



Core Competencies in Financial Management for Program Managers in the Federal Government

**A Joint Project of the
Human Resources Committee of the Chief Financial Officers Council
and the
Joint Financial Management Improvement Program**

Foreword

Core Competencies in Financial Management for Program Managers in the Federal Government is the second document in a series of core competencies publications developed jointly by the Human Resources Committee of the Chief Financial Officers (CFO) Council and the Joint Financial Management Improvement Program (JFMIP). While the first document, *Framework for Core Competencies for Financial Management Personnel in the Federal Government*, dealt primarily with employees in the financial management profession, this document is exclusively devoted to those in program management positions. It is intended to serve as a general guideline to assist program managers in their understanding of financial management policies, procedures, regulations and the areas in which they need to develop specific skills to improve the management of their programs.

This document is based on the premise that all federal program managers, regardless of their subject area, have a consistent series of responsibilities, including financial management. Each agency will need to define the “program” managers for whom this document is intended. Generally, this will depend on the program manager’s level of responsibility for management of government resources where competency in financial management is necessary. Additional factors such as the scope of program responsibility, the range or span of management control and the size or type of the program unit or organization may also influence this determination.

The Congress legislated a new approach to financing the programs and activities of the federal government when President Clinton signed into law the Government Performance and Results Act (GPRA) of 1993. From 1993 to 1996, agencies have been preparing for the full implementation of the GPRA, culminating with presentation to the Congress, for the first time in history, strategic plans covering all major programs and activities of the agencies for the next five years in conjunction with the FY 1999 Congressional budget request. Specific performance measures for each program must accompany the budget request. These measures will be the basis on which funding decisions will be made with emphasis on holding federal program managers accountable for achieving the results defined in the program output/outcome goals and objectives contained in the budget request. A specific program evaluation process will determine success or failure.

Mere execution of the budget will no longer suffice as one of the criteria for successful program implementation. Federal spending will be linked to specific results described in plans. Evaluation will be based on program results which may include numerous measures of performance in financial terms. Therefore, it is essential for all program managers to understand not only the basics of budgeting but other areas of financial management such as cost accounting, so that sound judgments can be made on the allocation and management of scarce resources.

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Introduction

Background

Previous efforts of the JFMIP and the CFO Council have focused primarily on establishing the core competencies for financial management personnel. The process began in 1994 following a symposium on government-wide training for financial personnel. Initial work resulted in the publication of *Framework for Core Competencies for Financial Management Personnel in the Federal Government* in November 1995. During this process it became clear to the CFO Council that there was also a need to identify areas of competence for program managers, especially in view of the responsibility imposed on federal program managers to embrace the requirements of the GPRA. Financial and program managers need to be able to communicate with one another in order to accomplish the strategic plans required by the GPRA. Indeed, it is absolutely imperative since evaluation of success or failure will be based on objective, quantifiable, performance measures described in terms of the cost of achieving specific outputs and outcomes for which resources were appropriated by Congress. As a result, the council began work to identify and present recommended guidance for the program management community in the summer of 1996. *Core Competencies in Financial Management for Program Managers in the Federal Government* is the result of these efforts.

Purpose of this Document

This document is intended to be used as a reference tool and guide for program managers (no matter where their organizational placement may be or the size or scope of their mission). Effective financial management of resources is a responsibility of program managers at all levels in any organization. On a day to day basis, the program manager, not the financial manager, is responsible for actions influencing the financial management of resources appropriated by the Congress. As the federal government proceeds to fully implement the changes mandated by the GPRA, performance based planning and budgeting will be the norm. The program manager will be leading the effort with the financial management staff providing financial and program data in a supporting role. Thus, program managers will need to clearly articulate their information needs to financial and information management staff so that the appropriate systems can be designed to capture and report program management information that is useful.

Format

This document presents the core competencies in financial management for program managers in the order of the steps of the management cycle—planning, budgeting, execution and evaluation. Also included are specific developmental activities and desired skills for each core competency. Much of this experience and knowledge can be obtained on the job, however, classroom training may be essential to gain specific knowledge, skills and abilities. Successful program managers will most likely achieve financial management competence through a combination of classroom instruction, practical applications and on the job experience relying on financial management personnel in their agencies for expert guidance, counsel and financial information.

Conclusions and Recommendations

The CFO Council expects that, with the full implementation of the GPRA, Congress will fundamentally change the way it provides resources to federal government programs and activities. The traditional annual appropriation process will be changed dramatically, getting away from an annual “checkbook” mentality to one based on objective program accomplishments described in strategic plans submitted by federal program administrators and managers. With Congress, the Office of Management and Budget (OMB), the CFO Council, JFMIP, the General Accounting Office (GAO) and other management organizations committed to this change, it will succeed. Program managers should be prepared for this challenge and increase their knowledge of financial management and its place in the program management cycle. We encourage program managers to use this guide to prepare for performance planning and budgeting.

Core Competencies for Program Managers

Every phase of the traditional management cycle—planning, budgeting, execution and evaluation—contains financial information that helps managers set direction, determine necessary resources, monitor actual experience and define success or failure. Thus, the following competencies deal not only with financial management, but also with the skills, knowledge and abilities in management that are essential for success. To divorce financial skills and discipline from general management responsibilities of program managers would be to diminish its importance, and leads to an unrealistically narrow definition of the responsibilities most program managers are actually called upon to perform.

The following core competencies are presented within the context of the management cycle. Within each core competency, specific skills are described that, if acquired, will enable the program manager to become more effective. The financial management staff of the organization should support the program manager with more detailed knowledge and information as necessary in each stage of the management process.

Planning

Core Competency:

Experience in the development of program and resource plans and budgets (including program performance measures) which reflect a general knowledge of strategic planning and detailed knowledge of the strategic planning process required by the Government Performance and Results Act.

Planning is the most important step in the management process but also the step most often left out. The GPRA is designed to change this practice by requiring each agency to develop a mission statement, goals and objectives that set the vision and strategic direction for the agency together with the budget request for the budget year. Specific performance measures must be included with the plans so that decisions on resource levels will be tied to performance plans and agency program managers can be held accountable for fulfilling them. The program manager should acquire the following skills and abilities to facilitate the strategic planning process.

Developmental Goals:

- Gain a clearer understanding of the requirements of the GPRA and its application within your agency.
- Develop the capacity to analyze the political and economic environment in which agency programs will operate in order to set the stage for effective planning and be flexible and able to react quickly to changes in the planning environment.
- Learn to manage the planning process by understanding the steps involved in developing strategic, performance, and resource plans.
- Gain an understanding of reengineering and operational alternative methods of providing programs and services such as the use of outsourcing, franchising, enterprise funding and working capital fund operations to become more innovative and effective.
- Gain experience developing objective program performance measures that describe success in terms of specific outcomes and outputs. To meet this goal, a thorough understanding of cost accounting and/or cost distribution principles may be necessary where performance measures include cost data.

Budgeting

Core Competency:

Proficiency in the development, presentation, justification and execution of program budgets based on a thorough understanding of the Federal budget process.

The Congressional budget process is lengthy, time consuming and can be extremely complex. Yet, agencies' operations and existence depend on it. Program managers must understand the budget context within which their programs operate in order to ensure that resources match (to the best of their ability) program requirements. Understanding the lexicon of financial terms associated with appropriation law and execution of the budget will enable the program manager to identify funding pitfalls to be avoided and opportunities for additional resources that might otherwise go unnoticed. Program managers must also become experts in knowing their internal budgeting processes within their organizations to ensure that program budgets clearly present and justify the resources necessary to accomplish the mission, goals and objectives contained in the program plans (both strategic and operational).

Developmental Goals:

- Seek training on the impact of appropriation law on program financing.
- Be able to identify the limits of flexibility under the existing appropriation levels for possible reprogramming opportunities that may be available to improve program operations and meet desired goals and objectives.
- Develop an understanding of the concepts and terminology associated with the federal appropriation process such as authorizations, apportionments, allotments, commitments, obligations, liquidations, etc.
- Gain expertise in reading and understanding financial reports produced by agency financial management systems to identify and analyze financial implications of operational issues that may affect the well being of programs.
- Establish an interactive working relationship with key agency budget officers and finance directors.

Execution

Core Competency:

Ability to protect against fraud or mismanagement of government resources by applying a knowledge of the agency's system and policy for administrative control of funds, contracting and procurement procedures, and skill in exercising program management controls.

After the plans have been approved and budget levels established, the execution of the financial plan or budget becomes the next challenge for the program manager. Compliance with appropriation law is essential but execution goes beyond the basic authorities. Program managers need to understand the rules and regulations regarding procurement of goods and services in order to properly account for and manage those resources. Central to effective program management is a system of management controls to safeguard government resources from waste or abuse. Many management controls are financial in nature and the program manager should understand the basis for them. For example, a manager of a motor pool needs to know the basic cost standards for operation and maintenance of vehicles in order to determine whether vehicles are achieving efficiency standards (such as average miles per gallon of gasoline). Also, the program manager must operate within the Federal Acquisition Regulations governing procurement and contracting.

Developmental Goals:

- Gain specific knowledge of internal agency administrative control of funds activities such as spending allotments and allowances for agency programs.
- Be able to review and understand the flow and purpose of internal agency documents such as allotments, obligations, payments, accounts receivable, refunds, etc., and related documentation including vouchers, invoices, receiving reports and cost reports for reasonableness, appropriateness and accuracy.
- Obtain an understanding of legislation that impacts on program and financial management such as the Chief Financial Officers Act, Government Performance and Results Act, Federal Financial Management Improvement Act, Anti-Deficiency Act, Federal Managers Financial Integrity Act, Debt Collection Act, Cash Management Improvement Act, Merged Year Account legislation, Government Management Reform Act and any program specific legislation.
- Understand the basic principles of cost accounting and the concepts of accrued expenditures, direct and indirect costs, and overhead allocation within the context of managing towards accomplishment of performance objectives.
- Obtain an understanding of agency accounting systems and gain the ability to review transactions and recommend adjustments as necessary to program and/or financial management systems.

Evaluation

Core Competency:

Ability to manage an evaluation process that quantifies and qualifies program performance against performance standards and objectives contained in strategic and operational plans.

Program managers must be accountable for program results. It is good basic management, and the GPRA demands it. If the other steps of the management process are followed and the program manager has gained competence in financial management, then evaluation of program accomplishment should be easily achieved. However, it is extremely important that in the beginning of the management process, well developed performance measures be identified so that success (or failure) is clearly defined.

Developmental Goals:

- Analyze agency programs in terms of whether they are meeting the objectives and goals for which they were established.
- Identify financial management system needs for better technology and support for program operations.
- Understand the importance and implications of program audits and evaluations conducted by internal agency management, GAO or Inspectors General and take action to correct program deficiencies through problem resolution.
- Identify methods and techniques to determine customer satisfaction and to benchmark the delivery of goods and services to improve customer service and agency responsiveness.

Training Resources

For all of the competencies described in this document there are numerous courses available within each agency, from established educational institutions, and from the many vendors in the business of professional education. Classroom instruction is very important in order to gain the essential principles and policies of various financial management processes and techniques. However, this knowledge must be reinforced with practical applications in order for program managers to truly appreciate the benefits of competence in the financial management of their programs. Program managers will also benefit from management training in leadership, quality management, team management and oral and written communications. These skills will facilitate the application of financial management principles to program operations.

An excellent resource for program managers to find the types of training to meet their specific needs is through the Internet. By locating the FinanceNet address — www.financenet.gov — provides access to the web pages that contain many of the course catalogs and training materials from both private and public sector organizations in the education and training business.

Appendix

Contributors to the Core Competencies in Financial Management for Program Managers in the Federal Government

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