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CFO ACT OF 1990

Driving the Transformation of Federal Financial Management

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Accountability * Integrity * Reliability

GAO-06-242T

November 17, 2005

CFO ACT OF 1990

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Highlights

Highlights of GAO-06-242T, a testimony before the Subcommittee on Government Management, Finance, and Accountability, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In 1990, the Chief Financial Officers (CFO) Act, heralded as the most comprehensive financial management reform legislation in 40 years, was enacted. The Act's goal is to improve management through reliable, useful, and timely financial and performance information for day-to-day decisionmaking and accountability. This testimony outlines the legislative history of the CFO Act, and its key elements, progress to date in implementing the Act, and the challenges for the future.

Prior to passage of the CFO Act, the seemingly never ending disclosures of fraud, waste, abuse, and mismanagement in federal programs painted a picture of a government unable to manage its programs, protect its assets, or provide taxpayers with the effective and economical services they expect. The enactment of the CFO Act represented a broad-based recognition that federal financial management was in great need of fundamental reform.

The Act mandated a financial management leadership structure; required the preparation and audit of annual financial statements; called for modernized financial management systems and strengthened internal control; and required the systematic measurement of performance, the development of cost information, and the integration of program, budget, and financial systems.

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What GAO Found

In the 15 years since the enactment of the CFO Act, the federal government has made substantial progress in strengthening financial management. The past 3 administrations have all made financial management reform a priority. Improved financial management has been one of the cornerstones of the President's Management Agenda from the outset of the current administration. There has been a clear cultural change in how financial management is viewed and carried out in the agencies and a recognition of the value and need for good financial management throughout government, which was not the case in 1990. There are now qualified CFOs across government, who bring to the job proven track records in financial management. Financial management systems and internal control have been strengthened. Generally accepted government accounting standards have been developed. For fiscal year 2005, 18 of 24 CFO agencies received clean audit opinions on their financial statements, up from just 6 in fiscal year 1996. This year's audited financial statements were issued in just 1½ months after the close of the fiscal year as opposed to 5 months, which is the deadline in the Act. Agencies are also now preparing performance and accountability reports that tie together financial and performance information. Though not yet auditable, primarily because of problems in the Department of Defense, comprehensive annual consolidated financial statements are being issued in 2½ months as opposed to the 6-month timeframe allowed in the Act.

While there has been marked progress in the past 15 years and the CFO Act has proven itself as the foundation for financial accountability, GAO has identified five principal challenges to fully realizing the world-class financial management anticipated by the CFO Act. The need to:

1. modernize and integrate financial management systems to provide a complete range of financial and cost information needed for accountability, performance reporting, and decision making, with special emphasis on the Department of Defense, which has deeply-rooted systems problems,
2. build a more analytic financial management workforce to support program managers and decisionmakers,
3. solve long-standing internal control weaknesses,
4. enhance financial reporting to provide a complete picture of the federal government's overall performance, financial condition, and future fiscal outlook, and
5. ensure that financial management reform is sustained given the leadership changes that occur at the end of any administration and the long-term nature of many of the ongoing reform initiatives.

The continuing strong support of the Congress has been a catalyst to the important progress that has already taken place and will be essential going forward.

United States Government Accountability Office
Washington, DC 20548

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today on the 15th anniversary of the enactment of the Chief Financial Officers Act of 1990[1] (CFO Act) to discuss the effect of this groundbreaking legislation as well as the challenges that still remain. Having worked closely with the members of Congress on passage of the CFO Act, I can attest first hand that while many challenges still exist, the state of federal financial management has come a long way since 1990. Nearly all the CFO Act agencies[2] have made marked improvements in financial management and have shown that issuing timely audited financial statements can become a routine part of doing business at the federal level. At the same time, there are opportunities to take federal financial management to the next level, which will be important as the federal government faces difficult fiscal challenges that will require reliable financial and performance information to support timely decisions on spending, and pressures to address fraud, waste, abuse, and mismanagement will only intensify. Also, certain material weaknesses in internal control and in selected accounting and financial reporting practices have continued to prevent the GAO from being able to issue an opinion on the consolidated financial statements of the U.S. government. These weaknesses which hinder management's ability to manage day-to-day operations, most notably at the Department of Defense, need to be resolved.

Today, I would like to

- highlight the legislative history of the CFO Act;
- summarize the key elements of the CFO Act;
- outline progress made to date in implementing the CFO Act; and
- provide our views on the challenges remaining.

[1]Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990).

[2]The CFO Act agencies are the executive branch agencies listed at 31 U.S.C. §901(b). See Appendix I.

CFO Act Enacted to Address Longstanding Problems

Prior to passage of the CFO Act in 1990, the seemingly never ending disclosures of fraud, waste, abuse, and mismanagement in federal programs painted a picture of a government unable to manage its programs, protect its assets, or provide taxpayers with the effective and economical services they expect. As the Comptroller General pointed out around the time the CFO Act was passed,[3] the problems that existed were not limited to a few agencies or a few programs; rather, all of the major agencies had serious problems. For years, GAO and the Inspectors General had reported a litany of problems that resulted in wasteful spending, poor management, and losses totaling billions of dollars. In some cases, the government's ability to carry out crucial programs had been severely hampered.

The financial management environment was in such disarray that not only were audited annual financial statements not required, most in the federal financial management community did not even see the value of annual financial reporting. The need for federal financial statements was an area of major disagreement. Budgeting was what financial management was all about, and accountability for how the money was being spent was not the priority. Federal managers in the government were more concerned with the budget and did not focus on improved financial management.

Concerned about the ever-growing problems in federal financial management and the need for a more integrated, comprehensive, and systematic approach to reform, in 1985 the Comptroller General issued a two-volume report entitled, *Managing the Cost of Government: Building an Effective Financial Management Structure*.[4] This report laid out the nature and scope of the problem and provided the conceptual framework for the reforms needed to improve the federal financial management and therefore, manage the cost of government. Problems included the poor quality of financial management information and antiquated financial management systems, with recommended reforms such as strengthened accounting, auditing, and financial reporting and the systematic measurement of performance. In addition, GAO and the Office of Management and Budget (OMB) conducted separate studies of "high risk" programs that demonstrated breakdowns in internal control affecting

[3]GAO, *Financial Management Reform*, GAO/T-AFMD-90-31 (Washington, D.C.: Sept.17, 1990).

[4]GAO, *Managing the Cost of Government: Building an Effective Financial Management Structure*, GAO/AFMD-85-35 (Washington, D.C.: February, 1985).

hundreds of billions of dollars. Since January 1990, GAO has designated certain federal programs and operations as high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement. The increased awareness of the nature and extent of high-risk programs further bolstered the need for broad-based congressional action.

While the federal government had not made concerted progress in reforming financial management, state and local governments had moved beyond the federal government in this area because of key factors including federal legislation such as the Single Audit Act of 1984.[5] The Single Audit Act of 1984 established financial audit requirements for state and local governments that receive federal financial assistance in excess of certain dollar thresholds in any fiscal year. The Single Audit Act also included a requirement for independent auditors to review whether state and local governments have adequate internal control over federal funds. The need to comply with this law prompted states and local governments to focus on improving financial management and accountability. In the 1980s, many states began producing financial reports based on generally accepted accounting principles to provide a more complete picture of their financial situation. Consequently, in 1990, many in the financial management community believed that state and local governments were ahead of the federal government.[6]

To address the underlying problems that plagued federal financial management in March 1986, Senator William Roth introduced S.2230, the Federal Management Reorganization and Cost Control Act of 1986. Over the ensuing 4½ years, the concepts in S.2230 were refined and debated.[7] What resulted was the CFO Act of 1990. The CFO Act, with bipartisan and bi-cameral support, had as its principle sponsors Senators John Glenn and William Roth and Representatives John Conyers and Frank Horton. Signed into law by President George H.W. Bush on November 15, 1990, the CFO Act was the most comprehensive and far-reaching financial management improvement legislation since the Budget and Accounting Procedures Act of 1950. The CFO Act established a leadership structure, provided for long-

[5]Pub. L. No. 98-502, Stat. 1510 (Oct. 19, 1984).

[6]The Single Audit Act was later amended by the Single Audit Act Amendments of 1996. Pub. L. No.104-156. 110 Stat. 1396 (Jul. 5, 1996).

[7]See H.R. Rep. No. 101-818, Part 1 (1990).

range planning, required audited financial statements, and strengthened accountability reporting.

The CFO Act was the beginning of a series of management reform legislation to improve the general and financial management of the federal government, and laid the foundation for other key legislative reforms that followed a common thread of increased accountability and better management practices. The first legislation that followed the CFO Act was the Government Performance and Results Act of 1993[8] (GPRA), which requires agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals. GPRA was followed by the Government Management Reform Act of 1994[9] (GMRA), which made permanent the pilot program in the CFO Act for annual audited agency-level financial statements, expanded this requirement to all CFO Act agencies, and established a requirement for the preparation and audit of governmentwide consolidated financial statements. The Federal Financial Management Improvement Act of 1996[10] (FFMIA) built on the foundation laid by the CFO Act by reflecting the need for CFO Act agencies to have systems that can generate reliable, useful, and timely information with which to make fully informed decisions and to ensure accountability on an ongoing basis. The Clinger-Cohen Act of 1996[11] (also known as the Information Technology Management Reform Act of 1996) sets forth a variety of initiatives to support better decision making for capital investments in information technology, which has led to the development of the Federal Enterprise Architecture and better-informed capital investment and control processes within agencies and across government. The Accountability of Tax Dollars Act of 2002[12] (ATDA) required most executive agencies that are not otherwise required, or exempted by OMB, to prepare annual audited financial statements and to submit such statements to Congress and the Director of OMB.[13] Lastly, the Department of Homeland Security Financial Accountability Act of 2004[14]

[8]Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993).

[9]Pub. L. No. 103-356, 108 Stat. 3410 (Oct. 13, 1994).

[10]Pub. L. No. 104-208, div. A., sec. 101(f), title VIII 110 Stat. 3009, 3009-389 (Sept. 30, 1996).

[11]Pub. L. No. 104-106, div. E, 110 Stat. 186, 679 (Feb. 10, 1996).

[12]Pub. L. No. 107-289, 116 Stat. 2049 (Nov. 7, 2002).

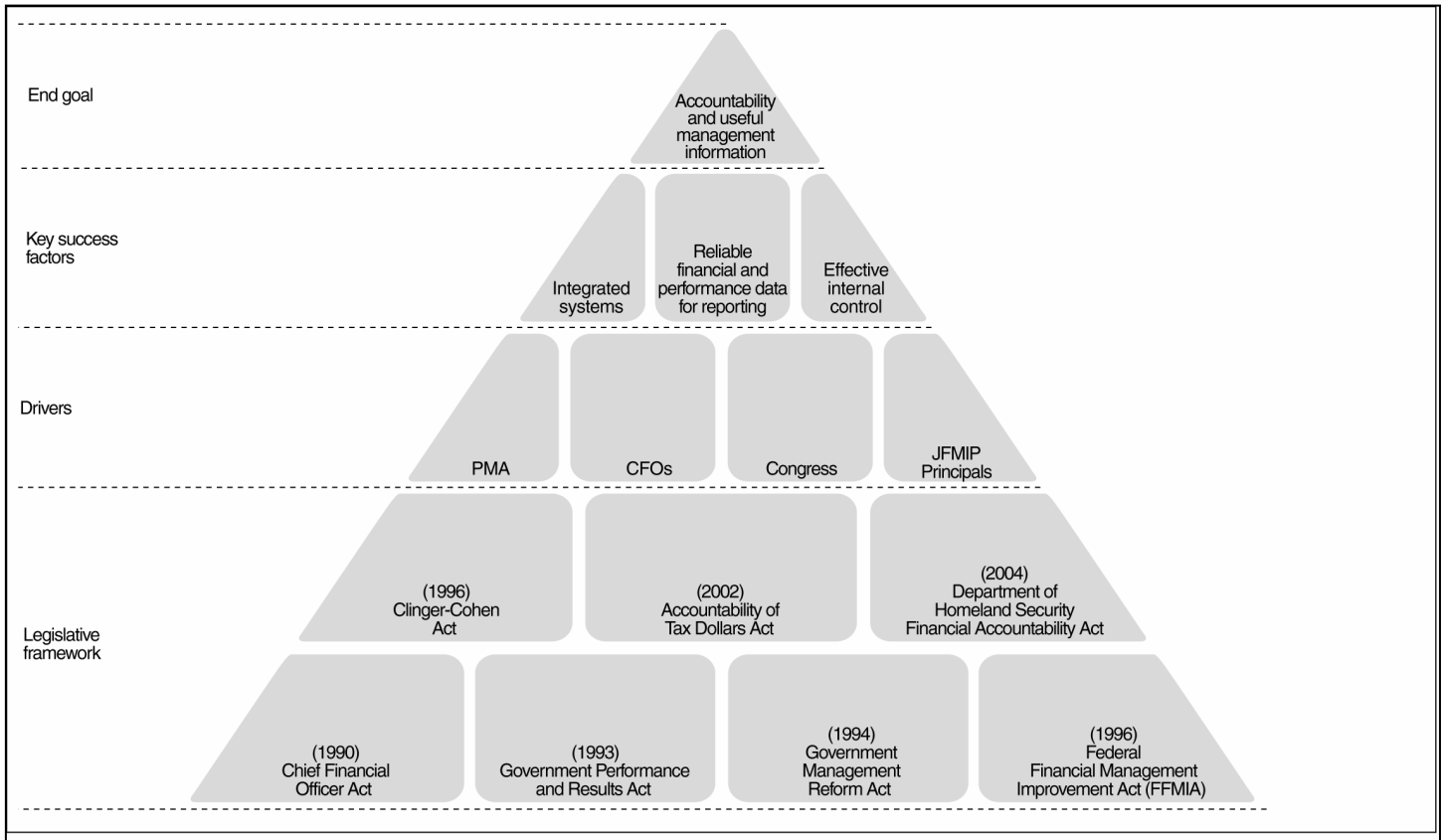
[13]ATDA agencies are not required to comply with FFMIA.

[14]Pub. L. No. 108-330, 118 Stat. 1275 (Oct. 16, 2004).

added the Department of Homeland Security (DHS) to the list of CFO Act agencies.

As shown in figure 1, if successfully implemented, these reforms provide a solid basis for improving accountability of government programs and operations as well as routinely producing valuable cost and operating performance information.

Figure 1: Federal Financial Management Reform Framework



Source: GAO.

The CFO Act Mandated Numerous Changes

The enactment of the CFO Act represented a broad-based recognition that federal financial management was in great need of fundamental reform. Key elements of the CFO Act require centralized financial management leadership, both governmentwide and at the agency level, and as expanded by GMRA, agency-level and governmentwide annual audited financial

statements. To facilitate stewardship and accountability at executive branch agencies, the CFO Act designated CFOs with broad responsibility for modernizing financial management systems, financial reporting, asset management, and strengthened internal control practices. The systematic measurement of performance, the development of cost information, and the integration of financial management systems are some of the financial management practices called for by the CFO Act that, if properly implemented, will significantly improve financial management throughout the federal government. Furthermore, the Act statutorily designates the 24[15] executive departments and agencies covered. These 24 departments and agencies represent 95 percent of net outlays in fiscal year 2004.

Strong centralized leadership is essential to solving the government's long-standing financial management problems. The CFO Act provided for such leadership by giving OMB broad new authority and responsibility for directing federal financial management, modernizing the government's financial management systems, strengthening financial reporting, and internal control. The CFO Act also created a new position in OMB, the Deputy Director for Management, who serves as the government's chief official responsible for financial management. In addition, the CFO Act established a new Office of Federal Financial Management (OFFM) in OMB to carry out the government-wide financial management initiatives and responsibilities. To head this office, the CFO Act established the position of Controller, an individual who must possess demonstrated ability and practical experience in accounting, financial management, and financial systems. This individual has responsibility for handling the day-to-day operations of OFFM to ensure that financial operations are being properly carried out government-wide.

Executive-level leadership is a critical success factor for building a foundation of control and accountability that supports external reporting and performance management, which is needed to achieve the goals of the CFO Act. For this reason, an agency CFO must be a key figure in an agency's top management team. The CFO Act stipulates that the CFO is a

[15]As shown in appendix I, initially, 23 agencies were designated as subject to the CFO Act. Upon its establishment as an independent agency, the Social Security Administration was added in 1994. The Federal Emergency Management Agency, one of the original CFO Act agencies, was transferred to the Department of Homeland Security in 2003. The Department of Homeland Security Financial Accountability Act of 2004 added DHS to the list of CFO Act agencies thus bringing the number of CFO Act agencies again to 24 for fiscal year 2005.

presidential appointee or appointed by the agency head and is assisted by a Deputy Chief Financial Officer. Both the CFO and the Deputy CFO generally must possess demonstrated ability in accounting, budget execution, financial and management analysis, systems development, and practical experience in financial management practices in large governmental or business entities. Among the CFO's responsibilities are developing and maintaining integrated accounting and financial management systems, directing, managing, and providing policy guidance and oversight of all agency financial management personnel, activities, and operations, and overseeing the recruitment, selection, and training of personnel to carry out agency financial management functions. In addition, each CFO for the 24 agencies serves on the Chief Financial Officers Council, which regularly meets to advise and coordinate the activities of the agencies of its members on such matters as consolidation and modernization of financial systems. The CFO Act created the council and specified that the council will be chaired by OMB's Deputy Director for Management. Other members will be OMB's Controller and the Department of the Treasury's Fiscal Assistant Secretary.

The CFO Act, as expanded by GMRA, required that annual financial statements be prepared and audited for each CFO Act agency covering all accounts and associated activities of each office, bureau, and activity of the agency.[16] The CFO Act also requires that the financial statements prepared pursuant to the act be audited in accordance with applicable generally accepted government auditing standards. These audits are the responsibility of the Inspectors General, but may be conducted by, and at the discretion of, the Comptroller General, in lieu of the Inspectors General. Inspectors General may contract with independent public accountants to conduct financial statement audits.

Important Progress Made to Achieving CFO Act Goals

The federal government has made substantial progress in financial management in the 15 years since the enactment of the CFO Act. If I were to summarize in just a few words the environment in 2005 as compared to 1990, financial management has gone from the backroom to the boardroom.

[16]The CFO Act initially called for pilot financial statements from selected agencies that covered all of the offices, bureaus, and activities of that department or service.

Achieving Cultural Change—Perhaps most importantly, we have seen true cultural change in how financial management is viewed, this has been accomplished through a lot of hard work by OMB and the agencies and continued strong support and oversight by Congress. As I previously discussed, federal financial management had suffered from decades of neglect and an organizational culture that for the most part, had not fully recognized the value of good financial management—as a means of ensuring accountability and sound management.

Although the views about how an organization can change its culture vary considerably, the organizations we and others have studied[17] identified leadership as the most important factor in successfully making cultural changes. Top management must be totally committed in both words and deeds to changing the culture and the fundamental way that business is conducted. At the top level, federal financial management reform has gained momentum through the committed support of top federal leaders. For example, improved financial performance is one of the six governmentwide initiatives in the President's Management Agenda (PMA). Under this initiative, agency CFOs share responsibility—both individually and through the efforts of the CFO Council—for improving the financial performance of the government. To achieve the goals of the financial performance initiative, agencies must now have more timely and reliable financial information, improve the integrity of their financial activities, and have sound and dependable financial systems. In conjunction with the other governmentwide program initiatives of the PMA, the federal government is improving its financial reporting practices and overall accountability.

Establishing a Governmentwide Leadership Structure—As established by the CFO Act, OFFM, the OMB organization with governmentwide responsibility for federal financial management, has undertaken a number of initiatives related to improving financial management capabilities ranging from requiring the use of commercial-off-the-shelf financial systems to the promotion of cost accounting. In addition to assessing agency financial performance for the PMA, OFFM has issued financial management guidance to agencies. Some of OFFM's initiatives are in collaboration with the CFO Council and are broad-based attempts to

[17]Grant Thornton LLP and the Association of Government Accountants, *CFO Survey: Preparing for Tomorrow's Way of Doing Business*, (Alexandria, Virginia: March 1998) and GAO, *Executive Guide: Creating Value Through World-class Financial Management*, GAO/AIMD-00-134 (Washington, D.C.: April 2000).

reform financial management operations across the federal government. While reforming federal financial management is an undertaking of tremendous complexity, it presents great opportunities for improvements in financial management and related business operations. In their efforts to continue financial management improvement, OFFM has recently collaborated with the CFO Council on initiatives in the following areas:

- internal control,
- full implementation of FFMIA,
- asset management,
- improper payments, and
- control over federal charge cards

Selecting Qualified CFOs—The CFO Act established CFOs at the major departments and agencies and established minimum qualifications for CFOs. Measured in terms of coming to the job with a proven track record in financial management, the background of individuals selected for these positions has improved tremendously over the past 15 years. For example, the CFO at the Department of Labor has held a range of CFO and CFO-related positions in the private sector and government over a 30-year career that included serving as Treasury's CFO in a previous administration. Testifying with me today, Dr. Linda M. Combs, the Controller at OMB, brings impeccable credentials and extensive experience to the federal government's financial management leadership and policy-setting organization and exemplifies today's federal CFO.

Improving Financial Management Systems and Operations—Since 1990, progress has been made towards improving financial management systems in the federal government. Improved agency financial management systems and operations are essential to support management decision making and results-oriented activities as addressed by the CFO Act. At a minimum, federal managers must have financial information that is reliable, useful, and timely to support this effort. Federal financial management systems requirements for the core financial system, managerial cost system, and 12 other administrative and programmatic systems, such as grants, property, revenue, travel, and loans, which are part of an overall financial management system, have been developed. Beginning in 1999, OMB required agencies to purchase commercial-off-the-shelf (COTS) software that had been tested and certified through the Joint

Financial Management Improvement Program (JFMIP)[18] Program Management Office[19] against the systems requirements that I just mentioned as well as the standard general ledger issued by the Department of Treasury. With these requirements, the federal government has better defined the functionality needed in its financial management systems which has helped the vendor community understand federal agencies needs. Concurrently, there has been an evolving realization that agencies need to change their business processes to adapt to the practices embedded in commercially available software versus modifying the software to accommodate their existing practices.

Looking at financial management systems from another perspective, the federal government has acted on opportunities to consolidate operations. For example, a number of agencies perform accounting or business operations on behalf of others, consequently, the number of agencies processing payroll has been dramatically reduced from 22 to 4. According to OMB, through these initiatives, millions of dollars will be saved through shared resources and processes and by modernizing on a cross-agency, governmentwide basis. Further, OMB had established agency task forces that focused on developing Centers of Excellence to (1) reduce the number of systems that each individual agency must support, (2) promote standardization, and (3) reduce the duplication of efforts. If we were to compare the state of financial management systems today to where agencies were 15 years ago, the evolution has been dramatic. On the other hand, systems are at the top of our list in terms of remaining challenges for the future. As I will discuss later, agencies continue to struggle with developing and implementing integrated systems that achieve expected functionality within cost and timeliness goals.

Preparing Auditable Financial Statements—Most CFO Act agencies have obtained clean or unqualified audit opinions on their financial statements.

[18] JFMIP was originally formed under the authority of the Budget and Accounting Procedures Act of 1950 and was a joint and cooperative undertaking of the Government Accountability Office, the Department of the Treasury, OMB, and the Office of Personnel Management (OPM), working in cooperation with each other to improve financial management practices in the federal government. In a December 2004 memorandum, OMB announced a realignment of JFMIP's responsibilities for financial management policy and oversight in the federal government.

[19] Under the realignment of JFMIP's responsibilities announced in December 2004, the Program Management Office will continue its software certification process. Also, systems requirements will be issued by OFFM. Therefore, JFMIP ceased to exist as a separate organization, although the Principals will continue to meet at their discretion.

Unqualified audit opinion for CFO Act agencies financial statements have grown from 6 in fiscal year 1996 to 18 in fiscal year 2005. Improvements in timeliness have been even more dramatic this year. Agencies were able to issue their audited financial statements within the accelerated reporting time frame—all of the 24 CFO Act agencies issued their audited financial statements by the November 15, 2005 deadline, set by OMB, just 45 days after the close of the fiscal year. The CFO Act calls for agency financial statements to be issued no later than March 31st, which is 6 months after the fiscal year end, and in the earlier years some agencies were unable to meet that timeframe. OMB has incrementally accelerated the financial statement issuance date to address the timeliness of the information provided by the financial statements. Just a few years ago, most considered this accelerated timeframe unachievable. While the increase in unqualified and timely opinions is noteworthy, we are concerned about the number of CFO Act agencies that have had to restate certain of their financial statements to correct errors. I will discuss these issues in more detail later in this statement.

Preparing Performance and Accountability Reports—Another clear indication of progress to date is the preparation of the annual Performance and Accountability Reports (PAR) by CFO Act agencies. The PARs provide financial and performance information that enables the President, the Congress, and the public to assess the performance of an agency relative to its mission and to demonstrate accountability. These reports summarize program, management, and financial performance data, including the Annual Performance Reports required by GPRA with annual financial statements and other reports, such as agencies' assurances on internal control, accountability reports by agency heads and Inspectors' General assessments of agencies' most serious management and performance challenges. These reports serve as the federal government's report to the American public and provide an accounting for the return on the taxpayers' investment. This information is also provided to decision - makers who are interested in CFO Act agencies' performance, such as OMB and the Congress. Furthermore, the Association of Government Accountants recognizes federal agencies for their high-quality performance and accountability reports by its annual awarding of the Certificate of Excellence in Accountability Reporting (CEAR). For the most recent evaluation of 21 agencies performance and accountability reports, 10 agencies were recognized for achieving excellence in their reports. Of particular note, the Social Security Administration and Department of Labor have received the CEAR award for the past 7 and 5 years, respectively. As part of our effort to be a model agency, GAO has been awarded the CEAR award since it first applied in 2001 and for the

19th consecutive year, independent auditors gave our financial statements an unqualified opinion with no material weaknesses and no major compliance problems.

Strengthening Internal Control—Accountability is part of the organizational culture that goes well beyond receiving an unqualified audit opinion; the underlying premise is that agencies must become more results-oriented and focus on internal control. In December 2004, OMB revised its Circular No. A-123, *Management's Responsibility for Internal Control*, to provide guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on management controls. Requiring federal managers, at the executive level, to focus on internal control demonstrates a renewed emphasis on identifying and addressing internal control weaknesses. Based on our 2005 assessment of high-risk programs,[20] three programs previously designated as high-risk, largely due to financial management weaknesses, were removed from the list. The Department of Education's Student Financial Aid Programs, the Federal Aviation Administration's Financial Management, and the Department of Agriculture's Forest Service Financial Management all sustained improvements in financial management and internal control weaknesses and thus warranted removal. Further, as I testified[21] before this subcommittee earlier this year, thousands of internal control problems were identified and fixed over the past two decades, especially at the lower levels where internal control assessments were performed and managers could take focused actions to fix relatively simple problems. But again as I will discuss later, this type of work is far from complete.

Developing New Accounting Standards—Another definitive example of progress made to date as well as a critical component of improved financial performance is the establishment of the Federal Accounting Standards Advisory Board (FASAB). In conjunction with the passage of the CFO Act, the OMB Director, Secretary of the Treasury, and the Comptroller General established FASAB to develop accounting standards and principles for the newly required financial statements and other federal entities. FASAB is comprised of a 10-member advisory board of 4 knowledgeable individuals from government and 6 non-federal members

[20]GAO, *High-Risk Series an Update*, GAO-05-207 (Washington, D.C.: January 2005).

[21]GAO, *Financial Management: Effective Internal Control is Key to Accountability*, GAO-05-321T, (Washington, D.C.: Feb. 16, 2005).

selected from the general financial community, the accounting and auditing community, and academia to promulgate proposed accounting standards designed to meet the needs of federal agencies and other users of federal financial information. The mission of FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and other users. These accounting and reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. To date, FASAB has issued 30 statements of federal financial accounting standards (SFFAS) and 4 statements of federal financial accounting concepts (SFFAC).[22] The concepts and standards are the basis for OMB's guidance to agencies on the form and content of their financial statements and for the government's consolidated financial statements. The standards developed by FASAB have been recognized by the American Institute of Certified Public Accountants as generally accepted accounting standards for federal entities.

Challenges Remain to Fulfilling the Objectives of the CFO Act

While there has been marked progress in financial management, as I have just highlighted, a number of challenges still remain. The principal challenges remaining are (1) modernizing financial management systems, (2) improving financial reporting, (3) building a financial management workforce for the future, (4) addressing long-standing internal control weaknesses, and (5) ensuring the continuity of financial management reform. Fully meeting these challenges will enable the federal government to provide the world-class financial management anticipated by the CFO Act. While there continues to be much focus on the agency and governmentwide audit opinions, getting a clean audit opinion, though important in itself, is not the end goal. The end goal is the establishment of a fully functioning CFO operation that includes (1) modern financial management systems that provide, reliable, timely, and useful information to support day-to-day decision-making and oversight and for the systematic measurement of performance; (2) a cadre of highly qualified CFOs and supporting staff; and (3) sound internal controls that safeguard assets and ensure proper accountability.

[22]Accounting standards are authoritative statements of how particular types of transactions and other events should be reflected in financial statements. SFFACs explain the objectives and ideas upon which FASAB develops the standards.

Financial Management Systems

First and foremost, agencies must take full advantage of modern technology and develop financial management systems that are integrated with the range of other business systems. The federal landscape is littered with far too many unsuccessful financial management system implementation efforts. Most notable has been the Department of Defense (DOD) where billions of dollars have been invested in financial management systems with little return on the investment. DOD has historically been unable to develop and implement business systems on time, within budget, and with the promised capability. For example, we recently reported[23] that the Department of Navy spent approximately $1 billion for four largely failed pilot Enterprise Resource Planning (ERP) system[24] efforts, without marked improvement in its day-to-day operations. The Navy now has underway a new ERP project, which early Navy estimates indicate will cost another $800 million. While the new project, as currently envisioned, has the potential to address some of the Navy's financial management weaknesses, it will not provide an all-inclusive end-to-end corporate solution for the Navy. Further, there are still significant challenges and risks ahead as the project moves forward, such as developing and implementing 44 system interfaces with other Navy and DOD systems and converting data from legacy systems into the ERP system.

The results of the fiscal year 2005 assessments performed by agency inspectors general or their contract auditors under FFMIA show that these problems continue to affect financial management systems at most of the 24 CFO Act agencies. While the problems are much more severe at some agencies than at others, the nature and severity of the problems indicate that overall, management at most CFO Act agencies do not yet receive the complete range of information needed for accountability, performance management and reporting, and decision making.

[23]GAO, *DOD Business Systems Modernization: Navy ERP Adherence to Best Business Practices Critical to Avoid Past Failures*, GAO-05-858 (Washington, D.C.: Sept. 29, 2005).

[24]An ERP solution is an automated system using commercial off-the-shelf (COTS) software consisting of multiple, integrated functional modules that perform a variety of business-related tasks such as payroll, general ledger accounting, and supply chain management.

As we recently testified in September 2005[25], managerial cost accounting essentially entails answering very simple questions such as how much does it cost to do whatever is being measured, thus allowing assessments of whether those costs seem reasonable. In other cases, it could involve establishing a baseline for comparison with what it costs others to do similar work or achieve similar performance. To date, accumulating and analyzing the relevant financial and nonfinancial data[26] to determine the cost of achieving performance goals, delivering programs, and carrying out discrete activities has proven difficult to do. Among the barriers standing in the way of this enhanced data are nonintegrated financial systems, lack of accurate and timely recording of data, inadequate reconciliation procedures, noncompliance with accounting standards, including the cost management standard, and failure to adhere to the U.S. Government Standard General Ledger (SGL).

What is most important is that the problem has been recognized. Across government, agencies have efforts underway to implement new financial management systems or to upgrade existing systems. Agencies expect that the new systems will provide reliable, useful, and timely data to support day-to-day managerial decision making and assist taxpayer and congressional oversight. Whether in government or the private sector, implementing and upgrading information systems is a difficult job and brings a degree of new risk. Organizations that follow and effectively implement accepted best practices in systems development and implementation (commonly referred to as disciplined processes) can manage and reduce these risks to acceptable levels, organizations that do not typically suffer the consequences. For example, our work at DOD[27] and the National Aeronautics and Space Administration[28] this past year has shown that these agencies, which have experienced significant problems in the past in implementing new financial management systems, were not following the necessary disciplined processes for efficient and effective

[25]GAO, *Managerial Cost Accounting Practices: Departments of Labor and Veterans Affairs*, GAO-05-1031T (Washington, D.C.: Sept. 21, 2005)

[26]Nonfinancial data measures the occurrences of activities and can include, for example, hours worked, units produced, grants managed, inspections conducted, or people trained.

[27]GAO, *Army Depot Maintenance: Ineffective Oversight of Depot Maintenance Operations and System Implementation Efforts*, GAO-05-441 (Washington, D.C.: Jun. 30, 2005).

[28]GAO, *Business Modernization: Some Progress Made toward Implementing GAO Recommendations Related to NASA's Integrated Financial Management Program*, GAO-05-799R (Washington, D.C.: Sept. 9, 2005).

development and implementation of such systems. As I mentioned earlier, NASA is on its third attempt to implement a new financial management system. The first two attempts, which cost $180 million, failed and the current system initiative which is expected to cost close to $1 billion, has experienced problems. As we pointed out in recent testimony[29] before this subcommittee, many of the problems the National Aeronautics and Space Administration has been experiencing with its financial management system stemmed from inadequate implementation of disciplined processes. As the federal government moves forward with ambitious financial management system modernization efforts to identify opportunities to eliminate redundant systems and enhance information reliability and availability, adherence to disciplined processes is a crucial element to reduce risks to acceptable levels.

Financial Reporting

In the area of financial reporting, we see two challenges: (1) the elimination of restatements and (2) greater transparency in financial reporting. Many CFO Act agencies have obtained clean or unqualified audit opinions on their financial statements, but the underlying agency financial systems and controls still have some serious problems. This manifested itself last year when a number of CFO Act agencies had to restate their financial statements. As we have previously testified,[30] at least 11[31] of the 23[32] CFO Act agencies restated their fiscal year 2003 financial statements, and 5[33] CFO Act agencies restated their fiscal year 2002 financial statements. The restatements to CFO Act agencies' fiscal year 2003 financial statements ranged from correcting 2 line items on an

[29]GAO, *National Aeronautics and Space Administration: Long-standing Financial Management Challenges Threaten the Agency's Ability to Manage Its Programs*, GAO-06-216T (Washington, D.C.: Oct. 27, 2005).

[30]GAO, *Fiscal Year 2004 U.S. Government Financial Statements: Sustained Improvement in Federal Financial Management Is Crucial to Addressing Our Nation's Future Fiscal Challenges*, GAO-05-284T (Washington, D.C.: Feb. 9, 2005).

[31]Departments of Agriculture, Defense, Health and Human Services, Justice, State, and Transportation, and the General Services Administration, National Science Foundation, Nuclear Regulatory Commission, the Office of Personnel Management, and the Small Business Administration.

[32]At the time of our review there were only 23 CFO Act agencies because as we discussed earlier, FEMA was no longer required to prepare and have audited financial statements under the CFO Act, leaving 23 CFO Act agencies for fiscal years 2003 and 2004.

[33]Departments of Agriculture, Health and Human Services, the Interior, Transportation, and the Treasury.

agency's balance sheet to numerous line items on several of another agency's financial statements. The amounts of the agencies' restatements ranged from several million dollars to over $91 billion. Nine[34] of those 11 agencies received unqualified opinions on their financial statements originally issued in fiscal year 2003. Seven of the 9 auditors issued unqualified opinions on the restated financial statements, which in substance replace the auditors' opinions on their respective agencies' original fiscal year 2003 financial statements. For 2[35] of these nine agencies, the auditors not only withdrew their unqualified opinions on the fiscal year 2003 financial statements but also issued other than unqualified opinions on their respective agencies' restated fiscal year 2003 financial statements because they could not determine whether there were any additional misstatements and the effect that these could have on the restated fiscal year 2003 financial statements. We have reported[36] on some of these agency restatements and have work ongoing[37] at a number of other agencies to more fully understand the issues surrounding these restatements. We have not yet had a chance to look in any depth at restatements for fiscal year 2005 because fiscal year 2005 financial statements, which would identify any such restatements, were just issued by the deadline of November 15. We did note though, that there were a number of restatements.

The second challenge is that current financial reporting does not clearly and transparently show the wide range of responsibilities, programs, and activities that may either obligate the federal government to future spending or create an expectation for such spending. The current financial reporting model provides information on financial position and changes in such position during the year, as well as budget results. However, more important than current and short-term deficits, we face large and growing

[34]General Services Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management , and the Departments of Agriculture, Health and Human Services, Justice, State, and Transportation.

[35]Nuclear Regulatory Commission and the Department of Justice.

[36]GAO, *Financial Audit: Restatements to the Department of State's Fiscal Year 2003 Financial Statements*, GAO-05-814R (Washington, D.C.: Sept. 20, 2005). *Financial Audit: Restatements to the Nuclear Regulatory Commission's Fiscal Year 2003 Financial Statements*, GAO-06-30R (Washington, D.C.: Oct. 27, 2005).

[37]Departments of Agriculture, Health and Human Services, Justice, and Transportation, the General Services Administration, National Science Foundation, and Office of Personnel Management.

structural deficits in the future due primarily to known demographic trends, rising health care costs and relatively low federal revenues as a percentage of the economy. Our nation's current fiscal path is unsustainable and failure to highlight, analyze and appropriately respond to the resulting long-term consequences could have significant adverse consequences on our future economy and standard of living. While the Statement of Social Insurance will provide long-term information for those specific programs, in our view, more comprehensive reporting is necessary to fully and fairly reflect the nation's longer-term fiscal challenges. Consequently, a top priority should be communicating important information to users about the long-term financial condition of the U.S. government and annual changes therein. Furthermore, FASAB recognized that tax expenditures, which can be large in relation to spending programs that are measured under federal accounting standards, may not be fully considered in entity reporting. Reporting information on tax expenditures would ensure greater transparency of and accountability for such expenditures.[38]

Financial Workforce

Changing the way business is done in a large, diverse, and complex organization like the federal government is not an easy undertaking. According to a survey of federal CFOs,[39] federal finance organizations of the future will have fewer people, with a greater percentage of analysts, as opposed to accounting technicians. However, today, most functions within federal finance organizations are focused primarily on (1) establishing and administering financial management policy; (2) tracking, monitoring, and reconciling account balances; and (3) ensuring compliance with laws and regulations. While they recognize the need for change, according to the CFOs surveyed, many questions remain unanswered regarding how best to facilitate such changes. When it comes to world-class financial management, our study[40] of nine leading private and public sector financial organizations found that leading financial organizations often had the

[38]GAO, *Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined*, GAO-05-560 (Washington, D.C.: Sept. 23, 2005).

[39]Grant Thornton LLP and the Association of Government Accountants, *CFO Survey: Preparing for Tomorrow's Way of Doing Business*, (Alexandria, Virginia: March 1998).

[40]GAO, *Executive Guide: Creating Value Through World-class Financial Management*, GAO/AIMD-00-134 (Washington, D.C.: April 2000). Appendix II includes a synopsis of the key concepts discussed in the study. See Appendix II.

same or similar core functions (i.e., budgeting, treasury management, general accounting, and payroll), as the federal government. However, the way these functions were put into operation varied depending on individual entity needs. Leading organizations reduced the number of resources required to perform routine financial management activities by (1) consolidating activities at a shared service center and (2) eliminating or streamlining duplicative or inefficient processes. Their goal was not only to reduce the cost of finance but also to organize finance to add value by reallocating finance resources to more productive and results-oriented activities like measuring financial performance, developing managerial cost information, and integrating financial systems.

The federal financial workforce that supports the business needs for today is not well-positioned to support the needs of tomorrow. A JFMIP study[41] indicated that a significant majority of the federal financial management workforce performs transaction support functions of a clerical and technical nature. These skills do not support the vision of tomorrow's business that will depend on an analytic financial management workforce providing decision support. The financial management workforce plays a critical role in government because the scale and complexity of federal activities requiring financial management and control is monumental. Building a world-class financial workforce will require a workforce transformation strategy devised in partnership between CFOs and agency human resource departments, now established in law as Chief Human Capital Officers, working with OMB and the Office of Personnel Management. Agency financial management leadership must identify current and future required competencies and compare them to an inventory of skills, knowledge, and current abilities of current employees. Then, they must strategically manage to fill gaps and minimize overages through informed hiring, development, and separation strategies. This is similar to the approach that we identified when we designated strategic human capital management as a high-risk area in 2001 recognizing that agencies, working with Congress and OPM, must assess future workforce needs and determine strategies to meet those needs, especially in light of long-term fiscal challenges.[42] Achieving the financial management vision of the future will be directly effected by the workforce who support it.

[41]JFMIP, *Building a World Class Financial Workforce*, *The Federal Financial Management Workforce of the Future*, (Washington, D.C.: September 2003).

[42] GAO-05-207.

Internal Control

Earlier, I noted that while important progress in strengthening internal control has been made, the federal government faces numerous internal control problems, some of which are long-standing and are well-documented at the agency level and governmentwide. As we have reported for a number of years in our audit reports on the U.S. government's consolidated financial statements, the federal government continues to have material weaknesses and reportable conditions in internal control related to property, plant, and equipment; inventories and real property; liabilities and commitments and contingencies; cost of government operations; and disbursement activities, just to mention a few of the problem areas.

As an example, consider DOD which has many known material internal control weaknesses. Of the 25 areas on GAO's high-risk list, 14 relate wholly or partially to DOD, particularly its financial management problems. Overhauling DOD's financial management controls and operations represents a challenge that goes far beyond financial accounting to the very fiber of DOD's range of business operations, management information systems, and culture. Although the Secretary of Defense and several key agency officials have shown commitment to transformation, as evidenced by key initiatives such as the Business Management Modernization Program[43] and the Financial Improvement and Audit Readiness Plan, little tangible evidence of significant broad-based and sustainable improvements has been seen in DOD's business operations to date. For DOD to successfully transform its business operations, it will need a comprehensive and integrated business transformation plan; people with the skills, responsibility, and authority to implement the plan; an effective process and related tools, such as a business enterprise architecture;[44] and results-oriented performance measures that link institutional, unit, and individual personnel goals and expectations to promote accountability for results.

[43]GAO, DOD Business Systems Modernization: Long-standing Weaknesses in Enterprise Architecture Development Need to Be Addressed, GAO-05-702 (Washington, D.C.: Jul. 22, 2005)

[44]A business enterprise architecture is a well-defined blueprint for operational and technological change.

As I testified before you in February 2005, we support OMB's efforts to revitalize internal control assessments and reporting through the December 2004 revisions to Circular No. A-123. These revisions recognize that effective internal control is critical to improving federal agencies effectiveness and accountability and to achieving the goals established by Congress. They also considered the internal control standards issued by the Comptroller General,[45] which provide an overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

Effective internal control, as envisioned in the newly revised Circular No. A-123, inherently includes a successful strategy for addressing improper payments. Our prior work[46] has demonstrated that attacking improper payment problems requires a strategy appropriate to the organization involved and its particular risks. We have found that entities using successful strategies to address their improper payment problems shared a common focus of improving the internal control system—the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Moreover, as we testified[47] before this subcommittee in July of this year, even though progress has been made, certain agencies have not yet performed risk assessments of all their programs and/or estimated improper payments for their respective programs.

I pointed out in my February 2005 testimony, six issues critical to effectively implementing the changes to Circular No. A-123, specifically, the need for

1. development of supplemental guidance and implementation tools to help ensure that agency efforts are properly focused and meaningful;

2. vigilance over the broader range of controls covering program objectives;

[45]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: November 1999).

[46]GAO, *Financial Management: Effective Implementation of the Improper Payments Information Act of 2002 Is Key to Reducing the Government's Improper Payments*, GAO-03-991T (Washington, D.C.: Jul. 14, 2003).

[47]GAO, *Financial Management: Challenges in Meeting Governmentwide Improper Payment Requirements*, GAO-05-907T (Washington, D.C.: Jul. 20, 2005).

3. strong support from managers throughout the agency, and at all levels;

4. risk-based assessments and an appropriate balance between the costs and benefits of controls;

5. management testing of controls in operation to assess if they are designed adequately and operating effectively, and to assist in formulating corrective actions;

6. management accountability for control breakdowns.

Since that time, in July 2005, the CFO Council, in collaboration with the President's Council on Integrity and Efficiency (PCIE)[48] and OMB, issued an implementation guide to assist departments and agencies in addressing the Circular No. A-123 requirements related to internal control over financial reporting. As I mentioned earlier, this is a positive first step to helping the federal government clearly articulate its objectives and criteria for measuring whether the objectives of Circular No. A-123 have been successfully achieved. Equally important will be the rigor with which these criteria are applied.

Continuity of Leadership

The federal government has always faced the challenge of sustaining the momentum of transformation because of the limited tenure of key administration officials. The current administration's PMA has served as a driver for governmentwide financial management improvements. It has been clear from the outset that the current administration is serious about improved financial management. We have been fortunate that, since the passage of the CFO Act, all three administrations have been supportive of financial management reform initiatives. And, as I discussed earlier, we've seen a positive cultural shift in the way the federal government conducts business. Given the long-term nature of the comprehensive changes needed and challenges still remaining to fully realize the goals of the CFO Act, it is unlikely they will all occur before the end of the current administration's term. Therefore, sustaining a commitment to

[48] The PCIE is an interagency council comprised principally of the presidentially appointed and Senate-confirmed IGs, which is governed by Executive Order No. 12805 (1992), to coordinate and enhance the work of the IGs. The Deputy Director for Management in OMB serves as the chair.

transformation in future administrations will be critical to ensure that key management reforms such as the CFO Act are fully attained.

In closing, over the past 15 years, we have seen continuous movement toward the ultimate goals of accountability laid out in the CFO Act. I applaud the CFO and audit communities for the tremendous progress that has been made. While early on some were skeptical, the CFO Act has dramatically changed how financial management is carried out and the value placed on good financial management across government. Sound decisions on the current results and future direction of vital federal programs and policies, while never easy, are made less difficult when decision makers have timely, reliable, and useful financial and performance information. Across government, financial management improvement initiatives are underway, and if effectively implemented, have the potential to greatly improve the quality of financial management information. Proper accounting and financial reporting practices are even more essential at the federal level than they were 15 years ago given the difficult spending challenges and the long-term fiscal condition of the federal government.

Further, I want to reiterate the value of sustained congressional interest in these issues, as demonstrated by this subcommittee's leadership. It will be key that going forward, the appropriations, budget, authorizing, and oversight committees hold agency top leadership accountable for resolving remaining problems and that they support improvement efforts that address the challenges for the future I highlighted today. The federal government has made tremendous progress in the past 15 years, and sustained congressional attention has been and will continue to be a critical factor to ensuring achievement of the CFO Act's goals and objectives.

Mr. Chairman, this completes my prepared statement and I want to thank you for the opportunity to participate in this hearing and for the strong support of this Subcommittee in addressing the need for financial management reform and accountability. I would be happy to respond to any questions you or other members of the subcommittee may have at this time.

Contacts and Acknowledgments

For information about this statement, please contact Jeffrey C. Steinhoff at (202) 512-2600 or McCoy Williams, Director, Financial Management and Assurance, at (202) 512-6906 or williamsm1@gao.gov. Individuals who made key contributions to this testimony include Felicia Brooks, Kay Daly,

and Chanetta Reed. Numerous other individuals made contributions to the GAO reports cited in this testimony.

Appendix I: Chief Financial Officers Act Agencies

Agency
The Department of Agriculture
The Department of Commerce
The Department of Defense
The Department of Education
The Department of Energy
The Department of Health and Human Services
The Department of Housing and Urban Development
The Department of the Interior
The Department of Justice
The Department of Labor
The Department of State
The Department of Transportation
The Department of the Treasury
The Department of Veterans Affairs
The Environmental Protection Agency
The National Aeronautics and Space Administration
The Agency for International Development
The Federal Emergency Management Agency[1]
The General Services Administration
The National Science Foundation
The Nuclear Regulatory Commission
The Office of Personnel Management
The Small Business Administration
The Social Security Administration
The Department of Homeland Security

[1]The Federal Emergency Management Agency, one of the original CFO Act agencies, was transferred to the Department of Homeland Security in 2003 and thus removed from the original list of CFO Act agencies. The Department of Homeland Security Financial Accountability Act of 2004 added DHS to the list of CFO Act agencies thus bringing the total number of CFO Act agencies again to 24.

Appendix II: Key Concepts of World-class Financial Management

Key Concepts from a GAO Executive Guide:
Creating Value through World-class Financial Management
April 2000, GAO/AIMD-00-134

GAO
Accountability * Integrity * Reliability

To help promote effective implementation of federal financial management reform, we studied the financial management practices and improvement efforts of nine leading public and private sector finance organizations to identify success factors, practices, and outcomes associated with world-class financial management. Organizations studied from the public sector were the state governments of Massachusetts, Texas and Virginia. Private sector organizations studied were Boeing, Chase Manhattan Bank, General Electric, Hewlett-Packard, Owens Corning, and Pfizer. The executive guide also contains case studies in each area as well as strategies to consider.

Goal I - Make Financial Management an Entitywide Priority

Practice 1 Build a Foundation of Control and Accountability That Supports External Reporting and Performance Management

Key Characteristics

The financial reporting and audit process is a basic management and oversight tool

Accountability is part of the organizational culture and goes well beyond receiving an unqualified audit opinion

Internal controls meet both external financial reporting and performance management control objectives without significantly impacting efficiency

Practice 2 Provide Clear, Strong Executive Leadership

Key Characteristics

The chief executive recognizes the important role the finance organization can play in improving overall business performance and involves key business/line managers in financial management improvement initiatives

The CFO is a member of the top management team

Top executives' sustained commitment to improving financial management is reinforced through both their words and actions

Practice 3 Use Training to Change the Organizational Culture and Engage Line Management

Key Characteristics

Nonfinancial managers are educated about the financial implications of business decisions

Training and tools are provided to facilitate and accelerate the pace of change initiatives

Goal II - Redefine the Role of Finance

Practice 4 Assess the Finance Organization's Current Role in Meeting Mission Objectives

Key Characteristics

The percentage of resources spent on strategic support activities is used as an indicator of how well finance is supporting mission objectives

Benchmarking and customer feedback are used to identify performance gaps and best practices

Practice 5 Maximize the Efficiency of Day-to-day Accounting Activities

Key Characteristics

Inefficient processes are eliminated or streamlined

Transaction processing activities are consolidated, standardized, and reengineered at shared service centers

The cost and benefits of outsourcing routine accounting activities are considered

Practice 6 Organize Finance to Add Value

Key Characteristics

The finance organization's mission supports the entity's business objectives

The organizational structure and human capital strategies support strategic business unit needs as well as traditional controllership and transaction processing needs

Goal III - Provide Meaningful Information to Decision Makers

Practice 7 Develop Systems That Support the Partnership between Finance and Operations

Key Characteristics

The general ledger system is integrated into business processes and is adequate for financial reporting and control

Automated systems are designed and deployed that
(1) accurately measure the costs of activities, processes, products, and services and
(2) provide line managers with timely, accurate financial and nonfinancial information on the quality and efficiency of business processes and performance

An enterprisewide system integrates operating, financial, and management information and allows decision makers to access relevant information easily and perform ad hoc data analysis

Practice 8 Reengineer Processes in Conjunction with Implementing New Technology

Key Characteristics

Commercial off-the-shelf software packages implemented with limited modification

Processes and controls adapted to fit commercial off-the-shelf software

Processes are reengineered across functional lines

Practice 9 Translate Financial Data into Meaningful Information

Key Characteristics

Reports are designed around key drivers such as markets, products, and customers

Relevant financial information is presented in an understandable, simple format with suitable amounts of detail and explanation

Goal IV - Build a Finance Team That Delivers Results

Practice 10 Develop a Finance Team with the Right Mix of Skills and Competencies

Key Characteristics

A defined set of technical, management, and leadership skills and competencies is developed as part of the entity's overall approach to strategic human capital planning and is used as a foundation for all human capital management activities and decisions

Training and career development programs use both classroom instruction and rotational assignments

Opportunities to "learn the business" are provided

Practice 11 Build a Finance Organization That Attracts and Retains Talent

Key Characteristics

Top financial leadership participates in the recruitment of new talent

A variety of career path opportunities are offered and staff development programs are used as a means of exposing staff to different career opportunities

Competitive compensation and benefits packages are available

Key Concepts from a GAO Executive Guide: Creating Value through World-class Financial Management April 2000, GAO/AIMD-00-134

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