since. *See Office of Personnel and Management, File Number 01-0011.*

In the case, an employee discovered that he had been incorrectly accruing only 4 rather than 6 hours of annual leave each pay period between October 1989 and October 1990. His agency corrected the mistake in November 1990, but the employee did not discover it until 10 years later.

At that time, he submitted a claim for the missing pay. The Office of Personnel and Management (OPM) denied it.

OPM recognized that he should have accrued 6 hours during the time in question and that his agency made a mistake. It emphasized, however, that the statute of limitations on filing a claim had passed. The Barring Act, 31 U.S.C. 3702(b)(1), bars every claim against the United States unless it was received within 6 years after the date the claim arose. Here, the employee should have filed his claim no later than November 1996.

OPM noted that the statute of limitations may be tolled in situations where there is a "continuing claim," i.e., if the original error had occurred more than 6 years previously, as long as it was still occurring, an employee could file a claim since the statute does not begin to run until the on-going harm ceases. This option was not available in this case. The error had been corrected more than 10 years earlier.

Although the missed pay was a result of his agency's mistake, OPM emphasized that all employees are required to verify their salary and benefit information each period. If the employee had exercised due care in reviewing his information, he would have discovered the error in time to have recovered the loss.

containing the RIT allowances necessarily does not match the federal income tax tables, because the amounts listed in the marginal tax rate table represent gross, not taxable, income. The RIT allowances have been established in this way to substantially, not wholly, reimburse employees for the taxes they incur as a result of the relocation allowances they receive. In addition, the allowances cannot be adjusted to take into account an employee's individual circumstances. ☞

# Reports & Testimony

## Budgeters must look to the future

The federal government needs a decision-making system that allows it to evaluate fiscal good fortune against both today's needs and the long-term, according to recent testimony by the Comptroller General, David M. Walker – *GAO-01-385T*.

The 107th Congress, Walker noted in his testimony, must determine the best way to balance the costs of today's government with future budgetary pressures such as a growing population and the imminent retirement of the baby-boom generation. Despite the lack of deficit concerns, this period of surplus brings to the surface many issues that have previously been put off, Walker stated.

The testimony recommends that Congress approach this surplus, as well as predictions of the years of surplus to come, with caution. GAO's long-term calculations using recent budgetary data show that spending for federal health and retirement programs overwhelms all projected surplus funds, Walker noted. Even without increases in defense, education, or Medicare prescription plans, the surplus will be lost.

Walker also advised that the government needs to improve financial statement reporting of commitments to activities and programs that obligate it to spend in the future. While these costs are often difficult to estimate, Walker said, they will still add to

future stress. In addition, the government should include the fully accrued costs of insurance and pensions in current program budgets. ☞

### Tom's Corner

**Q:** May appropriated funds be used to give gift items from an agency store to office visitors and meeting participants?

**A:** No, with 2 qualifications. The "no" is stated succinctly in *Principles of Federal Appropriations Law*, page 128, opposite the word "gifts." Giving a gift would not be necessary to carry out an agency's mission.

One of the 2 qualifications is for official visitors, but funds designated by Congress for "reception and representation" would have to be used. These funds are severely limited in most agencies.

The second qualification is for guest speakers. In B-257488, November 6, 1995, GAO did not object to presenting mementos to conference guest speakers if the purpose of the speech was to further an authorized agency purpose. Note that this would not include people who were simply attending a conference. Here's a good rule of thumb: a memento is okay if the speaker is receiving (or could receive) an honorarium; otherwise, no.

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