



2020 JFMIP *Virtual*

CFO Act at 30: Where We've Been, Where We're Going

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CFO Act of 1990 Purposes:

1. Bring more effective general and financial management practices to the Federal Government through statutory provisions which would establish in the Office of Management and Budget a Deputy Director for Management, establish an Office of Federal Financial Management headed by a Controller, and designate a Chief Financial Officer in each executive department and in each major executive agency in the Federal Government.
2. Provide for improvement, in each agency of the Federal Government, of systems of accounting, financial management, and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of Government resources.
3. Provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and the Congress in the financing, management, and evaluation of Federal programs.



CFO Act of 1990 Key Provisions:

- OMB Deputy Director for Management
- OMB Office of Federal Financial Management
- Agency CFOs and Deputy CFOs
- Audited Financial Statements
- CFO Council
- Measuring Performance



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Dawn Simpson, Director
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Objectives of Review

Our objectives were to discuss:

- ❖ the progress made in achieving the purposes of the CFO Act and improving federal financial management and
- ❖ the remaining challenges for the federal government in achieving effective government-wide financial management.

We addressed these objectives based on five major areas of federal financial management:

- ❖ leadership,
- ❖ financial reporting,
- ❖ internal control,
- ❖ financial management systems, and
- ❖ the federal workforce.

Gathered 30 years of Information

- ❖ Web-based surveys of the 24 CFO Act agencies' CFOs, deputy CFOs, inspectors general (IG), and independent public accountants that performed financial statement audits for these agencies.
- ❖ Questionnaire on the responsibilities of the CFO and deputy CFO positions.
- ❖ Interviews with selected officials with experience in federal financial management.
- ❖ Discussion group of former CFOs.
- ❖ Discussion panel of financial management experts.
- ❖ Analyzed relevant laws, guidance, past reports, and surveys on federal financial management.



Subsequent Key Financial Management Reform Laws

Financial Reporting:

- Government Management Reform Act of 1994 (GMRA)
- Accountability of Tax Dollars Act of 2002 (ATDA)
- Federal Funding Accountability and Transparency Act of 2006 (FFATA)
- Digital Accountability and Transparency Act of 2014 (DATA Act)

Internal Control and Financial Management Systems:

- Improper Payments Information Act of 2002 (IPIA)
- Improper Payments Elimination and Recovery Act of 2010 (IPERA)
- Payment Integrity Information Act of 2019 (PIIA)
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- E-Government Act of 2002, including the Federal Information Security Management Act (FISMA)
- Federal Information Security Modernization Act of 2014

Workforce:

- Chief Human Capital Officers Act of 2002 (CHCO Act)



**Substantial progress made to improve
federal financial management since
enactment of the CFO Act**



What GAO found...

Examples of Progress

Leadership:

- ❖ Centralized leadership structures established—Deputy Director for Management and Controller positions in OMB and CFO in each major agency.
- ❖ OMB communicated government-wide priorities, directed activities, and issued guidance.
- ❖ Treasury issued government-wide guidance.

Financial Reporting:

- ❖ 22 CFO Act agencies had clean audit opinions since FY 2016, up from 6 in FY 1996.
- ❖ Treasury and OMB annually prepared the U.S. government's consolidated financial statements.
- ❖ Federal Accounting Standards Advisory Board established and issued accounting standards.



What GAO found...

Examples of Progress

Internal Control:

- ❖ OMB periodically revised internal control guidance.
- ❖ Agencies significantly improved internal controls. CFO Act agencies that had no auditor-identified material weaknesses increased from 7 agencies for FY 2005 to 13 for FY 2019.
- ❖ Financial audits identified significant internal control weaknesses.

Financial Management Systems:

- ❖ Government-wide policy and guidance established.
- ❖ CFO Act agencies took steps to improve financial management systems; compliance with FFMIA requirements increased.
- ❖ Actions taken to increase the use of shared services.

Workforce:

- ❖ OPM periodically updated key standards.
- ❖ CFO Council established a working group in 2019 to address workforce needs outlined in the President's Management Agenda.

Challenges remain to fully achieve the vision of the CFO Act, which is to have reliable, useful, and timely information for effective and efficient decision-making

Challenges that Remain

Leadership:

- ❖ Standardizing the responsibilities of CFOs.
- ❖ Defining the responsibilities for deputy CFOs consistent with the breadth of those of the agency CFO.
 - This would provide CFOs and deputy CFOs the necessary authorities for effective financial management.
- ❖ Preparing a complete and integrated government-wide financial management plan and agency plans to implement the government-wide plan.
 - This would help to ensure that the federal government is developing direct, transparent, and consistent actions to address financial management challenges.



Challenges that Remain

Financial Reporting:

- ❖ Improving the linking of agency performance and cost information.
 - This would help policymakers and managers make fully informed decisions.

- ❖ Developing and using key comprehensive financial management performance-based metrics.
 - This would help agencies more readily assess their financial management needs and take steps to improve.

- ❖ Identifying and, if necessary, developing the key financial management information needed for effective financial management and decision-making.
 - This would help the federal government ensure accountability and manage for results.



Challenges that Remain

Internal Control:

- ❖ Obtaining reasonable assurance that key financial management information is reliable by assessing, testing, and reporting on the effectiveness of agencies' internal controls over the information, including controls over financial reporting.
 - This would enhance agency leaders' access to reliable financial data and, in turn, their ability to make more informed financial decisions.

- ❖ Addressing government-wide improper payments.

- ❖ Addressing the material weaknesses that prevent an opinion on the U.S. government's consolidated financial statements.



Challenges that Remain

Financial Management Systems:

- ❖ Improving financial management systems, including increasing the use of shared services.
 - Comprehensive, long-term planning would help the federal government strategize a long-term vision and take appropriate actions to effectively modernize its financial management systems.

Workforce:

- ❖ Building a federal financial management workforce that can adapt to modern needs and close skills gaps.
 - Comprehensive, long-term planning would help agencies take appropriate actions to strengthen the federal financial management workforce.



GAO Report and Contact

FEDERAL FINANCIAL MANAGEMENT: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits (GAO-20-566)

- ❖ Issued August 6, 2020
- ❖ Available online at: <https://www.gao.gov/products/GAO-20-566>
- ❖ GAO Contact – Dawn Simpson, simpsondb@gao.gov

GAO on the Web

Web site: <http://www.gao.gov/>



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Irving Dennis, Chief Financial Officer
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Development

OCFO Transforming HUD

HUD in 2018

- ❑ 9 Material Weaknesses
- ❑ 6 Significant Deficiencies
- ❑ 6 Audit Opinion Disclaimers
- ❑ Non-Compliance with Laws & Regulations
- ❑ Decentralized; Working in Silos
- ❑ Largely Paper-Based Operations
- ❑ Disjointed IT Systems
- ❑ Outdated Infrastructure
- ❑ Weak Processes and Controls
- ❑ Subpar EVS Scores
- ❑ Unsatisfactory Customer Service
- ❑ 186,306 Open Grants



HUD in 2020

- ✓ Down to 1 Material Weakness
- ✓ Unqualified Audit Opinion
- ✓ 100% Compliance with DATA Act and A-123 and Digital Trans
- ✓ Agency Collaboration through 2 Governing Task Forces
- ✓ Launched Digital Transformation Initiatives to Streamline Operations using RPA, AI & IDE
- ✓ GSA Centers of Excellence (CoE)
 - ✓ Data Analytics
 - ✓ Contact Center
 - ✓ Cloud Adoption
 - ✓ Customer Experience
- ✓ OCFO Leading the Way in FY19 HUD EVS Scores
- ✓ Closed Open Grants
- ✓ CARES Act Compliance
- ✓ Operational Spending Dashboard



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Timothy Gribben, Commissioner
Bureau of the Fiscal Service