

**Statement of The Honorable Linda M. Springer  
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**Before the  
Subcommittee on Government Efficiency and Financial Management  
Committee on Government Reform  
United States House of Representatives  
September 15, 2004**

**“The Role of the Chief Financial Officer in the Federal Government”**

Thank you, Mr. Chairman.

I appreciate the opportunity to testify before this Subcommittee to discuss the role of the Chief Financial Officer (CFO) in the Federal Government.

Just over two years ago, I joined the Office of Management and Budget (OMB) to become the Controller and head of the Office of Federal Financial Management. At the time, approximately a decade had passed since the enactment of the CFO Act of 1990 (CFO Act), which created the position of a CFO at the major departments and agencies in the Federal Government. As the statutory head of financial management in the Federal Government, I direct and oversee these CFOs in carrying out substantial portions of their responsibilities. This vantage point, combined with 25 years of private sector financial and management experience underlies the perspective I will share with you today on the role and effectiveness of our CFOs.

**Chief Financial Officer Responsibilities**

The CFO Act sets forth the specific authority and details the responsibilities of the major Federal agency CFO offices (31 U.S.C. 902). These statutory duties can be categorized into the following eight areas:

1. reporting of financial management matters to the agency head;
2. oversight of agency financial management activities;
3. development and maintenance of the agency's accounting and financial management systems;
4. providing input for selection of deputy CFOs;
5. management of agency financial management staff, activities and operations;
6. preparation and submission of performance and accountability reports on the agency's financial management;
7. monitoring of financial execution of the agency's budget; and
8. review of and recommendations related to cost coverage of an agency's charges imposed for services and things of value rendered.

Under the CFO Act, the CFO is designated as the executive tasked with financial management and related responsibilities at the agency. While his or her statutory activities are often “downstream” from the policy setting process that leads to program enactment, the CFO is an important member of an agency’s leadership team. From budgeting and funding at the front end, through cost management during program execution, to the final accounting and reporting of the disposition of expenditures, the CFO is involved throughout the entire lifecycle of nearly every agency initiative. This requires CFOs to maintain a knowledge of the agency’s operations that is distinguished by its high level of both breadth and depth.

This broad knowledge has made CFOs attractive candidates for expanded duties at their agencies. A recent study conducted by the CFO Council examined the variation in roles and duties of CFOs at the 24 major agencies. Using nine functional areas<sup>1</sup>, the study results support the assertion that agency CFOs have varied duties. Consistent with the CFO Act, all CFOs are responsible for financial systems, operations, and analysis, and nearly all CFOs are also tasked with budget formulation, budget execution, and performance management functions. What is noteworthy is the prevalence of CFOs having additional duties in the areas of personnel (6), procurement (10), and grants management (11) functions.

Clearly, the CFO is increasingly recognized as being positioned to provide agency-wide leadership that other officials with more limited portfolios cannot offer.

### **Chief Financial Officers Council**

Established by the CFO Act of 1990, the CFO Council provides a venue for the CFOs to meet on a periodic basis to advise and coordinate the financial management activities of their agencies. The Council addresses such matters as improved quality of financial information, financial data and information standards, consolidation and modernization of financial systems, internal control, legislation affecting financial operations and organizations, and other financial management matters. As Controller, I lead the Council and work with it to achieve our objectives in these areas.

CFOs are actively engaged in the Council and are integrally involved with the planning of the meeting agendas. Several of the CFOs who serve on the Executive Steering Committee, which meets monthly with the Office of Federal Financial Management to discuss emerging issues, provide committee updates, and help to prepare the agenda for the upcoming Council meeting. At least one CFO co-owns (with OMB) each Council meeting, by preparing and presenting the topics for consideration and discussion by the Council.

The CFO Council has historically accomplished its goals through a committee structure. These committees were recently realigned to better respond to emerging issues and support the needs of the Federal financial community. There exists a good balance on the committees between the CFOs and Deputy CFOs, which provides institutional knowledge, continuity and consistent progress regardless of changes in political leadership. The Office of Federal Financial Management partners with the CFOs in all of their committee work.

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<sup>1</sup> The nine functional areas of the CFO included in the survey were: budget formulation, budget execution, financial operations and analysis, financial systems, IRM, personnel, procurement, grants, and performance management.

The following is a listing and brief description of the current CFO Council committee structure:

***Best Practices:*** This committee helps to resolve common financial management and business process challenges through exposure to new ideas and strategies from “best practice” organizations and alternative perspectives of government and industry leaders. Recent committee activity has focused on scheduling events to hear about private sector approaches to business process re-engineering and shared Federal agency practices in meeting accelerated financial reporting deadlines.

***Financial Management Policies and Practices:*** This newly-formed committee is comprised of representatives from Federal agencies who work collaboratively to identify and address emerging issues. An initial effort of the committee has been to survey the agencies to determine the scope of internal control assurance being provided by management and auditors. Additionally, the committee has undertaken a project, with the Inspector General community, to consider the costs and benefits of additional assurances on Federal agency internal controls.

***Financial Reporting Acceleration:*** The mission of this committee is to help agencies identify and eliminate common barriers to issuing their Performance and Accountability Reports, including the reporting of their audited financial statements by the November 15 deadline. While the committee assists agencies in accelerating their annual reporting processes, it provides the greatest value by increasing agency awareness of common problems and their solutions, providing a forum for their discussion and resolution, and providing a key interface with the audit community on areas of mutual interest.

***Financial Systems and E-Government:*** This committee actively helps to improve Federal financial systems and reporting by championing systems that produce data needed to efficiently and effectively manage the day-to-day operations of the Federal Government, as well as promote the standardization of financial data and the elimination of redundant Federal financial systems. This past year, the committee participated in a number of key initiatives designed to transform the way the Federal Government as an enterprise deploys and uses information technology (IT). The committee also participated in the “Line of Business Initiatives” for financial management and back office grants management, which are developing supporting information systems architectures for the future.

***Improper Payments:*** This committee continues to assist agencies in identifying and eliminating improper payments within their programs and activities. Additionally, it has helped agencies prepare for the challenges of meeting the requirements of the Improper Payments Information Act (IPIA) by

developing a standard format for IPIA reporting requirements and guidance for measuring improper payments in large and complex programs.

***Performance Measurement:*** This committee is designing and developing a performance measurement system based on key financial management indicators that will allow government managers and other stakeholders to assess the financial management performance of both the Federal Government as a whole and each individual agency.

(For additional information on the CFO Council committees, please refer to the 2004 Federal Financial Management Report, located at [www.whitehouse.gov/omb/financial](http://www.whitehouse.gov/omb/financial).)

### **Today's CFO**

Today's CFO is not the CFO of the past. Successful CFOs possess not only financial acumen and subject expertise, but have the full range of leadership skills that are found in CFOs of well-run private sector financial management organizations. To be effective in the expanded areas for which they are responsible, these financial executives and their offices have a comprehensive understanding of both the operational and strategic missions of their agencies. All of these characteristics support the objective that agencies and the American citizens deserve decisions that are informed by accurate and timely financial information and that programs are executed in an environment of robust control and cost consciousness.

Thank you for your time. I am happy to entertain any of your questions.