

GAO Highlights

Highlights of [GAO-20-203T](#), a testimony before the Committee on the Budget, U.S. Senate

Why GAO Did This Study

Prior to the enactment of the CFO Act, government reports found that agencies lost billions of dollars through fraud, waste, abuse, and mismanagement. These reports painted the picture of a government unable to properly manage its programs, protect its assets, or provide taxpayers with the effective and economical services they expected.

The CFO Act was enacted to address these problems—calling for comprehensive federal financial management reform. Among other things, the act established CFO positions, provided for long-range planning, and began the process of auditing federal agency financial statements. The act also called for integrating accounting and financial management systems and systematic performance measurement and cost information.

This statement is based on preliminary observations from GAO's ongoing review of the federal government's efforts to meet the requirements of the CFO Act. GAO reviewed federal financial management legislation, guidance, and reports. GAO also conducted interviews and a panel discussion with experts in federal financial management, and surveyed federal CFOs, inspectors general, and independent public accountants.

What GAO Recommends

GAO obtained comments from OMB, the Department of the Treasury, and the Office of Personnel Management and has incorporated their comments as appropriate. As GAO finalizes its work for issuance next year, it will consider feedback on its work in making recommendations related to the opportunities for enhancement, as appropriate.

View [GAO-20-203T](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or simpsondb@gao.gov or Robert F. Dacey at (202) 512-3406 or daceyrf@gao.gov.

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FEDERAL FINANCIAL MANAGEMENT

Substantial Progress Made since the CFO Act of 1990 and Preliminary Observations on Opportunities for Enhancement

What GAO Found

The federal government has made significant strides in improving financial management since enactment of the Chief Financial Officers Act of 1990 (CFO Act). Substantial progress has occurred in areas such as improved internal controls, reliable agency financial statements, and establishment of chief financial officer (CFO) positions. To help ensure that the CFO Act achieves its full potential, there are several opportunities for enhancement.

Standardize CFO and deputy CFO responsibilities across government. The responsibilities assigned to CFOs vary among agencies. Uniform and effective responsibilities of CFOs would help enhance strategic decision-making and correct inconsistencies across government. In addition, deputy CFOs should have appropriate responsibilities in order to be better prepared to act for CFOs when there are vacancies.

Prepare government-wide and agency-level financial management plans. Since 2009, the Office of Management and Budget (OMB) has not prepared the annual 5-year government-wide plans that the CFO Act requires. Instead, OMB has provided information in the President's Management Agenda, the U.S. government's consolidated financial statements, and other documents. A complete and integrated government-wide financial management plan and supporting agency plans, prepared every few years, could help ensure continuity in direction and a more comprehensive understanding of gauging progress toward addressing financial management challenges across government.

Better link performance and cost information for decision-making. While agencies have made efforts in this direction, opportunities exist for agencies to better link performance and cost information to effectively make financial management decisions that are based on dollars allocated and results achieved.

Develop a broader set of key selected financial management performance-based metrics. Agencies currently have limited performance-based metrics to help them assess the quality of financial management and ensure that the federal government better manages and uses the resources entrusted to it.

Rectify internal control issues in certain areas. The federal government faces many internal control problems. For example, assessments continue to identify long-standing, as well as new, material weaknesses. Improper payments continue to be a long-standing internal control issue. And finally, material weaknesses continue to prevent GAO from rendering an opinion on the U.S. government's consolidated financial statements.

Improve financial management systems. The federal government has made unsuccessful efforts to implement new financial management systems at several agencies and spent billions of dollars on failed systems. Moreover, in fiscal year 2018, eight of 24 CFO Act agencies' still did not substantially comply with federal systems requirements.

Strengthen the federal financial management workforce. With rapid changes, such as emerging technologies, it is critical for the government to identify and strategically plan for the future workforce.