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**Statement of Virginia A. McMurtry  
Congressional Research Service  
before the  
Subcommittee on Efficiency and  
Financial Management  
House Committee on Government Reform  
September 15, 2004**

Mr. Chairman and members of the subcommittee, my name is Virginia McMurtry and I am a Specialist in American National Government with the Congressional Research Service in the Library of Congress. Thank you for the invitation to testify at this hearing on the evolving role of Chief Financial Officers (CFOs) in the federal government.

A rewarding aspect of working at CRS over the years is to follow a major reform measure, such as the Chief Financial Officers Act of 1990, through the legislative process, to assess initial implementation, and then to continue tracking subsequent developments relating to the law, including amendments. My comments here today reflect an “institutional memory” perspective, rather than expertise as a financial management practitioner. The testimony is intended to provide historical background on the CFO role and highlight developments affecting the evolution of the CFO position in agency management. As you requested, I conclude with some brief observations from my recent study of the CFO position in the Department of Homeland Security.

**Establishment of the CFO Framework**

The Chief Financial Officers (CFO) Act of 1990<sup>i</sup> sought to improve financial management practices by establishing a new leadership structure for federal financial management. The framework created by the law includes two new positions within the Office of Management and Budget and 23 chief financial officers (CFO) and deputy CFOs in major executive departments and agencies.<sup>ii</sup> Of the 23 CFO positions, 16 are filled by presidential appointees, who are confirmed by the Senate. CFO positions subject to confirmation include those in the 14 cabinet-level departments (excluding the Department of Homeland Security or DHS), the Environmental Protection Agency, and the National Aeronautics and Space Administration. The remaining seven CFO positions (for the Agency for International Development, General Services Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and Social Security Administration), along with all 23 deputy CFO positions, are career positions, filled by agency head appointment.

The 23 CFO positions for the major executive departments and agencies constituted an important component in the new leadership structure for federal financial management established by the CFO Act. As noted in a House report accompanying the legislation, “These [agency CFO and Deputy CFO] positions are an integral part of the reform process because the individuals filling them

will form the network needed to undertake government-wide financial management reform, maximizing the sharing of successes while minimizing duplication of effort.”<sup>iii</sup>

The 1990 law required that agency CFOs be selected from “individuals who possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities.” Qualifications for deputy CFO positions included “demonstrated ability and experience in accounting, budget execution, financial management analysis, and systems development, and not less than 6 years practical experience in financial management at large governmental entities” (both standards excerpted from P.L 101-576, Sec. 205).

Section 205 of the 1990 law provided for the establishment of agency CFOs and delineated their functions (subsequently codified at 31 U.S.C. 902). Each of the 23 agency CFOs reports directly to the agency head and is responsible for all financial management operations, activities, and personnel. “Financial management” is broadly conceived to encompass a variety of duties for the CFOs, such as producing financial information, establishing an integrated financial management system, developing cost information, and conducting systematic performance measurement. The agency CFOs are to develop financial management budgets, supervise asset management, produce financial reports, and monitor budget execution. Their personnel functions include recommending Deputy CFOs, recruiting financial management staff, and overseeing training.

The CFO Act further required that agency heads undertake a review of their financial management activities “... for the purpose of consolidating [the agency’s] accounting, budgeting, and other financial management activities under the agency Chief Financial Officer....” (Section 206). Following this review, agency heads were to submit a reorganization proposal for OMB approval that described the functions, powers, duties, personnel, property, and records over which the CFO was to have authority, along with a detailed outline for the administrative structure of the agency’s CFO office. In a 1991 memorandum to CFO Act agency heads, conveying guidance for preparing these organization plans, an OMB official suggested that the plan “should concentrate on specifying the CFO’s authorities to carry out the purposes of the CFO Act and improve financial management generally. Each Department or agency will have different organizational ways of doing this.”<sup>iv</sup> While all the CFOs share the same broad statutory responsibilities, the roles of the CFO in the organizational structure of the respective agencies are not identical, as examined further below.

### **CFO Act Spawns More Reforms and Expansion of CFOs’ Role**

Amendments to the CFO Act have created additional statutory responsibilities for agency CFOs in federal management. For example, in 1993 the Government Performance and Results Act (GPRA) built upon agency financial information mandated by the CFO Act. GPRA stipulated new performance measurement requirements, extending the initial language in the CFO Act regarding “systematic measurement of performance” for selected activities.<sup>v</sup>

Provisions in the Government Management Reform Act of 1994<sup>vi</sup> substantially expanded the requirements in the CFO Act for audited financial statements. Initially, under the CFO Act, all covered agency heads were to prepare and submit to OMB audited financial statements for each revolving and trust fund and for accounts that performed substantial commercial functions. In addition, a three-year pilot program (eventually involving 10 of the original 23 agencies) commenced, requiring preparation of audited financial statements for all agency accounts. The 1994 amendments extended the requirement for audited financial statements covering all accounts to include all 23 CFO agencies. Beginning in 1997, and annually thereafter, the agency head is to submit to the OMB director “an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency.”

The CFO Act also provided a foundation for the Federal Financial Management Improvement Act (FFMIA) of 1996,<sup>vii</sup> which incorporated into statute certain financial system requirements already established as executive branch policy. The FFMIA established a general requirement for CFO agencies to “implement and maintain financial management systems that comply substantially with federal financial management system requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level.” The 1996 law requires auditors to report on agency compliance with these requirements, and agency heads to correct deficiencies within certain time periods.

Other statutory changes include the creation of new CFO positions. These additions, however, differ somewhat from the group of the 24 CFO positions previously established. In 1993, the law creating the Corporation for National and Community Service (CNCS) provided for a Chief Financial Officer, to be appointed by the President, with advice and consent of the Senate; the listing of duties for the CFO includes some language identical to that found in 31 USC 902, but other provisions are not the same.<sup>viii</sup> In 1999, a provision in the Treasury and General Government Appropriations Act, 2000 created the position of Chief Financial Officer within the Executive Office of the President (EOP), to be appointed or designated by the President, with the same authority and duties as other CFOs “to the extent the President determines appropriate and in the interests of the United States.”<sup>ix</sup> Therefore, the CFO in the EOP is also distinct from those in the 23 CFO agencies at present, although the provisions were codified as a separate section of the CFO chapter.<sup>x</sup> The special status of the CFO in the Department of Homeland Security is addressed subsequently.

### **Strengthening and Expanding the Role of the CFO Council**

The CFO Act provided for an interagency Chief Financial Officers Council, to be chaired by OMB’s Deputy Director for Management, and initially consisting of the agency CFOs, the Controller of the Office of Federal Financial Management and the Fiscal Assistant Secretary of Treasury. According to Section 302 of the CFO Act, the Council was to “meet periodically to advise and coordinate activities of the agencies of its members” on various financial management issues. For various reasons, the Council got off to slow start, and, according to one account, “By the end of 1992, council meetings were reduced to briefings by staffers from OMB’s [OFFM] ... , with minimal interest and support from the agency CFOs.”<sup>xi</sup>

The arrival of a new administration in 1993 provided the opportunity to fill the agency CFO positions with new appointees whose backgrounds more closely matched statutory financial management qualifications for the CFOs.<sup>xii</sup> With the infusion of new members, actions commenced that led to eventual revitalization of the council. In March 1994, the CFO Council adopted recommendations for reform. Membership was expanded to include the 23 career deputy CFOs, to provide cooperation and continuity of effort beyond the generally shorter tenure of the CFOs (mostly political appointees). The council agreed to the establishment of standing committees or *ad hoc* groups to address priority areas, and approved the creation of four new council officer positions. Finally, the Council decided that in the future, meeting agendas would be set by the officers rather than OMB. These significant changes were formally incorporated in the council’s charter, adopted by majority vote of the members on February 21, 1995.<sup>xiii</sup>

### **Evolving CFO Role as Reflected in the Annual Financial Managements Reports**

The CFO Act required that OMB submit to Congress each year a Federal Financial Management Status Report and Five-Year Plan. Recently the 12th such report was issued in August 2004.<sup>xiv</sup> This series of reports review the accomplishments, current status, and plans for improvement of federal financial management. The reports thus offer a useful source of information for tracking the implementation of the CFO Act and the evolving roles for the agency CFOs and the CFO Council.

In May of 1994 the CFO Council drafted a vision statement for federal financial management, defined goals for implementing the vision, and strategies for achieving each goal. The four goals provide insight into the self- perception of roles to be played by the agency CFOs:

- to provide leadership to promote the efficient management of government resources and assets;
- to provide quality financial services to customers based on their needs;
- to provide complete and useful financial information on federal government operations which fully supports financial and performance reporting;
- to establish a government-wide framework to provide sound financial policies and services to facilitate effective communication.<sup>xv</sup>

The annual reports from 1992-1999 typically had the discussion organized around specific components necessary for financial management in the federal government. For example, in 1993 there were seven components identified as central in the administration of financial management: accountability standards, financial management organization, financial management personnel, financial systems, management controls, asset management, and audited financial reporting.<sup>xvi</sup> The 1995 report, the first to be prepared jointly by the CFO Council and OFFM in OMB, outlined eight priorities identified by the CFO Council: improve financial management systems, implement Government Performance and Results Act, issue accounting standards and financial statements, develop human resources and the CFO organizations, improve management of receivables, ensure management accountability and control, modernize payments and business methods, and improve administration of federal assistance programs.<sup>xvii</sup>

In the annual reports from 1995-1999, under discussion of the priority to “develop human resources and the CFO organizations,” a table was included which indicated, for each of the 24 agencies, functions over which its CFO had some managerial responsibility. The information reflected the agency reorganization plans for consolidating financial management functions, mandated by the CFO Act, and as approved by OMB. **Table 1** below provides a depiction of data on the “Chief Financial Officers Organizations” as of 1997, and **Table 2**, as of 1999 (the last year this table appeared in the annual report).

In 1999 all 24 CFOs exercised managerial responsibility over finance operations and analysis. Twenty CFOs had responsibility over budget formulation and execution, and 23 CFOs were responsible for financial systems (seven more agencies than two years earlier as indicated in **Table 1**). Data on the CFO organizations in 1997 (see **Table 1**) included additional functions over which CFOs had some managerial responsibility. Finance operations and analysis (24), budget formulation and execution (20), and financial systems (16) represented the most widely held CFO responsibilities in 1997, followed by primary agency-wide responsibilities for GPRA implementation (13), procurement (10), and grants management (8). With regard to breadth of management responsibilities, Commerce and HHS each reported eight functions performed by the CFO in 1997, followed by Interior and Justice, with seven. AID was at the other end, where the CFO was only

responsible for finance operations and analysis. In 1997 ten of the agencies reported four functional areas of responsible for their CFOs (but not always the same four).

**Table 1. Chief Financial Officer Organizations as of 1997<sup>a</sup>**

Department or Agency	Functions over which CFO has some managerial responsibility*											
	B	E	F	G	Gp	Gp-	I	O	P	Pr	S	Total
USDA			x	x	x						x	4
Commerce	x		x	x	x		x	x	x	x		8
Defense	x		x		x						x	4
Education			x	x						x	x	4
Energy	x		x								x	3
HHS	x		x	x		x	x	x	x	x		8
HUD		x	x		x						x	4
Interior	x		x	x	x		x		x	x		7
Justice	x		x		x		x	x	x	x		7
Labor	x		x								x	3
State	x		x								x	3
Transportation	x		x		x						x	4
Treasury	x		x		x		x	x	x	x		7
VA	x		x		x		x			x		5
AID			x									1
EPA	x		x		x						x	4
FEMA	x		x	x						x	x	5
GSA	x		x		x						x	4
NASA	x		x								x	3
NSF	x		x	x						x		4
NRC	x		x		x						x	4
OPM	x		x		x						x	4
SBA	x		x								x	3
SSA	x		x	x				x		x	x	6
<b>Total</b>	<b>20</b>	<b>1</b>	<b>24</b>	<b>8</b>	<b>13</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>16</b>	

<sup>a</sup> Adapted from table in 1997 *Federal Financial Management Status Report and Five Year Plan*, p. 33.

\*Function Codes:

- |    |  |     |                                   |
|----|--|-----|-----------------------------------|
| B  | Budget formulation and execution                                       | E   | Budget execution only             |
| F  | Finance operations and analysis  | G   | Grants management                 |
| Gp | GPRAs (primary agency-wide responsibilities)                           | Gp- | GPRAs (except for Strategic Plan) |
| I  | Information resources management office (CIO responsibility per ITMRA) |     |                                   |

0 Other P Personnel Pr Procurement  
S Financial systems only (excludes other system development by IRM/CIO)

**Table 2. Chief Financial Officer Organizations as of 1999<sup>a</sup>**

Agency	Budget Formulation and Execution	Financial Operations and Analysis	Financial Systems
USDA		x	x
Commerce	x	x	x
Defense	x	x	x
Education		x	x
Energy	x	x	x
HHS	x	x	x
HUD	x	x	x
Interior	x	x	x
Justice	x	x	x
Labor		x	x
State	x	x	x
Transportation	x	x	x
Treasury	x	x	x
VA	x	x	x
AID		x	x
EPA	x	x	x
FEMA	x	x	x
GSA	x	x	x
NASA	x	x	x
NRC	x	x	x
NSF	x	x	
OPM	x	x	x
SBA	x	x	x
SSA	x	x	x
Total	20	24	23

<sup>a</sup> Table found in 1999 *Federal Financial Management Status Report and Five Year Plan*, p. 59. The table indicates whether CFOs for the respective agencies had responsibility for each of the three functions designated in the columns.

The 2000 financial report provided a retrospective on achievements in federal financial management during the first decade of the CFO Act, as well unfinished business remaining: “This [2000] report highlights how far Federal financial management has come in the past decade and describes additional improvements needed in the future.”<sup>xxviii</sup> An accompanying cover letter from President Bill Clinton commended the members of the CFO Council and observed that their accomplishments to date “have provided a strong framework for the next Administration to achieve even more progress in improving federal financial management in this new century....”<sup>xxix</sup> A recent journal article reviewing the CFO Act’s first decade characterized the evolving role played by agency CFOs as follows:

...the CFOs are no longer considered bean counters with green eye shades. Many have moved from a role of establishing and enforcing controls and tracking numbers to a role of providing financial services and fostering the improvement of business practices. They are attempting to have government business done faster and more accurately in a customer-driven environment.<sup>xx</sup>

The 2002-2004 financial reports increasingly have reflected the priorities of the President’s Management Agenda, an ongoing effort in the executive branch for “improving management and performance in the federal government.”<sup>xxxi</sup> One of five government-wide initiatives coming under the rubric of the Agenda is improved financial performance,<sup>xxii</sup> which seeks to enhance the quality and timeliness of financial information available to the agencies and Congress. Other facets involve improving assets management, reducing improper payments, and strengthening controls over federal credit cards.<sup>xxiii</sup>

These three most recent financial reports also include discussion of the Executive Branch Management Scorecard used to measure progress on the five government-wide Agenda initiatives; the Scorecard previewed in the President’s budget submission for FY 2003, with quarterly updates subsequently. The Scorecard uses a traffic light motif of green for success, yellow for mixed results, and red for unsatisfactory. For each initiative, there are multiple “standards for success,” or core criteria which an agency must meet in order to get a green rating. The four core criteria for “getting to green” on the improving financial performance initiative comprise the following requirements:

- Financial management systems meet federal financial management system requirements and applicable federal accounting and transaction standards as reported by the agency head.
- Accurate and timely financial information.
- Integrated financial and performance management systems supporting day-to-day operations.
- Unqualified and timely audit opinions on the annual financial statements; no material internal control weaknesses reported by the auditors.<sup>xxiv</sup>

The leadership role of the CFOs as agencies strive to meet these core criteria is substantial. As of June 30, 2004, four agencies received green for financial performance.

Meanwhile, the CFO Council reorganized its committees in line with the priorities of the Agenda. For 2002-2003 there were six committees, including the Financial Statement Acceleration, Human Capital, Financial Systems and E-Government, Best Practices, Budget and Performance Integration, and Erroneous Payments committees.<sup>xxv</sup> The 2004 report described more committee restructuring for the CFO Council, “refreshing and updating its focus.” New committees, such as the Financial Management Policies and Practices, “are actively engaged in studying emerging issues.” Continuing committees such as Financial Reporting Acceleration remain “very influential in providing forums for sharing best practices and influencing OMB guidance.”<sup>xxvi</sup> The reports for

2002, 2003, and 2004 include a description of each CFO Council Committee, its recent accomplishments, and plans for the future. The 2004 report specifically attributes the committee reports included to the respective chairpersons.

## **Summary**

The 23 Chief Financial Officers, established by the CFO Act of 1990, constituted an important group of new actors in the leadership structure for federal financial management.

To promote their accountability, the CFOs serving in the cabinet departments and two other major agencies were to be appointed by the President and confirmed by the Senate. All the CFOs were to report directly to the secretary or agency head, thereby elevating their stature and helping to ensure them a “seat at the table” in management decision-making.

The CFOs are responsible for all financial management operations, activities, and personnel. Among other things, the CFOs are to produce financial information, establish integrated financial management systems, and monitor budget execution. While all the CFOs share the same broad statutory responsibilities, the roles of the CFOs in the organizational structure of the respective agencies are not identical.

The broad duties for the agency CFOs conferred by the CFO Act in 1990 were augmented by subsequent amendments. The GMRA of 1994 extended the initially limited requirements for audited financial statements to cover all agency accounts for the CFO agencies, creating an important new responsibility for agency CFOs. The CFO role expanded again with the FFMIA in 1996, which required agencies to implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the federal government’s standard general ledger at the transaction level.

The CFO Act provided for an interagency Chief Financial Officers Council to advise and coordinate agency activities on a variety of financial management issues. In the mid-1990s the council was revitalized, with adoption of a charter that expanded membership to include the 23 career deputy CFOs, approved the creation of four new council officer positions, provided for the establishment of council standing committees to address priority areas, and stipulated that henceforth meeting agendas would be set by the council officers rather than by OMB.

From 1995-2000 the annual financial management reports were issued jointly by OMB and the CFO Council. As recounted in the annual financial management reports during this period, as required by the 1990 law, priorities for federal financial management were being set by the CFO Council. From 1995-1999 the reports included a table reflecting “CFO Organizations” in the agencies. In 1999 agencies reported that all 24 CFOs exercised managerial responsibility over finance operations and analysis. By then 23 CFOs were responsible for financial systems, and 20 had responsibility for budget formulation and execution. The 2000 report provided retrospective on achievements in federal financial management during the first decade under the CFO Act, as well as unfinished business remaining.

From 2002-2004 the CFO mandated financial reports increasingly have reflected the priorities of the Bush Administration’s Management Agenda. One of five government-wide

initiatives in the Agenda is improving financial performance. Emphasized here are enhancement of the quality and timeliness of financial information available to the agencies and Congress, as well as improving assets management, reducing improper payments, and strengthening controls over federal credit cards.

With OMB providing leadership for the improving financial performance initiative of the Agenda in the executive branch, the roles of the CFOs and their council continue to develop. While the council charter adopted in 1995 provides that the council officers set the agenda for federal financial management, OMB appears to be the pivotal player at present. The major council activity apparently is increasingly gravitating to the committee level. While cooperation between the reorganized OFFM in OMB and the revised council committee structure may well prove conducive to advancement of common goals, the issue of continued independence for the CFO Council may be of some concern. The CFO Act established the agency CFOs as a distinct group of actors with considerable independence and separate accountability, not just as a supportive group following directives from OMB. The evolution of the relationships between the role of the agency CFOs, the CFO Council, and central leadership from OFFM and OMB will likely continue to be of interest for purposes of congressional oversight.

### **Role of the CFO in the Department of Homeland Security<sup>xxvii</sup>**

The Homeland Security Act of 2002 provided for a CFO position in the new department.<sup>xxviii</sup> Unlike the appointment procedure for CFOs in other cabinet-level departments, however, the CFO in the Department of Homeland Security is appointed by the President, but not subject to Senate confirmation. With respect to specific duties and responsibilities of the CFO for DHS, Section 103 (e), Performance of Specific Functions, states: “Subject to the provisions of this Act, every officer of the Department [the CFO included] shall perform the functions specified by law for the official’s office or prescribed by the Secretary.”<sup>xxix</sup> The law makes no reference to the CFO Act or to Chapter 9 of Title 31. In addition, unlike all the other CFOs, who report directly to the agency head, the CFO for DHS may report to the Secretary, or to “another official of the Department, as the Secretary may direct.”<sup>xxx</sup>

Although the act establishing DHS did not place the new CFO position under Chapter 9 of Title 31, the issue was addressed in both chambers during consideration of the legislation in the 107<sup>th</sup> Congress. The status of the CFO in DHS was quickly revisited in the 108<sup>th</sup> Congress, following the establishment of DHS on March 1, 2003. Since the CFO in DHS was not formally under the CFO Act, DHS was not covered by subsequent amendments, such as the FFMIA. The FFMIA requires agencies to implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the federal government’s standard general ledger at the transaction level, with auditors reporting on compliance with FFMIA requirements in the annual audits of CFO Act agency financial statements. Moreover, the CFO in DHS is not a statutory member of the CFO Council, an important interagency group.

One version of the Department of Homeland Security Financial Accountability Act, S. 1567, which would bring the CFO for DHS directly under the CFO Act, passed the Senate under unanimous consent on November 21, 2003. A related bill, H.R. 4259, was approved by the House under suspension of the rules on July 20, 2004. An important modification in H.R. 4259 from S. 1567 and an earlier House bill is a dual reporting structure for the DHS CFO, who would report both

to the DHS Secretary (akin to the other cabinet-level CFOs) and concurrently to the Under Secretary for Management (the actual arrangement for the CFO in DHS at present). The legislation appears to enjoy considerable support outside the Administration; as noted in testimony by GAO:

The goals of the CFO Act and related financial reform legislation, such as FFMIA, are to provide Congress and agency management with reliable financial information for managing and making day-to-day decisions and to improve financial management systems and controls to properly safeguard the government's assets. DHS should not be the only cabinet-level department not covered by what is the cornerstone for pursuing and achieving the requisite financial management systems and capabilities in the federal government.<sup>xxxii</sup>

Supporters also contend that the CFO Act and related laws should apply consistently across the executive branch, and that the "unequal" status currently accorded the CFO in DHS denigrates the CFO position and the importance of financial management in DHS. The CFO position, with its fiduciary responsibilities, carries with it special needs for accountability, which Senate confirmation reinforces, proponents argue. In short, those who favor bringing the CFO in DHS directly under the CFO Act argue that confirmation is important, reporting directly to the Secretary is significant, and statutory symmetry, including membership in the CFO Council, for all cabinet-level CFOs, is desirable.

The Bush Administration has opposed bringing the CFO in DHS under the CFO Act, on grounds of diluting the effort to consolidate management responsibilities in DHS under the Under Secretary for Management, and, subsequently, from the rationale of reducing the number of positions subject to Senate confirmation.<sup>xxxiii</sup> Furthermore, according to both the current and previous CFO in DHS, the legislation is unnecessary, because they have already voluntarily complied with the requirements of the CFO Act and its amendments. As CFO Andrew Maner testified before this subcommittee earlier this year, "[T]his legislation will not alter the way in which I perform my job, nor will it provide me any tools, reporting structures, or other authorities that I do not have today."<sup>xxxiiii</sup>

During floor consideration of H.R. 4259, Representative Todd Platts commended DHS for its efforts in being fiscally responsible: "Although they [DHS Secretary Tom Ridge and other administration officials] are not required to comply with the CFO Act, they have made a determined effort to do so and are setting a good example." Enactment of H.R. 4259, nonetheless, is necessary, in order to ensure DHS compliance with provisions in the CFO Act, as amended, in the future.<sup>xxxv</sup> Representative Edolphus Towns, the ranking member of the Government Efficiency Subcommittee, likewise urged passage of H.R. 4259, noting, in his concluding remarks, "This is a necessary step forward if we are to develop an efficient and effective agency that is ready to achieve its purposes of protecting our citizens, infrastructure, and borders."<sup>xxxvi</sup>

Thank you. I would be happy to respond to questions.

## Endnotes

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i. P.L. 101-576, Nov. 15, 1990; 104 Stat. 2838; codified as amended at 31 U.S.C., Chapters 5, 9, 11, and 35; also 5 U.S.C. 5313-5315, 38 U.S.C. 201 nt, and 42 U.S.C. 3533.

ii. There were originally 23 CFO agencies, but when the Social Security Administration was established as an independent agency, pursuant to the Social Security Independence and Program Improvements Act of 1994 (108 Stat. 1467), an additional CFO position was created, bringing the total to 24. When the Department of Homeland Security was created, the Federal Emergency Management Agency (FEMA) was merged into it, along with FEMA's CFO position, bringing the total of agencies fully subject to the CFO Act back to 23 CFOs.

iii. U.S. Congress, House Committee on Government Operations, *Chief Financial Officer Act of 1990*, report to accompany H.R. 5687, 101<sup>st</sup> Cong., 2<sup>nd</sup> sess., H.Rept. 101-818, part 1 (Washington: GPO, 1990), p. 21.

iv. U.S. Executive Office of the President, Office of Management and Budget, Memorandum from Frank Hodsoll, Executive Associate Director, re. "Guidance for Preparing Organization Plans Required by the ... CFO Act, Feb. 27, 1991, M-91-07

v. See Public Law 103-62, 107 Stat. 285.

vi. Federal Financial Management Act of 1994 was enacted as Title IV of the Government Management Reform Act of 1994; Public Law 103-356, 108 Stat. 3412.

vii. Enacted as Title VIII in the Omnibus Consolidated Appropriations Act for FY 1997; 110 Stat. 3009-389; 31 U.S.C. 3512 note.

viii. Public Law 103-82, 107 Stat. 882, 42 U.S.C. 12651f.

ix. Public Law 106-58, Sec. 638, 113 Stat. 475.

x. 31 U.S.C. 901(c)(1)-(4).

xi. Michael Serlin, "Born-Again Financial Management, *Government Executive*, vol. 28, May 1996, p. 63.

xii. When the CFO Act was enacted in 1990, there was something of a scramble to appoint chief financial officers quickly, and in many cases a political appointee already in place was named to serve as CFO along with continuing as assistant secretary for administration or management. "Some of these [initial] CFO appointees had financial management backgrounds, but many did not" ( See Serlin, p. 63).

xiii. See "Charter: United States Government Chief Financial Officers Council," available electronically at: [http://www.cfoc.gov/documents/doc\\_cfo\\_currentcharter.htm](http://www.cfoc.gov/documents/doc_cfo_currentcharter.htm)], visited Sept. 2004.

xiv. U.S. Executive Office of the President. Office of Management and Budget. *Federal Financial Management Report 2004* (issued Aug. 2004). Available at [[http://www.whitehouse.gov/omb/financial/2004\\_report.pdf](http://www.whitehouse.gov/omb/financial/2004_report.pdf)], visited Aug. 2004. No report was issued for 2001.

xv. Ibid.

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xvi. U.S. Executive Office of the President, Office of Management and Budget, *Federal Financial Management Status Report and 5-Year Plan: August 1993* (Washington: GPO, 1993), p. x.

xvii. See U.S. Executive Office of the President, Office of Management and Budget, *Federal Financial Management Status Report & Five-Year Plan: July 1995* (Washington: GPO, 1995).

xviii. See U.S. Executive Office of the President, Office of Management and Budget, *2000 Federal Financial Management Report* (Washington: GPO, 2000), p. 3.

xix. Letter from the White House, dated Nov. 20, 2000.

xx. Harold Steinberg, "The Chief Financial Officers Act: A Ten Year Progress Report," *Government Accountants Journal*, vol 49, Winter 2000, p. 50.

xxi. U.S. Office of Management and Budget, *The President's Management Agenda—FY2002* (Washington: OMB, 2001), p. 1. For an online update about developments related to *Agenda* initiatives, see: [<http://www.results.gov>].

xxii. The four other government-wide initiatives include strategic management of human capital, competitive sourcing, expanded electronic government, and budget and performance integration.

xxiii. See *Federal Financial Management Report 2004*.

xxiv. *Ibid.*, pp 30-32..

xxv. U.S. Executive Office of the President, Office of Management and Budget, *Federal Financial Management Report 2003* (Washington: GPO, 2003).

xxvi. *Federal Financial Management Report 2004*, p. 1.

xxvii. For further information on this subject, see CRS Report RL32550, *Homeland Security Financial Accountability Act: History and Recent Developments*, by Virginia A. McMurtry.

xxviii. P. L. 107-296, Sec. 103; 116 Stat. 2145.

xxix. *Ibid.*

xxx. *Ibid.*, Sec. 702, 116 Stat. 2219.

xxxi. U.S. General Accounting Office, *Department of Homeland Security: Challenges and Steps in Establishing Sound Financial Management*, GAO-03-1134T (Washington: Sept. 10, 2003), p. 2.

xxxii. Concern has also been voiced about some other provisions in the legislation, beyond bringing the CFO in DHS directly under the CFO Act. For example, at issue are the potential costs of conducting audits of internal controls in DHS, creating a new Office of Program Analysis and Evaluation, or imposing additional planning and reporting requirements on DHS.

xxxiii. Statement of Andrew B. Maner before House Subcommittee on Government Efficiency and Financial Management, March 10, 2004. Available at: [[http://house.gov/UploadedFiles/Maner\\_Testimony.pdf](http://house.gov/UploadedFiles/Maner_Testimony.pdf)], visited June 2004.

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The bill referenced was H.R. 2886, an earlier version of H.R. 4259.

xxxiv. Department of Homeland Security Financial Accountability Act, Remarks by Rep. Todd Platts  
*Congressional Record*, daily edition, vol. 150, July 20, 2004, *ibid.*, p. H6073.

xxxv. Rep. Edolphus Towns, Remarks in *ibid.*, H6074.