
GAO

United States General Accounting Office
Accounting and Financial
Management Division

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**The Chief Financial
Officers Act**
A Mandate for Federal
Financial Management
Reform

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Preface

The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) marks the beginning of what promises to be a new era not only in federal management and accountability, but also in efforts to gain financial control of government operations.

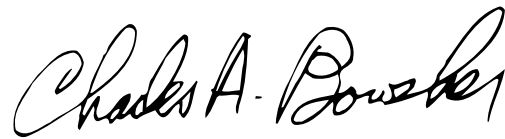
The government has a responsibility to use timely, reliable, and comprehensive financial information when making decisions which have an impact on citizens' lives and livelihood. Despite good intentions and past efforts to improve financial management systems, this is still not done.

The Congress mandated financial management reform by enacting the CFO Act, which was signed into law by President Bush on November 15, 1990. This is the most comprehensive and far-reaching financial management improvement legislation since the Budget and Accounting Procedures Act of 1950 was passed over 40 years ago. The CFO Act will lay a foundation for comprehensive reform of federal financial management. The act establishes a leadership structure, provides for long-range planning, requires audited financial statements, and strengthens accountability reporting.

Federal financial managers, auditors, and program managers at all levels of government will be affected as agencies take actions required under the CFO Act to improve financial management systems and information. Therefore, it is essential that the CFO Act's provisions are fully understood.

Preface

This booklet will help agency managers and other interested parties (1) become familiar with the CFO Act's principal features, (2) better understand the actions needed to successfully implement the act, and (3) identify the sources for additional information to assist in carrying out the act's provisions.

A handwritten signature in black ink that reads "Charles A. Bowsher". The signature is written in a cursive style with a large, prominent initial "C".

Charles A. Bowsher
Comptroller General
of the United States

Financial Statements and Audits

Since 1984, GAO has audited the financial statements for various federal agencies, including the General Services Administration and the Departments of Agriculture, the Air Force, Housing and Urban Development, and Veterans Affairs. These audits improved the quality of agency financial information and identified significant problems in agency financial operations and reporting.

The CFO Act requires that financial statements be prepared for trust and revolving fund operations and for agency programs that are substantially commercial functions. For example, this would include programs for providing (1) insurance, (2) loans and loan guarantees, and (3) a service or thing of value for which a fee, royalty, or rent is charged. The act also establishes a pilot project whereby certain agencies, listed in table 1, are to prepare agencywide financial statements for specific years.