



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

April 2, 2001

MEMORANDUM TO:

Chairman Meserve  
Commissioner Dicus  
Commissioner Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

FROM:

Dennis K. Rathbun, Director  
Office of Congressional Affairs

SUBJECT:

HOUSE GOVERNMENT REFORM HEARING ON  
AGENCIES' FINANCIAL MANAGEMENT, 3/30/01

The House Government Reform Committee's Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations held a hearing, "Are the Financial Records of the Federal Government Reliable?" Chairman Horn (R-CA) issued his annual report card on agencies' audited financial statements at the hearing (see OCA memo of 3/30/01); the NRC received a D+ for FY 2000, the same grade it received in FY 1999. The government-wide grade is C- for FY 2000. Copies of the witness list and Chairman Horn's statement are attached; testimony is available in OCA.

Chairman Horn noted that for the first time, all agencies met the March 1 reporting deadline and an increased number received clean opinions. However, he was concerned about the continued failures of some agencies, an area on which he urged the new Administration to focus. GAO noted that a clean audit is only the first step, which does not in itself translate into good government. For example, the fact that DOE received an A despite having programs on GAO's high risk list was referenced.

GAO testified that agencies frequently submitted their reports by "heroic efforts." Rather than such an effort, GAO contended that there should be sustained effort throughout the year resulting in underlying systemic improvements. Additionally, books should be closed within a few days of the end of the year, with the consolidated statement completed by the end of the calendar year. GAO concluded by saying that agencies are winning the battle—obtaining unqualified opinions—but losing the war—not having internal controls and systemic changes.

Rep. Putnam (R-FL) inquired whether it was possible for all agencies to get A's on the audits; GAO replied that it was achievable, while repeating that clean opinions were a superficial victory. The Congressman then asked whether agencies were held accountable for not having clean opinions. OMB Director Daniels replied that there is currently no consequence, but that the Administration was trying to have a greater link between performance and budget; he added that there might not be the political will to impose consequences.

Treasury, OMB, and GAO plan to conduct a review later this year of the financial statement production process. As part of this review, the contents of statements will be examined to

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determine if they could provide more useful information. Rep. Putnam asked why government information systems were still behind after the Y2K effort. GAO replied that Y2K dealt with the date issue, but not the underlying systems issue; as a consequence, there remained too many old, non-integrated systems that did not meet an agency's needs. GAO argued that this situation demonstrated the need for a federal CIO and for agency CIO's to have greater authority on how IT money is spent.

Rep. Horn advocated support for his bill, H.R. 616, which would create a separate Office of Management within the Executive Office of the President, contending that in the current organization the budget squeezes out everything else. OMB Director Daniels replied that he did not currently support the bill, but he was not "close-minded" to the proposal. He acknowledged that management received insufficient priority in previous Administrations, but that he wants the opportunity to promote management responsibilities within the existing framework. GAO said that if the right people and resources are provided, the promotion of management issues could occur now.

Attachments: As stated

cc:    SECY  
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## SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT, AND INTERGOVERNMENTAL RELATIONS

Hearing on

**"Are the Financial Records of the Federal Government Reliable?"**

Friday, March 30, 2001, 10:00 a.m.,  
Room 2154 Rayburn House Office Building

### WITNESSES

#### Panel One

**The Honorable David M. Walker**  
Comptroller General of the United States  
General Accounting Office

**Mr. Donald V. Hammond**  
Acting Undersecretary for Domestic Finance  
Department of the Treasury

#### Panel Two

**The Honorable Mitch Daniels**  
Director, Office of Management and Budget

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INDEPENDENT

### Opening Statement Chairman Steve Horn Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations March 30, 2001

A quorum being present, this first hearing of the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations will come to order.

We are here today to examine the executive branch of the federal government's progress in accounting for the billions of taxpayer dollars it spends each year. Those billions now add up to trillions of taxpayer dollars. For the record, it should be clear that the previous President and Cabinet are responsible for the balance sheets that are before us. The General Accounting Office and the subcommittee staff have reviewed all of the audits.

Throughout the past decade, Congress has sought ways to make the executive branch of the Federal Government financially accountable to the Nation's taxpayers. In 1990, Congress approved and the President signed into law the Chief Financial Officers Act. This law established the position of chief financial officers in each of the 24 major executive branch departments and agencies. Similar to chief financial officers in the private sector, the government's chief executive officers are responsible for the overall financial management of their respective agencies.

In 1997, the Chief Financial Officers Act was amended to require the 24 major federal agencies to prepare annual, audited financial statements by March 1<sup>st</sup> following the end of the Government's fiscal year on September 30<sup>th</sup>. In addition, the amended law requires the Department of the Treasury to prepare annual consolidated, government-wide financial statements.

The General Accounting Office is headed by the Comptroller General of the United States. It audits and reports on these statements by March 31<sup>st</sup>. The General Accounting Office's most recent report for fiscal year 2000 is being released today. Based on the GAO report and agency auditors' findings, the subcommittee is also releasing its report card today, grading the 24 agencies on their progress in improving their financial management.

The ultimate goal is to provide reliable information on program costs and benefits. This will allow decision-makers to determine accurately the value of federal programs and whether they are worth the cost to the taxpayers. The first step in this process, of course, is to know the cost. Although agencies have made progress since their first attempt to prepare financial statements in 1998, we are still a long way from achieving that basic goal.

Each year, an increasing number of agencies have been able to produce clean, auditable financial statements. This progress was often achieved through difficult efforts. This year, for the first time, all 24 agencies managed to file these statements by the March 1<sup>st</sup> deadline. Also this year, the number of agencies receiving clean audit opinions has risen.

Nevertheless, the government earned a grade of "C minus" for fiscal year 2000. Three agencies received "A's," which is one more than last year. Auditors report that the Department of Energy, the National Aeronautics and Space Administration, and the Small Business Administration have effective financial management. This is a notable achievement for the Department of Energy and the Small Business Administration, both of which managed to overcome significant financial management problems reported in previous years. In addition, the Office of Personnel Management admirably pulled its grade up from an "F" last year to a "B minus" this year.

Despite that progress, the failures of a few agencies continue to tarnish the overall record of the executive branch of the federal government. In fact, two agencies regressed. The National Science Foundation fell from an "A" to a "B plus," and the Department of Transportation fell from a "D plus" to a "D minus."

Most disheartening, however, is the abysmal lack of achievement by two significant government departments and one agency. For the fifth consecutive year, the Agency for International Development, and two of the Government's largest departments -- the Department of Defense and the Department of Agriculture -- still have such major problems. They, again, received the unacceptable grade of "F."

Now we have a new Administration, and hopefully it will focus close attention on these continuing failures. If we cannot accurately account for today's expenditures, how can we plan for future surpluses?

We welcome our witnesses today who are most qualified to discuss this important matter: **The Honorable David M. Walker** who is the Comptroller General of the United States; the **Honorable Mitchell E. Daniels Jr.**, the Bush Administration's Director of the Office of Management and Budget, and **The Honorable Donald V. Hammond**, Acting Undersecretary for Domestic Finance for the Department of the Treasury.

Gentlemen, we look forward to your testimony, your insights, and your recommendations, which will work to end this intolerable situation in the government's financial management.