

# GAO Highlights

Highlights of [GAO-20-566](#), a report to congressional requesters

## Why GAO Did This Study

Prior to enactment of the CFO Act, federal agencies lost billions of dollars through fraud, waste, abuse, or mismanagement. The CFO Act was enacted, in part, 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.

GAO was asked to review federal financial management since the CFO Act. This report discusses (1) progress the federal government has made in achieving the purposes of the CFO Act and improving federal financial management and (2) remaining challenges for the federal government in achieving effective government-wide financial management.

GAO reviewed relevant laws, guidance, and reports; conducted interviews of current and former federal financial management officials; held a discussion group with former CFOs and a panel discussion with experts in federal financial management; and conducted surveys of CFOs, inspectors general, and independent public accountants.

View [GAO-20-566](#). For more information, contact Dawn B. Simpson at (202) 512-3406 or [simpsondb@gao.gov](mailto:simpsondb@gao.gov) or Robert F. Dacey at (202) 512-3406 or [daceyrf@gao.gov](mailto:daceyrf@gao.gov).

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## FEDERAL FINANCIAL MANAGEMENT

### Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits

## What GAO Found

Since enactment of the Chief Financial Officers Act of 1990 (CFO Act), the federal government has significantly improved its financial management, though challenges remain.

### Progress Made in Federal Financial Management since the CFO Act

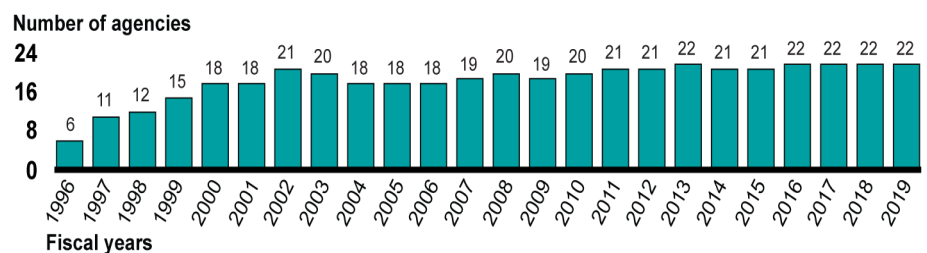
#### Leadership

- Centralized leadership structures were established—Deputy Director for Management and Controller positions and chief financial officers (CFO).
- Office of Management and Budget (OMB) prepared government-wide plans, issued guidance, and directed financial management activities.
- Department of the Treasury (Treasury) issued financial reporting guidance and a 10-year vision for federal financial management.
- CFO Council undertook initiatives to address government-wide financial management issues.
- Inspectors general recommended improvements in government operations and prevented and detected fraud, waste, and abuse.

#### Financial reporting

- Agencies' audited financial statements improved accountability (see figure).
- Since fiscal year 1997, Treasury, in coordination with OMB, annually prepared consolidated financial statements for the U.S. government.
- Federal Accounting Standards Advisory Board issued 58 standards.

### Number of Unmodified (“Clean”) Audit Opinions for Chief Financial Officers Act of 1990 Agencies for Fiscal Years 1996 through 2019



Source: GAO analysis based on Financial Reports of the United States Government. See figure 4 in [GAO-20-566](#) for details. | [GAO-20-566](#)

#### Internal control

- CFO Act agencies significantly improved their internal controls, increasing the reliability of their financial information.
- Treasury and OMB made significant progress in improving controls related to the consolidated financial statements of the U.S. government.
- Annual audits identified the significance of improper payments and information security weaknesses.

## What GAO Recommends

GAO is identifying eight matters for congressional consideration, including that Congress consider legislation to require

- CFOs at the CFO Act agencies to have the responsibilities necessary to effectively carry out federal financial management activities;
- deputy CFOs at the CFO Act agencies to have defined responsibilities consistent with the breadth of those of the agency CFO;
- preparation of government-wide and agency-level 4-year financial management plans, including actions to improve financial management systems, strengthen the federal financial management workforce, and better link performance and cost information for decision-making, as well as an annual financial management status report;
- preparation of comprehensive financial management performance-based metrics and reporting of executive agencies' performance against the metrics; and
- identification and, if necessary, development of key financial management information needed for effective financial management and decision-making as well as annual assessments and reporting by management on the effectiveness of internal control over the information and auditor testing and reporting on internal control over the information.

Treasury and OPM provided technical comments on the draft report. In its oral comments, OMB stated that it appreciated the incorporation of its views into the draft report and reemphasized its concerns relating to two matters for congressional consideration—a government-wide 4-year financial management plan and an annual status report and agencies assessing and reporting on the effectiveness of internal controls over key financial management information. GAO continues to believe that these measures would improve federal financial management.

## Financial management systems

- CFO Act agencies took steps to improve financial management systems and use government-wide providers for certain agency functions (e.g., payroll).

## Financial management workforce

- Office of Personnel Management periodically updated key standards.

## Challenges That Remain in Federal Financial Management

### Leadership

- CFOs would benefit from standardized financial management responsibilities to provide them with the necessary authorities to achieve the full potential of the CFO Act.
- Deputy CFO positions would be strengthened by defined financial management responsibilities consistent with the breadth of those of the agency CFO. With frequent CFO turnover and a potentially lengthy vacancy period, long-term planning and leadership continuity can be affected.
- Government-wide financial management plans, prepared every 4 years, would help to address long-standing, costly, and challenging concerns in a strategic, comprehensive, and cost-effective manner. Annual government-wide plans, required by the CFO Act, were last prepared by OMB for fiscal year 2009.

### Financial reporting

- Improving the linking of agency performance and cost information would help policymakers and managers make fully informed decisions.
- Agencies currently have limited financial management performance-based metrics to help them assess the quality of their financial management.
- Agencies may not have key financial management information needed for decision-making, such as for grants management. Without identifying and, if necessary, developing this information, the government cannot adequately ensure accountability or manage for results.

### Internal control

- Agencies may not have reasonable assurance that key financial management information is reliable. Without separately assessing and reporting on the effectiveness of internal controls over financial reporting and other key financial management information and independent audit testing, management lacks reasonable assurance of the reliability of such information.
- Opportunities exist to address government-wide improper payments, which were estimated at about \$175 billion for fiscal year 2019.
- Material weaknesses continue to prevent an audit opinion on the U.S. government's consolidated financial statements.

## Financial management systems

- Opportunities exist for improving financial management systems to reduce frequent failures or cost overruns and lengthy delays in deployment, and increase compliance with systems requirements.
- Some agencies rely on legacy systems that use outdated languages, are costly to maintain, and may not report reliable information.
- The widespread adoption of shared services—government-wide providers handling certain agency functions—faces challenges, thereby limiting cost savings.

## Financial management workforce

- Comprehensive planning could help agencies build a federal financial management workforce that can adapt to modern needs and close skills gaps.