

Follow the Money

ASQ 509

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Presented

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Scarcity in An Age of Plenty

There are never enough resources to meet everyone's demands even in an age of plenty.

Knowing how financial resources are allocated and aligning your tasks with governance priorities help you secure resources.

This section provides a bird's-eye view of agency budget, financial, and performance reporting and auditing to help strengthen your business proficiency.

Budget is King

In both public and private sectors, budget is used to

- Direct resources to achieve desired outcome
- Reward good performance

Who control budgets?

- Federal Government: President's Office/OMB and key congressional committees
- Private Sector: CEO/CFO and Board of Directors

Agency Budget Cycle

Agencies have to manage 3 consecutive years' budget simultaneously all the time. For example, they are now

- Making sure they are using FY2016 budget as authorized.
- Answering congressional questions and attending hearings on FY 2017 budget requests.
- Gathering information to submit FY 2018 budget requests to OMB.

Timeline for FY 2018 Budget

- Early fall 2016: Federal agencies submit budget requests to OMB.
- Around Thanksgiving 2016: OMB sends comments back to agencies.
- February/March 2017: OMB submits budget requests to Congress (called the President's Budget)
- April thru September 2017: Congressional committees coordinate with each other, hold hearings, reconcile differences in the House vs. Senate appropriations bills, and deliver the final budget to the President.
- September 30, 2017: If the President does not sign the budget into law, agencies will be shut down or have to live on the Continued Resolutions.

Key Congressional Budget Reports

These congressional budget reports detail special interests, controversial issues, and political land mines facing your agency.

- Appropriations bills passed by the House
- Appropriations Bills passed by the Senate
- Conference reports

Warning: Budget has its own language and could be difficult to follow—e.g., appropriated funds, user fees, budget authority, borrowing authority, spending authority, etc. It is a good idea to take a high-level budget training course.

Agency Financial Reports

The CFO Act requires agencies to prepare audited financial statements. OMB directs agencies to incorporate key performance data in the report.

For example, HHS Annual Financial Statement Report contains three sections:

1. Management Discussion and Analysis
2. Financial Section
3. Other Information (highlight issues)



Section 1--HHS Strategic Goals and Objectives

1. Strengthen Health Care (6)
2. Advance Scientific Knowledge and Innovation (5)
3. Advance the Health, Safety, and Well-being of the American People (6)
4. Ensure Efficiency, Transparency, Accountability, and Effectiveness of HHS Programs (4)

Can you link your project/work to your agency's strategic goals and objectives? (Relevancy Test)

HHS Strategic Goal #1

1. Strengthen Health Care (6)

- Make coverage more secure for those who have insurance and extend affordably coverage to the uninsured
- Improve healthcare quality and patient safety
- Emphasize primary and preventive care, linked with community prevention services
- Reduce the growth of health care costs while promoting high-value, effective care
- Ensure access to quality, culturally competent care, including long-term services and support for vulnerable populations
- Improve health care and population health through meaningful use of health information technology

HHS Strategic Goal #2

2. Advance Scientific Knowledge and Innovation (5)

- Accelerate the process of scientific discovery to improve health
- Foster and apply innovative solutions to health, public health, and human services challenges
- Advance the regulatory sciences to enhance food safety, improve medical product development, and support tobacco regulations
- Increase our understanding of what works in public health and human services practice
- Improve laboratory, surveillance, and epidemiology capacity

HHS Strategic Goal #3

3. Advance Health, Safety, and Well-being of the American People (6)

- Promote the safety, well-being, resilience, and healthy development of children and youth
- Promote economic and social well-being for individuals, families, and communities
- Improve the accessibility and quality of supportive services for people with disabilities and older adults
- Promote prevention and wellness across the life span
- Reduce the occurrence of infectious diseases
- Protect Americans' health and safety during emergencies, and foster resilience to withstand and respond to emergencies

HHS Strategic Goal #4

4. Ensure Efficiency, Transparency, Accountability, and Effectiveness of HHS Programs (4)

- Strengthen program integrity and responsible stewardship by reducing improper payments, fighting fraud, and integrating financial, performance, and risk management
- Enhance access to and use of data to improve HHS programs and to support improvements in the health and well-being of the American people
- Invest in the HHS workforce to help meet America's health and human services needs
- Improve HHS environmental, energy, and economic performance to promote sustainability

Section 2—Audited Financial Statements

All major Federal agencies, except DOD, have received either unqualified or qualified audit opinions—a significant improvement since 1990.

Federal Agency	Private Company
Balance Sheet	Statement of Financial Position
Statement of Net Costs	Statement of Earnings/Operations
Statement of Changes in Net Position	Statement of Changes in Equity
Statement of Budgetary Resources	n/a
n/a	Statement of Cash Flow
Notes	Notes

Only CPAs can render audit opinions. However, everyone can read audited financial statements and benefit from them.

Costs of Operating HHS in 2015

The top three accounted for 96.5% of total costs	Amount (in billion)	Percentage
1. Center for Medicare and Medicaid Services (CMS)	913.3	88.7%
2. Adm. For Children and Families	50.3	4.9%
3. NIH	30.0	2.9%
4. CDC	10.5	1.0%
5. Health Resources and Services Adm. (HRSA)	9.2	0.9%
6. Indian Health Services (IHS)	6.2	0.6%
7. FDA	4.2	0.4%
8. Others	<u>6.3</u>	<u>0.6%</u>
Total	1,030.0	100.0%

Source: HHS Financial Report

Do you know your immediate office's operating costs?

Costs of Operating the US Government in 2015

The top three agencies accounted for 66% of total costs

	Amounts (in billion)	Percentage
1. HHS	1,030	27%
2. Social Security	945	24%
3. Dept. of Defense	574	15%
4. Others	<u>1,310</u>	<u>34%</u>
Total	3,859	100%

Source: GAO

Section 3--Financial-Related Laws

Non-financial managers could cause violations of two critical financial-related laws--the Improper Payment and Anti-deficiency Acts.

- Improper Payment Act
 - Incorrect payment amounts (over and/or under)
 - Wrong recipients
 - Insufficient documentation to support the legitimacy of payments

Did you cause improper payments for your agency?

**Table 1C (Source: HHS Financial Report)
Improper Payment Reporting for All Programs
FY 2014 - FY 2018 (in Millions)**

Name	PY Outlays \$	PY IP %	PY IP \$	CY Outlays \$	CY IP %	CY IP \$	CY Over payment \$	CY Under payment \$	CY Net IP %	CY Net IP \$
Sub-Total of OMB Determined Risk-Susceptible Programs from Table 1A	831,698	9.4	78,383.20	882,173.48	10.18	89,775.39	83,726.01	6,049.38	8.81	77,676.63
Sub-Total of Superstorm Sandy Programs from Table 1B	105.39	8.63	9.10	272.48	0.53	1.44	1.42	0.01	0.58	1.41
TOTAL ALL PROGRAMS Note (12)	831,803.39	9.4	78,392.30	882,445.96	10.17	89,776.83	83,727.43	6,049.39	8.80	77,678.04

Section 3--Financial-Related Laws

- Anti-deficiency Act (ADA)
 - This act prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation.
 - Once it is determined that there has been a violation, the agency head "shall report immediately to the President and Congress all relevant facts and a statement of actions taken."
 - The reports are to be signed by the agency head. The report to the President is to be forwarded through the Director of OMB. In addition, the heads of executive branch agencies ... shall also transmit "[a] copy of each report . . . to the Comptroller General...

What is the difference—obligating vs. expending?

Conclusion

Make a concerted effort to enhance your career by

- Developing the “big picture” view of what’s important to your agency and conducting yourself accordingly.
- Demonstrating your combined technical and financial knowledge and making constructive suggestions at meetings/discussions.

Being technically proficient gets you hired.

Being financially smart gets you ahead.