

Realizing the Goal of One Balance Sheet for the Federal Government



savantage solutions

December 2004

No entity in the world compares in size, scope, and complexity to the United States Government. With more than \$1.9 trillion in revenues and \$2.3 trillion in operating costs, the Federal Government's financial operations are enormous by any standard.

Factor in stewardship responsibilities and social insurance contracts, such as Social Security, Medicare, and liabilities — including civilian and military retirement pensions and benefits — that total another \$31.1 trillion, and the breadth and scope of U.S. Government obligations is truly staggering.

Little wonder that the effort required to collect, consolidate, and report on the governmentwide audited financial statements is an immense and daunting undertaking. Yet, every year the Department of the Treasury, in coordination with the Office of Management and Budget, is charged under the Government Management Reform Act of 1994 with just such a task.

The result is the Financial Report of the United States Government which provides a comprehensive view of the Federal Government's finances that is not available elsewhere. The Financial Report is the only source of in-depth financial information on a governmentwide consolidated level and provides a transparent picture of the Government's financial position and operations.

Unprecedented Challenges

Historically, the Department of the Treasury has faced many challenges in compiling and complying with the Financial Report requirements. Considering that financial data from no less than 24 CFO-ACT agencies, 9 other significant entities, and 180 smaller entities must be accumulated — and that each agency is financially independent, maintains a separate financial system, and has the latitude to produce financial reports using unique account classifications and reporting structures — provides some insight into the enormity and complexity of the task.

The compilation process traditionally required a considerable amount of manual data entry — increasing the likelihood of errors, and necessitating manual reconciliations and adjustments.



In addition, with so many disparate input sources, preparation issues relating to agency data quality; intra-governmental balances and consolidation eliminations; and inconsistencies in the financial reporting of the myriad agencies, major challenges arose on a recurring basis.

It was precisely these kinds of issues that prevented the General Accounting Office from expressing an opinion on the reliability of the financial statements since it began auditing the Financial Report in 1997.

Rethinking the Federal Government's Closing Process

To meet the requirements of the Financial Report and make it a more valuable tool, the Financial Management Service within the Department of the Treasury embarked on a major initiative in 2002 to overhaul the Government's closing process by improving the collection and submission of agency data. FMS' goals were to devise a system capable of handling the enormous volume of data involved, while at the same time, offering standardization, automation, and accessibility — along with flexibility and "ad-hoc" capabilities.

The new system, Governmentwide Financial Report System (GFRS) was targeted for a Summer 2004 roll-out. The FMS team was led by James Sturgill, Assistant Commissioner, Holden Hogue, Accounting Systems and Standards Directorate, and Jeffrey Hoge, Director of Accounting Systems Division. Patricia Y. Smith was responsible for daily management of the project. FMS hired Savantage Solutions, a JFMIP-certified COTS vendor in the federal market, as the prime contractor for this project.

The Financial Management Service (FMS) has prepared financial statements for the U.S. Government since 1976. In accordance with the 1994 Government Management Reform Act, those statements are part of the U.S. Financial Report, which has been audited by the General Accounting Office since 1997. All major Federal agencies prepare their own audited financial statements and they have wide latitude in format. Using the new Governmentwide Financial Report System (GFRS), FMS will collect the audited financial statement data from the verifying agencies in an attempt to develop uniformity in the financial data. GFRS links the information from agency audited financial statements to line items on the consolidated financial statements to ensure that the amounts reported at the consolidated level reconcile to the individual agency financial statements.



Jim Sturgill (left) and Jeffrey Hoge (right) of the U.S. Department of the Treasury

Grace Under Pressure – How FMS Successfully Rolled out a Government-wide Project On Time and On Budget

The success of FMS' GFRS project is truly impressive, given its scope is government-wide and that FMS successfully executed on a very aggressive timeline to meet GAO's requirement to implement the new system for the 2004 reporting cycle. The project timeline commenced in August 2002, with planned GFRS agency training to take place during the summer of 2004. All project milestones were successfully met throughout its 18 month duration, and GFRS went live for 2003 data entry on June 1, 2004.

FMS' success has many contributing factors – the most important factors being strong visionary leadership and a working partnership with all the stakeholders. FMS' leadership was committed since inception of the project to plan and manage this project in a way that ensured successful and timely delivery per GAO timeline.

FMS also recognized that rolling out a new financial reporting system government-wide would require an active on-going communication process with federal agencies who would be required to use the new system – i.e. the primary stakeholders. FMS worked hard to keep agencies informed of new GFRS reporting requirements, provide hands-on training to data preparers and reviewers, and be available for questions and answers from agencies and GAO throughout the production cycle. FMS also developed a collaborative partnership with Savantage, so that both shared the vision for the end result and that goals, objectives and expectations were clearly managed and communicated for each project milestone.

Today, Treasury FMS' GFRS is a powerful, innovative financial reporting and consolidation tool for Government entities that automates the accumulation and

Representative GFRS Module Screens

The left screenshot, titled "Financial Statement Template Screen - GF001", shows a header section with the following information: Entity: 1200 DEPARTMENT OF AGRICULTURE, Fiscal Year: 2002, PD: QTR 4 - YTD, and STMT: BALANCE SHEET. Below the header is a table with columns for Line, Description, Acct Normal Type, Bal, F/N, and Display Sign. The table lists various asset categories such as ASSETS, Intragovernmental, Fund Balance with Treasury (Note 3), Investments (Note 5), Other, Accounts Receivable, Net (Note 6), Total Intragovernmental, Cash and other monetary assets (Note 4), and Accounts Receivable, Net (Note 6). At the bottom, there are buttons for "Preview Statement..." and "SQL Variance Report...", along with a status section showing "Module Status: APPROVED" and "Date: 17-SEP-2003".

The right screenshot, titled "Reclassification Screen - GF003", shows a header section with the following information: Entity: 2000 DEPARTMENT OF THE TREASURY, Reported In: MILLIONS, Fiscal Year: 2002, PD: QTR 4 - YTD, and STMT: BALANCE SHEET. Below the header is a table with columns for Agency Line Description, 2002:QTR 4 - YTD, and 2001:QTR 4 - YTD. The table lists various asset categories such as ASSETS, Intra-governmental Assets, Fund Balance (Note 2), Loans and Interest Receivable (Note 3), Advances to the Black Lung Trust Fund (Note 4), Due from the General Fund, Net (Note 5), Accounts Receivable and Related Interest (Note 11), Other Intra-governmental Assets, and Total Intragovernmental Assets. At the bottom, there is a "Close" button.

consolidation of financial data, and validates the integrity of that data before generating financial statements and footnotes in compliance with accounting and government reporting requirements.

GFRS breaks new ground by not only enabling the development of one balance sheet for the Federal Government, it does so in a way that promotes auditability and preserves line item detail. Individual agency detailed reports are no longer "lost in translation". GFRS also significantly increases Treasury's ability to "audit the auditors" — which reduces the time and effort needed to publish the Financial Report, while at the same time enhancing the document's integrity.

GFRS Features

GFRS significantly simplifies what had been an especially complex process — and does so within a web-enabled, real-time environment.

- Validate that agencies enter audited financial statements (per Federal Generally Accepted Accounting Principles) into the closing package of GFRS.
- Cross-walk all agency line items on their respective audited Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Custodial Activity to the closing package financial statement line items.
- Provide a real-time view of the agency financial statement data from the Adjusted Trial Balances submitted to FACTS I.
- Verify that agencies identify trading partners and the related balances.
- Enable agencies to enter the detail information for notes to the financial statements for reporting in the Financial Report and enable them to disclose and enter other data as required by Treasury.
- Provide functionality to report at the individual agency level, on a combined basis, or consolidated levels; provide reporting capabilities to create exception, ad-hoc, and "what if" reports to analyze out-of-balance conditions.
- Create an interface between GFRS and the web-based SSO system to facilitate easy access by GFRS users.
- Create a flexible system that is easily modified and could evolve into a quarterly financial reporting system as the Government moves to an anticipated

quarterly reporting schedule.

- Support network-based management, authentication, and authorization of system users.

Current Status

GFRS first underwent testing with five pilot agencies in August of 2003 where it received very positive reviews. In June 2004, GFRS went live for the collection of 2003 audited financial statement data. Users from almost 200 government agencies have begun familiarizing themselves with GFRS functionality in order to meet Treasury's newly accelerated financial reporting deadlines, and the system is open for 2004 audited financial statement data entry. While some adjustments are to be expected as part of the review and evaluation process, GFRS is certainly on its way to becoming an essential tool in the effort to make the Financial Report

of the United States Government a valid and indispensable reference source.

Savantage is currently marketing Omnisolve, its financial consolidation application, and related consulting services to federal agencies. To learn more about Savantage's financial consolidation services, please contact Savantage at (301) 258-5600 or visit www.savantage.net.



Components/Capabilities of the GFRS

Financial Statements Template Module (GF001)

In GF001 users build templates for four distinct Financial Statements: Balance Sheet, Statement of Net Cost/Income Statement, Statement of Changes in Net Position, and Statement of Custodial Activity which conform to the standards and requirements of the Department of Treasury. The templates crosswalk the audited financial statements line item descriptions to the Standard General Ledger (SGL) accounts required in government financial systems.

Agency Audited Financial Statement Module (GF002)

In GF002 users manually enter the audited financial statement data by line item for each financial statement template designed in GF001. GFRS provides FACTS I trial balance data for current period data as a reference for data entry and validates that all SGL accounts used in FACTS I are assigned to financial line items in the template, generating an exception alert where applicable.

Reclassifications Module (GF003)

In GF003 the user reclassifies financial line item descriptions of individual bureaus to the total agency financial statement line items where applicable. Once completed, GFRS systematically generates journal vouchers (JV) to document the reclassification and create balances for financial statement line items.

Intragovernmental Transactions Trading Partners Module (GF004/5)

In GF004/5 users identify Intragovernmental Transactions Trading Partners for federal line items on the financial statement templates. Users are required to identify Intragovernmental trading partners and amounts for each financial statement line item. GFRS stores the data for trading partners and amounts to be used for reporting purposes.

Financial Report Notes and Other Data Modules (GF006/7)

In GF006/7 users enter data for Notes to and Other Data in the Financial Report which provides additional detail for financial statement line items. The input screen design for the Notes Module provides for freestyle entry and editing without intervention or coding at a system level.

Completions and Approval Module (GF008)

GFRS centralizes all approval capability in one separate module to simplify accessibility and status review. Each preceding module is flagged within GF008 for completion and approval. Further processing of a particular module is not permitted unless the module has been properly completed and approved within this Module GF008.

Governmentwide Eliminations Table Module (GF009)

Elimination journal vouchers are generated in GF009 for the financial

statement line item amounts identified in GF003. The elimination journal vouchers are processed between these line items and any remaining balance post-elimination is recorded to the clearing account, Unreconciled Transactions Affecting the Change in Net Position.

USSGL-Based Financial Statements Module (GF010)

Financial statements using FACTS I ATB data are systematically produced in GF010. The system provides flexibility in the combination of agency financial statements that may be viewed, including individual as well as a combination of selected agencies.

Journal Vouchers Module (GF011)

In GF011 users create agency-specific journal vouchers, top-level journal vouchers (JV) affecting the Financial Report and manual JV entries to adjust financial line items with explanatory notes on each JV. GF011 provides for changes to text responses in the text for Financial Report Notes and Other Data.

FACTS I Interface

This interface functionality provides real-time updates of MAF and ATB from the FACTS I multiple times in a quarter or annual closing cycle. The system maintains date and time stamps for data entry to perform work flow analysis and to create reports of when this data was entered into FACTS I.