




The CFO Act Turns 20 Years Old:

As We Blow Out the Candles,
Where Are We Today and
Where Do We Go From Here?

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The nation is coming out of its worst economic downturn since the Great Depression and is focused on a range of issues, both domestic and foreign, that are sapping precious resources. The federal government is running annual deficits on the order of \$1.3 trillion, or 10 percent of our country's gross domestic product. The federal government's long-term fiscal gap is an estimated \$76 trillion, according to the non-partisan U.S. Government Accountability Office (GAO), which paints a precarious picture if government stays on its current fiscal path.¹ Government is also operating in a period of increasing accountability and transparency, where information is shared online, and the public wants to know what it is getting for its tax dollars.


Against this backdrop, high performance in financial management is essential. In 1985, Comptroller General of the United States Charles Bowsher² championed a two-volume report that is perhaps even more pertinent today than it was 25 years ago. Titled, *Managing the Cost of Government: Building an Effective Financial Management Structure*,³ this report laid the foundation for the concepts that led to the development and passage of the landmark Chief Financial Officers Act of 1990 (CFO Act).⁴

Widely heralded as the most comprehensive financial management improvement legislation in 40 years,⁵ the CFO Act ushered in a new era of federal accountability. The CFO Act significantly changed the landscape of the federal CFO, moving the role far beyond basic accounting responsibilities to that of agency leader in providing support across a range of critical programs and operations.⁶

As the CFO Act celebrates its 20th birthday and we blow out the candles, it is time to revisit the act's genesis, reflect on its accomplishments and look to the future, as federal agencies move to the next stages of implementation of legislation that has "come of age."

■ Twenty Years and Counting — The Genesis of the CFO Act

Twenty years can go by in a blink of eye. It seems like just yesterday that work was under way to create the CFO Act with U.S. Sens. John Glenn and William Roth, and with U.S. Reps. John Conyers and Frank Horton. These elected officials deserve a lot of credit for their leadership in addressing what many politicians did not at the time view as an exciting topic. Sen. Glenn often remarked that financial management was "as exciting as watching mud dry." But he also knew how important it was to improved government accountability and that it needed Congress' utmost attention. Echoing Chuck Bowsher's call for financial management reform legislation was U.S. Office of Management and Budget (OMB) Director Richard Darman, and the strong partnership between GAO and OMB was integral to the CFO Act's passage.



The journey to the CFO Act took an important step forward in March 1986 when Sen. Roth introduced S. 2230, The Federal Management Reorganization and Control Act of 1986.⁷ The next four and a half years were marked by important dialogue and extensive deliberations over the contents of the legislation, as the concepts in S.2230 were debated and refined.⁸ Not surprisingly, sometimes the going was tough, but perseverance had its virtue and reward. The stars finally aligned, and the CFO Act was signed into law by President George H.W. Bush on November 15, 1990. A subsequent attempt in the House of Representatives in June 1991 to prohibit the use of funds for implementation of the CFO Act—and therefore in substance negate its provisions—was resoundingly defeated in a bipartisan House vote.

What the Framers Had in Mind

The CFO Act has at its foundation three seemingly simple, but crucial, provisions:

- Systematic measurement of performance
- Development of cost information
- Integration of systems—budget, program and financial

The CFO Act is often discussed in terms of audited financial statements, with the presumption that they are the act's end game. It did provide for pilot financial statement audits at 10 major entities⁹ and at all business-like federal organizations, which was later expanded to all 24 CFO Act agencies¹⁰ by the Government Management Reform Act of 1994¹¹ and to most other agencies by the Accountability of Tax Dollars Act of 2002.¹² As important as audited financial statements are to accountability, they were never truly intended to be the end game.

The real end game is the three provisions listed above, together with a well-designed system of internal controls to protect taxpayer dollars. The CFO Act was designed to enable agencies to “manage the cost of government” through access to reliable, relevant and timely financial information that is integrated with program and budget information to allow the systematic measurement of cost and performance. This is the vision of the framers of the CFO Act for the role of financial management. This does not diminish the relevance of audited financial statements. As discussed later, in addition to reporting on financial results, audited financial statements have triggered action to address longstanding weaknesses in financial systems and internal controls.

Putting the “M” In OMB and Establishing a Cadre of Agency CFOs

Recognizing the importance of strong leadership, both centrally and in the agencies, the CFO Act put the “M” in OMB by establishing a presidentially appointed, Senate-confirmed deputy director for management (whose role has now been expanded to include the title of Chief Performance Officer), and the Office of Federal Financial Management (OFFM), headed by a presidentially appointed, Senate-confirmed controller. It established CFOs in all 24 CFO Act agencies, who report directly to the agency head. Eighteen of these are presidentially appointed, Senate-confirmed positions. The act also established that CFOs are to have a proven track record in financial management as a prerequisite for the job and, to provide continuity, it established a new position of the career deputy CFO.

The fact that this role now conferred serious responsibility and demands on the CFO was huge break with the past. Previously, the CFO role was usually only one of many hats a person would wear, and did not necessarily attract individuals with experience in financial management leadership positions. As a result, the position was typically not accorded the respect and attention needed to achieve major change or improvements.

The CFO Act changed all that, and mandated the following responsibilities:¹³


- Overseeing all financial management activities related to agency programs and operations.

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- Modernizing financial systems by developing and maintaining integrated accounting and program management systems that can provide needed information for day-to-day management and accountability.
- Ensuring effective and efficient systems of internal control.
- Directing, managing and providing policy guidance and oversight of all agency financial management personnel, activities and operations.
- Implementing asset management systems, including systems for cash management, credit management, debt collection, property and inventory management and control, and budget execution monitoring.

During the development of the CFO Act, there was a lot of discussion as to whether to place OFFM and the controller in OMB with its central government-wide management role and control of the budget, or in the U.S. Department of the Treasury (Treasury), with its financial management expertise and central accounting capabilities. To leverage the strengths of both organizations, the framers placed the OFFM and the controller in OMB and established a separate office in Treasury to support OFFM's work. However, during the late stages of CFO Act deliberations, the plan for a separate Treasury office was dropped because of questions about who had responsibility for its management.

We have now come full circle and back to the initial prescription in the draft CFO Act with the April 5, 2010 announcement by Treasury and OMB of the creation of a new office in Treasury to improve and streamline financial management across the federal government. The Office of Financial Innovation and Transformation will work in collaboration with OMB to “chart a new course for financial management.” The new office is charged with developing shared, government-wide solutions for agency financial management services, including invoice processing, cash collections and interagency agreement management. It is to play a key role in OMB's larger efforts to “stem the cost of financial operations” by offering central automated solutions for transactions processing and financial report production. The establishment of the Office of Financial Innovation and Transformation and the new partnership between Treasury and OMB is right in line with what the framers of the CFO Act were advocating in 1990 when they called for the establishment of a separate office in Treasury to support OFFM.



Twenty Years Later—Where Are We in Reforming Federal Financial Management?

The CFO Act laid the foundation for a series of ensuing management reform legislation, built on the concepts of improved accountability and better management practices.¹⁴ This is an important legacy, and to appreciate the full measure of what has been accomplished as a result of the CFO Act, one must consider the totality of what has been achieved across the spectrum of related management legislation. This includes the Government Performance and Results Act of 1993 (GPRA), which called for agencies to develop strategic plans, set performance goals and report on the achievement of those goals.¹⁵ The concepts in GPRA complement the CFO Act's requirements for the systematic measurement of performance, the development of cost information and the integration of systems. In fact, John Mercer, then mayor of Sunnyvale, CA, and later a principal architect of GPRA while on the staff of the Senate Governmental Affairs Committee, provided input to the development of the CFO Act.

By any measure, the federal financial management community has come a long, long way in the past two decades. What was unheard of and in some cases unimaginable 20 years ago is commonplace today. On the occasion of the 15th anniversary of the CFO Act, GAO testimony¹⁶ before the Subcommittee on Government Management, Finance and Accountability, House Committee on Government Reform, noted that important progress had been made. GAO focused on eight specific areas, which provide a good framework to look at the act's remarkable progress.

Achieving Cultural Change: Significant change has been realized in how financial management is viewed in the federal government. Before the CFO Act, financial management was viewed primarily as accounting. It has since emerged as an essential component of agency management. There was not a good understanding of the value of good financial information and internal control as a means of helping ensure accountability and sound management. People now get it, and the culture of finance organizations has moved from the "back room" of transaction processing and largely administrative duties to providing value in the agency's "board room." This is not to say the job is done, but the progress has been most noteworthy.

Establishing a Strong Leadership Structure: In separate studies, GAO and AGA identified leadership as the most important factor in successful cultural change.¹⁷ Today, we see a CFO leadership structure that is focused on the issues and considering the future much more broadly than even five years ago. The CFO Council, established by the CFO Act, undertakes a variety of initiatives and has provided a forum to address issues on a government-wide basis. The current leadership at OMB is on point to forge a new path and take on difficult and complex issues.

Selecting Qualified CFOs: The paradigm has shifted, and CFOs are coming to the job with the proven track record in financial management that the CFO Act envisioned. CFOs now have a seat at the table, and they are focused on CFO functions and not encumbered with a wide range of unrelated responsibilities as was common before passage of the CFO Act. There is also a cadre of highly qualified deputy CFOs, who provide continuity and bring years of experience to the job. From the outset, the OFFM controller within OMB, a critical position mandated by the CFO Act, has been someone who brought impeccable credentials and extensive experience in federal financial management having served in various financial management leadership positions.¹⁸ The controllers have all been integral to the successes we have seen. Finally, the deputy director for management at OMB position has been expanded to include the role of chief performance officer, further demonstrating that the "M" is no longer silent in OMB.

Improving Financial Systems and Operations: While not yet where the CFO community ultimately wants to be, as GAO testified,¹⁹ the evolution of financial systems and operations has been dramatic. The number of financial systems has been reduced, and the integration with program systems has increased. There has been greater standardization, a dramatic increase in shared services, and much less duplication of effort. Technology has enabled greater efficiency and effectiveness, and financial statement audits have pinpointed problems that have resulted in changes to financial systems.

There is a fundamental need for continual vigilance over internal controls, especially when there are changes to programs and practices and advances in management techniques and technology.

Many people believe financial system improvement remains a top priority, and some agencies continue to struggle with system implementation. In addition to the establishment of Office of Financial Innovation and Transformation discussed earlier, on June 28, 2010, the OMB director ordered the immediate review of financial management system projects across the federal government, stating in OMB Memorandum M-10-31:²⁰

“Financial system modernization projects in the federal government have become too large and complex. By setting the scope of projects to achieve broad-based business transformation rather than focusing on essential business needs, federal agencies are experiencing substantial cost overruns and lengthy delays in planned deployments. Compounding this problem, projects consistently fall short of planned functionality and efficiencies once deployed.”

The director added that “by the time the resulting lengthy projects are finished, they are technologically obsolete and/or no longer meet agency needs.”

As the capabilities of technology and the expectation of real-time information for day-to-day management and reporting to the public continue to grow, financial systems and operations will remain a high priority of CFOs and an area of OMB and Treasury focus.

Strengthening Internal Control: The CFO Act reinforced the concepts in the Federal Managers’ Financial Integrity Act of 1982²¹ (Financial Integrity Act) that called for well-designed systems of internal control. Simply put, internal controls can help an agency achieve what it wants to achieve and avoid what it wants to avoid in its programs and operations. Internal controls represent the first line of defense against fraud, waste and abuse and are basic to high-performing organizations. The comptroller general’s Standards for Internal Control in the Federal Government²² defines internal control as: “An integral part of an organization’s management that provides reasonable assurance that the following three objectives are being achieved:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

Material internal control weaknesses identified as part of financial statement audits have for the most part been resolved, and agencies have continued to reduce the material internal control weaknesses reported under the Financial Integrity Act and OMB’s implementing Circular A-123, Management’s Responsibility for Internal Control. For example:

- Three programs²³ previously designated high-risk by GAO in 1990, 1999 and 1999 respectfully, largely due to financial management weaknesses, were removed from GAO’s high-risk list in 2005.²⁴
- GAO testified that thousands of internal control problems have been fixed, especially at agency operating levels where focused actions could be taken to fix less complex problems.²⁵

However, as discussed later in this article, challenges remain, and there is a fundamental need for continual

vigilance over internal controls, especially when there are changes to programs and practices and advances in management techniques and technology.

Preparing Auditable Financial Statements: The results speak volumes:

- From six unqualified audit opinions for fiscal year 1996 to 20 for fiscal year 2009.
- From the six-month statutory timeframe and longer to issue audited financial statements (in some cases it took more than a year) to 45 days.

For fiscal year 1996—the first year the requirement for audited financial statements became effective across all 24 CFO Act agencies—only 25 percent could pass the test. And some of those had to employ heroic efforts to develop supportable financial information. As will be discussed later, the primary challenge going forward is to make financial statements more useful and address some underlying financial reporting issues.

Furthermore, the prospect of issuing audited financial statements in 45 days was hard to fathom at that time. The CFO community took a major leap forward when, led by OMB Director Mitchell Daniels and Secretary of the Treasury Paul O’Neill and supported by Comptroller General David Walker, it voluntarily accelerated reporting to the 45-day timeframe.

In addition, while GAO has continued to disclaim an opinion on the consolidated financial statements of the federal government for the past 12 years, the fiscal years 2007 to 2009 Statements of Social Insurance received an unqualified opinion from GAO, which is an important achievement. In the auditor’s statement in the 2009 consolidated financial statements published by Treasury, Acting Comptroller General of the United States Gene Dodaro, CGFM, said, “Given the importance of social insurance programs to the federal government’s long-term fiscal outlook, the Statement of Social Insurance is critical to understanding the federal government’s financial condition and fiscal sustainability.”²⁶

Finally, of particular note is Treasury and OMB’s issuance of a summary annual report since 2008, with the support of GAO. The most recent summary annual report, *The Federal Government’s Financial Health—A Citizen’s Guide to the 2009 Financial Report of the United States Government* summarizes information in the consolidated financial statements in an easy-to-read, user-friendly, 14-page, bottom-line document on our nation’s financial health. To quote then-Comptroller General David Walker, in commenting on the issuance of the first Citizen’s Guide in 2008, “With its more clear and concise language, this guide represents an important step forward in improving public understanding of the federal government’s true financial condition and fiscal challenges—both today and over the longer term.”

Preparing Performance and Accountability Reports: The preparation of annual Performance and Accountability Reports (PAR) represents another success story. The CFO Act calls for an annual CFO report. The PAR meets this requirement and then some by providing financial and performance information that serves as a report to the pub-


lic on agency performance. The PAR continues to evolve, and with the current emphasis on open government and public websites, such as USAspending.gov and Recovery.gov additional refinements should be expected. The PAR also directly relates to the concepts in GPRA and, with the focus on performance, supports the CFO Act goal by providing for the systematic measurement of performance. AGA has created a platform to formally recognize those federal agencies that prepare high-quality PARs by annually awarding the Certificate of Excellence in Accountability Reporting (CEAR). For fiscal year 2009, AGA honored 19 agencies with the CEAR Award.²⁷ Included was the Social Security Administration, which has received CEAR awards in each of the 12 years AGA has offered the program.

Developing New Accounting Standards: A direct byproduct of the CFO Act was the establishment of the Federal Accounting Standards Advisory Board (FASAB). Agreeing on which accounting standards to follow proved to be a major stumbling block in passing the CFO Act, since both OMB and GAO claimed legal authority to issue the standards. As a compromise, the CFO Act refers only to “applicable accounting standards.” To resolve the impasse on what are applicable accounting standards, OMB, Treasury and GAO, as principals of the Joint Financial Management Improvement Program,²⁸ established FASAB in October 1990. In the past 20 years, FASAB has become a widely recognized standards-setting body and continues its important work to set and refine federal accounting standards and reporting models. The American Institute of Certified Public Accountants has recognized the standards developed by FASAB as generally accepted accounting standards for federal entities.

The Next 20 Years— Building on the Advances in Federal Financial Management

The achievements resulting from the CFO Act have been dramatic, and the landscape of federal financial management has been forever changed. Over the past 20 years, federal CFOs have emerged as respected and trusted business partners, moving their organizations from largely accounting- and administrative-oriented to organizations that support every facet of their agency’s mission and operations. Federal CFOs are in different stages of the journey to high performance, and they are taking a variety of paths. Some started the journey earlier than others, and some have longer journeys, given where they started and the sheer size and complexity of the organizations they serve.

How can the federal CFO community continue to grow and evolve over the next 20 years? How can financial management become even more relevant to government accountability and performance in the spirit of the CFO Act and what its framers had in mind when they called for the “systematic measurement of performance, the development of cost information and the integration of systems”? As the CFO Act begins its next 20 years, here is our “Top 10” list of the challenges federal CFOs face as they strive for high performance and work to enhance



accountability and transparency while increasing the public's confidence that the federal government is an effective financial steward, thereby moving to the next stage of CFO Act implementation.

1. First and foremost, CFOs must move far beyond the basic accounting, control, compliance and financial reporting—the “back room” of finance—to regularly providing services and insights to program managers and to the enterprise level—the “board room” of the agency, where decision support and strategic leadership occur.

As discussed in an article in the Spring 2009 issue of the Journal of Government Financial Management, “Taking the Next Steps to High Performance in Federal Financial Management,”²⁹ research³⁰ has shown that a high-performing federal CFO operates in three areas of performance or dimensions:

- Finance operations, where the CFO carries out basic finance functions with a high degree of effectiveness and efficiency.
- Program operations, where the CFO supports the achievement of the agency's programs with reliable, relevant and timely financial information and analysis, as well as effective and efficient internal controls.
- Enterprise operations, where the CFO demonstrates leadership as a senior member of the agency's leadership team.

High-performing CFOs drive performance by setting strategy and measuring performance. They improve operations by increasing productivity, such as by advancing the skills sets and knowledge of finance personnel. They assess risks by instituting risk management programs across the agency. And they enhance stakeholder confidence by producing reliable budget, forecast, managerial and financial reporting information and by helping to prevent fraud, waste and abuse within agency programs and operations. A high-performing CFO preserves value by assessing risk and enhancing stakeholder confidence and increases value by helping to improve agency operations and drive program performance.

2. Improved financial management systems will continue to be a linchpin to strengthening financial management performance.

Focusing on critical business needs and establishing the right project management and oversight are OMB financial system priorities. In announcing their new partnership and the establishment of the Office of Financial Innovation and Technology, discussed earlier, Treasury and OMB pointed to the challenges many agencies have faced in developing financial systems and acknowledged that agency processes are “fragmented, expensive and inefficient.” As also discussed earlier, this was followed by the June 28, 2010 announcement requiring an immediate review of all financial management system projects. The challenge is to reduce project risk to a manageable level and increase not only the likelihood of success but also the usefulness and integration of the systems developed. As CFOs move to the next stage of the journey to high performance, the future holds the promise of greater standardization and shared services. Also on the horizon are initiatives that focus on reducing the cost of transaction processing, such as cloud computing, and on improving the financial information quality and reliability.

3. CFOs must avoid a “pay and chase” mentality and focus on prevention of improper payments at the outset.

With the issuance of the Presidential Executive Order—Reducing Improper Payments and Eliminating Waste in Federal Programs,³¹ and the enactment of the Improper Payments Elimination and Recovery Act of 2010,³² combating costly and chronic improper payments has taken center stage. OMB reported improper payments of \$110 billion for fiscal year 2009. A problem of this magnitude seriously impacts taxpayer confidence in the federal government as a financial steward. While improper payments can't be completely eliminated, using leading practices can avoid or reduce them at the outset.³³ These practices include continuous monitoring techniques that leverage technology to flag potential improper payments before the check is sent. An example of a federal agency that has successfully established a continuous monitoring program is the U.S. Department of Defense. The Defense Finance and Accounting Service reported it has prevented more than \$700 billion in improper payments to vendors over the

past two years through its Business Activity Monitoring system that is used to pre-screen all payments.

4. Internal controls will always be a high priority, and two facets of the challenge merit greater emphasis going forward.

- **Cyber Security:** Rapid and continuing advances in information technology (IT) have dramatically changed CFO operations, saving costs and increasing productivity. It has also introduced a new set of risks that have no physical borders and are constantly expanding and mutating. Leading CFOs will be fully cognizant of cyber risks and will be prepared to deal with the ever-changing nature of the challenge.
- **Internal Control Cost/Benefit:** The balance between cost and benefits of internal control is sensitive, given the public scrutiny that surrounds any government breakdown in internal control that could result in cost over-runs, mission failures or fraud, waste or abuse. At the same time, CFOs cannot afford controls that are layered on top of each other and are not efficient. A leading CFO organization is able to establish priorities and design appropriate levels of controls. Streamlining business processes and eliminating redundant controls will become ever more important as CFOs face tighter budgets as the deficit is addressed. For example, the U.S. Department of Defense testified earlier this year that its 2,000 pages of travel regulations had made its travel system unworkable. CFOs may find that they have too many controls, while at the same time they may be lacking some essential controls. As discussed earlier, continuous monitoring programs that use analytics and forensic tools can identify and help prevent potential problems, while reducing internal control costs.

5. High-performing CFOs effectively manage and reduce the time spent on routine transaction processing.

This allows them to better focus on higher value-added activities to the agency, such as financial analysis and managerial cost accounting.³⁴ Process efficiencies can be achieved through:

- Moving to shared service centers
- Outsourcing to transaction processors
- Consolidating, streamlining and/or reengineering existing transaction processing
- Standardizing transactions
- Adopting common federal transaction processes
- Improving use of ever-evolving technology

6. The full range of CFO business processes will be candidates for reengineering, with an eye toward greater simplification, reduced costs, elimination of redundancy and increased customer service, effectiveness and efficiency.

The way federal agencies do their business will become more standardized. Stove-piped processes and one-off systems will be eliminated. The adage that one size does not fit all has too often been used to justify different

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systems and processes where one system and process would get the job done. These changes will become the new fact of life as resources for financial management systems shrink due to the need to reduce the deficit, and more pressing budget demands assume higher priority. CFOs will continue to be faced with the challenge of "doing more with less."

7. **Human capital management will be impacted by the ongoing retirement of the baby boomers.** While we've heard for years that the baby boomers would retire in droves, some have decided to keep working longer than in the past and the economy has delayed some retirement plans. But the day will soon come where the loss of large numbers of highly experienced financial management professionals is a reality. Leading CFO organizations will view this as an opportunity. Combined with the movement away from transaction processing to more analytical work, the need for a somewhat different work force will arise—one that is perhaps smaller but more technologically savvy and trained in data analytics and data management. Leading finance organizations understand their future environment and future skill needs. Training is a priority, and recruitment and retention strategies enable them to compete for and retain talent.
8. **The financial reporting model will continue to evolve, perhaps dramatically.** The goals will be adding greater value and better recognizing the unique needs of the federal government. A good discussion of the future of audited financial statements can be found in an article in the Winter 2008 issue of the Journal of Government Financial Management titled, "The Government Management Reform Act of 1994: A Retrospective of Achievements and Remaining Challenges and a Look to the Future."³⁵ The article calls on the federal CFO community to build on the past and move audited financial statements to the next level, by exploring options for the form and content to improve readability, transparency and accountability over agency operations, financial condition and fiscal outlook. FASAB and the CFO Council have projects under way to reexamine the reporting model.³⁶ Whatever form financial statements eventually take, they are an essential component of accountability to the public, and they provide a disciplined and proven framework that has been invaluable to improving federal financial management and the success of the CFO Act.
9. **CFOs will continue to expand their ability to provide foresight.** They will stay abreast of changes in the financial landscape, such as analyzing financial and economic trends that can impact the agency and its programs, assessing the impact of demographic changes and keeping on top of the financial implications of technology innovations. Leading CFOs play important roles in capital planning and investment decisions, and they provide a long-term view of future costs and resources as well as an independent analysis of the soundness of business cases. This is all part of the continuing evolution from the "back room" to the "board room."

10. Finally, and critical to the future of federal financial reporting, the concepts of open government, which are imbedded in law³⁷ and administration policy,³⁸ will continue to evolve and expand. We are already seeing ever-increasing expectations regarding the reliability and completeness of the underlying information, and CFOs should expect to play a major role given their backgrounds in financial reporting and data quality. A data quality framework is now an OMB requirement, and the expectations for data quality will continue to increase. It is reasonable to expect greater linkage between spending information on federal websites³⁹ and in the financial reporting model and financial statements. These websites may also include more analytical information, whereby government not only provides the public raw information but also greater context and explanation. Also, expect there to be stronger relationships, as we have already seen through the American Recovery and Reinvestment Act of 2009,⁴⁰ among all levels of government, nonprofits and private companies that receive federal funds, given the recognition of their important role in accountability for federal spending.

An article in the Spring 2010 issue of the Journal of Government Management titled, "The American Recovery and Reinvestment Act: Is Government Turning a New Page in Accountability, Transparency and Intergovernmental Relations?" concluded that:

"The journey will take time, and there may be some twists and turns and bumps in the road ahead. But public management has reached an important crossroads in the long-standing struggle to promote public accountability and transparency...It will be up to the government management and accountability communities to find new and creative ways to...satisfy a public that is more insistent than ever on knowing what it is getting for its tax dollars and how government is performing."

Final Thoughts

Today, the federal CFO community faces many challenges, or better yet, opportunities to continue to make a difference. With the range of issues government is now facing, including the long-term fiscal situation, the CFO's role is expanding in scope and importance. CFOs have demonstrated that they can and will continue to meet the challenge. When one looks back to 1990, the role and capabilities of the federal CFO community were dramatically different from today. As the candles on the cake celebrating 20 years of the CFO Act are blown out, the CFO community should give itself a big round of applause for a job well done, and "make a wish" for a future that takes us to the next stage of the journey to high-performance in accountability and in managing the cost of government. ■

This article represents the views of the authors only and does not necessarily represent the views or professional advice of KPMG LLP.

End Notes

1. GAO, The Federal Government's Long-Term Fiscal Outlook: January 2010 Update, GAO-10-468SP, March 2, 2010.

2. Charles Bowsher served as Comptroller General of the United States from 1981 to 1996. His tenure was marked by the passage of not only the CFO Act in 1990 but also a comprehensive legislative framework that has paid great dividends to managing the cost of government over almost three decades, and includes the 1. Government Performance and Results Act in 1993; 2. Government Management Reform Act in 1994; 3. Federal Managers' Financial Integrity Act in 1982; 4. Debt Collection Act in 1982; 5. Prompt Payment Act in 1982; 6. Single Audit Act in 1984; 7. Credit Reform Act in 1990; 8. Cash Management Improvement Act in 1990; 9. Federal Financial Management Improvement Act in 1996; 10. Clinger-Cohen Act in 1996; 11. Single Audit Act Amendments in 1996; and 12. Debt Collection Improvement Act in 1996.

3. GAO, Managing the Cost of Government: Building an Effective Financial Management Structure, GAO/AFMD-85-35 and 35A, February 1985.

4. Chief Financial Officers Act of 1990 (Public Law 101-576, 104 Stat. 2838, November 15, 1990).

5. The Budget and Accounting Procedures Act of 1950 (Public Law 81-784, September 12, 1950).

6. "Taking the Next Steps to High Performance in Federal Financial Management," by Jeffrey C. Steinhoff, CGFM, CPA, CFE, and Laura Price, CGFM, CPA, *Journal of Government Financial Management*, Spring 2009.

7. U.S. Representative Joseph J. DioGuardi introduced the Federal Financial Management Improvement Act, H.R. 4495, in March 1985. H.R. 4495 called for a CFO for the federal government and the consolidation of federal financial management and activities within a single new organization. A champion for financial management reform, DioGuardi served in the House of Representatives from January 3, 1985 to January 3, 1989.

8. See H.R. Report No. 101-818, Part 1, 1990.

9. The U.S. Departments of Agriculture, Labor, Veterans Affairs, Housing and Urban Development, Army, and Air Force, the Social Security, General Services Administrations, the Internal Revenue Service and the then Customs Service.

10. Initially 23 agencies were covered by the CFO Act. The Social Security Administration was added in 1994, making it 24. The Federal Emergency Management Agency, one of the original 23 CFO Act agencies, was transferred to the U.S. Department of Homeland Security, which itself became a CFO Act agency beginning in 2005, again making for 24 CFO Act agencies.

11. The Government Management Reform Act of 1994 (Public Law 103-356, 108 Stat. 3410, October 13, 1994).

12. Accountability of Tax Dollars Act of 2002 (Public Law 107-289, November 7, 2002).

13. The Chief Financial Officers Act of 1990 (Public Law 101-576, November 15, 1990).

14. The Government Performance and Results Act of 1993 (Public Law 103-62, 107 Stat.285, August 3, 1993); the Government Management Reform Act of 1994 (Public Law 103-356, 108 Stat. 3410, October 13, 1994); the Federal Financial Management Improvement Act of 1996 (Public Law 104-208, div. A., sec. 101(f), title VIII 110 Stat. 3009, 3009-389, September 30, 1996); the Clinger-Cohen Act of 1996 (Public Law 104-106, div. E, 110 Stat. 186,679, February 10, 1996); the Accountability of Tax Dollars Act of 2002 (Public Law 107-289, 116 Stat. 2049, November 7, 2002).

15. The Government Performance and Results Act of 1993 (Public Law 103-62, 107 Stat.285, August 3, 1993).

16. GAO, CFO Act of 1990: Driving Transformation of Federal Financial Management, Statement of Jeffrey C. Steinhoff, Managing Director, Financial Management and Assurance, GAO-06-242T, November 17, 2005.

17. GAO, Executive Guide: Creating Value Through World-class Financial Management, GAO/AIMD-00-134, April 1, 2000; and Association of Government Accountants and Grant Thornton, LLP, CFO Survey: Preparing for Tomorrow's Way of Doing Business, March 1998.

18. Edward Mazur, G. Edward DeSeve, Joshua Gotbaum, Mark Everson, Linda Springer, Linda Combs and Daniel Werfel.

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25. GAO, Financial Management: Effective Internal Control is Key to Accountability, Statement of Jeffrey C. Steinhoff, Managing Director, Financial Management and Assurance, GAO-05-321T, February 16, 2005.

26. U.S. Department of the Treasury, 2009 Financial Report of the United States Government, Statement of the Comptroller General of the United States, pages 31 to 38, and Government Accountability Office Auditor's Report, pp. 209-234.

27. U.S. Departments of Education, Energy, Housing and Urban Development, the Interior, Labor and Treasury, Federal Aviation Administration, Federal Housing Agency, Federal Trade Commission, Office of Financial Stability at Treasury, Peace Corps, Commodity Futures Trading Commission, General Services Administration, Government Accountability Office, Nuclear Regulatory Commission, Patent and Trademark Office, Securities and Exchange Commission, Small Business Administration and Social Security Administration.

28. Statutorily authorized in the Budget and Accounting Procedures Act of 1950 (31 USC 65 as amended), the Joint Financial Management Improvement Program is a joint undertaking of OMB, Treasury, GAO and the Office of Personnel Management, working in cooperation with each other and other agencies to improve federal financial management practices.

29. "Taking the Next Steps to High Performance in Federal Financial Management," by Jeffrey C. Steinhoff, CGFM, CPA, CFE, and Laura Price, CGFM, CPA, Journal of Government Financial Management, Spring 2009.

30. KPMG Government Institute, The KPMG Executive Guide to High Performance in Federal Financial Management, March 2009.

31. Presidential Executive Order—Reducing Improper Payments and Eliminating Waste in Federal Programs, November 23, 2009.

32. The Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204, July 22, 2010).

33. KPMG Government Institute, The Executive Order on Improper Payments: A Practical Look at What Government Agencies Can Do to Address This Presidential Call for Action, March 2010.

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35. "The Government Management Reform Act of 1994: A Retrospective of Achievements and Remaining Challenges and a Look to the Future," by Jeffrey C. Steinhoff, CGFM, CPA, CFE, and Robert F. Dacey, JD, CGFM, CPA, Journal of Government Financial Management, Winter 2008.

36. One such project is the FASAB Financial Reporting Model Task Force, which is examining the financial reporting model and making recommendations for enhancement.

37. The Federal Funding Accountability and Transparency Act of 2006, Public Law 109-282, September 26, 2006.

38. Presidential Memorandum on Transparency and Open Government, January 21, 2009; OMB, Open Government Directive, OMB M-10-6, December 8, 2009; and OMB, Open Government Directive—Federal Spending Transparency, April 6, 2010.

39. For example, USAspending.gov, Data.gov, Recovery.gov and related agency open government websites

40. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5, February 17, 2009).

41. "The American Recovery and Reinvestment Act: Is Government Turning a New Page in Accountability, Transparency and Intergovernmental Relations?" by Jeffrey C. Steinhoff, CGFM, CPA, CFE, and Paul L. Posner, Ph.D., Journal of Government Financial Management, Spring 2010.



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