



The Chief Financial Officers (CFO) Act of 1990: 30th Anniversary and Potential Issues for Congress

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Congress has demonstrated sustained interest in federal financial management and improvement through lawmaking and oversight. The [Chief Financial Officers \(CFO\) Act of 1990](#), enacted in November 1990, established both [processes](#) and institutions to address federal financial management. With the law's 30th anniversary approaching, this Insight discusses related statutory provisions, their implementation, and potential issues for Congress.

CFO Act Overview

Precursors to Enactment

The CFO Act arrived in the wake of growing interest in federal financial management over the preceding decades. In 1982, for example, Congress passed the Federal Managers' Financial Integrity Act, which led executive branch agencies to report over [2,200 material internal control weaknesses](#) by 1988. [Financial scandals](#) at federal agencies in the 1980s further highlighted a perceived need for reform.

Ultimately, with the CFO Act, Congress established institutions and processes within agencies and across the executive branch, with responsibilities for new agency officials and the [Office of Management and Budget \(OMB\)](#).

Provisions and Implementation

Agency CFOs and Deputy CFOs

Statutory CFO positions were established at [large executive branch agencies](#), known as the "CFO Act agencies," which now total 24 in number. Most of these CFO positions are presidentially appointed and Senate confirmed, while some are career officials appointed by agency heads. CFOs are to [report directly to agency heads](#). The act also established positions for career deputy CFOs. By law, agency CFOs have

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[financial management responsibilities](#) including monitoring budget execution, preparing financial statements, and developing internal controls.

In practice, apart from CFOs' responsibilities over financial management, the specifics of their portfolios have [differed widely across agencies](#). Congress also subsequently established statutory positions to supervise other mission-support functions, including [information technology, acquisition, personnel, performance measurement toward goals](#), and [evaluation](#). In other areas, such as [enterprise risk management](#), governance structures [may vary by agency](#).

Audited Financial Statements

The CFO Act required executive agencies to prepare annual financial statements. [Requirements began](#) with revolving and trust funds. In a [pilot program](#), several agencies and bureaus were also required to prepare statements covering all accounts. Statutory inspectors general direct these [annual audits](#), but they typically contract them to independent auditors.

Subsequent laws expanded the coverage of audited statements. In 1994, [legislation](#) required the CFO Act agencies to prepare statements covering all accounts, expanding aspects of the earlier pilot program. Subsequent [legislation](#) in 2002 expanded this requirement to smaller agencies. In FY2019, [22 of the 24 CFO Act](#) agencies received unmodified (“clean”) audit opinions, compared to six in FY1996. Internal controls reporting, as [mandated by other law](#), is included with financial statements in agency annual reports.

OMB Institutions

The CFO Act created the OMB [deputy director for management \(DDM\)](#) position, which is responsible for setting management policies for executive agencies, including financial management. Additionally, the act established the [Office of Federal Financial Management](#), headed by a controller who reports to the DDM, to [implement federal financial management policies](#). Finally, the law established a [CFO Council](#)—consisting of the DDM, the controller, the Fiscal Assistant Secretary of the Treasury, and agency CFOs—to [advise agencies](#) on financial modernization and improvement.

OMB provides instructions on compliance with the CFO Act to agencies via “circulars.” In particular, OMB’s *Circular A-136* provides [guidance](#) on the preparation of financial statements along with their [form and content](#).

OMB Planning and Reporting

The CFO Act requires OMB to submit annually to Congress a financial management status report and a [government-wide five-year plan](#) for improvement.

OMB previously published the status report and plan in [a single document](#). After the [2009 version](#), OMB ceased publishing a single document, and it is not clear to CRS where interested observers can find the required information.

Potential Issues

With the CFO Act in 1990, Congress passed the first of a succession of laws that focused on mission-support functions in agencies and corresponding roles in OMB. Consequently, while many in Congress have continued to focus on financial management improvement, the statutory landscape has substantially changed. Illustrative issues for potential oversight and lawmaking (e.g., S. 3287, the introduced CFO Vision Act) might include the following:

- **Audits:** While most agencies have achieved clean audits, many continue to struggle with inefficient systems and processes. Incompatible legacy systems and reliance on manual processes might compromise data quality.
- **CFO roles:** In response to individual agency circumstances, agencies have assigned some additional roles to CFOs while assigning others to separate officials. Several stakeholders have differed on how to assign leadership for mission-support functions. For instance:
 - The **CFO Council** suggested in 2011 that CFOs assume responsibility for additional mission-support functions, including performance and risk management. OMB said [consensus on such recommendations was lacking](#). Separately, the Partnership for Public Service found that, when CFOs held dual roles to include performance, [the performance-related responsibilities received “short shrift.”](#)
 - More recently, the Government Accountability Office (GAO) consulted with the financial management community and [suggested that CFOs “would benefit”](#) from standardized, expanded responsibilities over additional mission-support areas. It may be unclear whether agencies would benefit or if other stakeholders would view such changes favorably in contrast with agencies’ tailored approaches.
- **Distinguishing mission from mission support:** Since 1990, legislation has brought additional attention to agency mission-support activities (e.g., human resources and financial management). In 2009, however, the National Academy of Public Administration highlighted [that agency mission-support functions may lose “mission focus.”](#) Possible issues for management and Congress include whether these functions focus on supporting agency missions as opposed to narrower priorities.
- **Government-wide financial management plan:** The CFO Act requires OMB to create an annually revised, five-year improvement plan. GAO recently suggested that Congress consider [aligning the reporting frequency with presidential administrations](#) once every four years. This would match the cadence of some [existing reporting](#). Making such a change might prompt more presidential engagement and [transform the process into once-per-term presidential agenda-setting](#). In contrast, the frequency under current law may emphasize continuity and sustained focus across administrations. GAO also suggested incorporating [financial management performance metrics](#) into the plan to assess agency performance. Which metrics might be used or how they would be constructed may be among the issues for consideration.

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