

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT
TODD RUSSELL PLATTS, CHAIRMAN



Oversight Hearing:
The Evolving Role of the CFO in Agency Management
September 15, 2004

OPENING STATEMENT OF TODD RUSSELL PLATTS

As stewards of the taxpayers' money, we have no greater responsibility than to ensure that every dollar is spent wisely. Regardless of party affiliation or ideological bent, all of us entrusted with the handling of public resources must be held accountable for using them effectively and safeguarding them from fraud and misuse. The founding fathers recognized the importance of the role of stewardship. Section 9 in Article I of the U.S. Constitution required that "a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

The role of financial managers has changed a great deal since 1789. While responsible stewardship is paramount, it is no longer the only goal. After five years of debate, Congress passed The Chief Financial Officers Act of 1990. The CFO Act became the cornerstone for a host of management reforms. For the first time, Federal agencies were required to submit to audit. Congress imparted the importance and prominence of sound financial management by establishing a management structure that placed the Chief Financial Officer in a position of power, reporting directly to the agency head, appointed by the President with the advice and consent of the Senate. The underlying goal was clear: CFOs would become more than stewards – they would become strategists who were part of an Agency's top leadership team.

Strategic financial management does not end with a clean opinion. In fact, clean audits are merely a starting point. What we need to manage effectively timely, accurate, useful financial data that can be used to manage and make decisions. Without this information, the federal government cannot analyze costs and benefits or gather an accurate assessment of program performance.

We have seen remarkable progress. In the past, the main focus was on paying the bills. Accounting was a back-office function, and reporting was not timely or useful to management. Accounting standards for the Federal government did not exist. Automated systems, when they existed, were focused on recording transactions. Most were developed in-house and were not integrated. Now we are moving from data entry to data analysis. We are beginning to see the development of cost information and performance data. A complete set of financial statements is produced at every agency. We have a full set of accounting standards. More Departments are developing single financial management systems, eliminating redundancies, creating efficiencies, reducing the possibility of error, and facilitating analysis. As these changes continue, we will be closer

to the original goal of the CFO Act – strategic financial management – and we will continue to realize more value for the taxpayer.

This level of transformation could not have occurred without the commitment of top leadership. The standing of the CFO in the agency management structure was a key consideration during debate as the CFO Act was crafted. In order to continue the transformation as we must, the Agency CFO must remain in a position of importance and influence. With a focus on improving agency management, Congress has created several positions – the Chief Information Officer, Chief Human Capital Officer, and Chief Acquisition Officer – whose responsibilities complement and sometimes duplicate those of Agency CFOs. Today we will discuss the changing dynamics of federal management and how these statutory offices can work together most effectively while maintaining the unique fiduciary responsibilities of the CFO.

I would like to thank each of our witnesses for being here today. You bring a wealth of experience and expertise to this hearing, and I look forward to your testimony.

###