


GAO
 Accountability • Integrity • Reliability
Highlights

Highlights of [GAO-03-1062](#), a report to the Senate Committee on Governmental Affairs and the House Committee on Government Reform

Why GAO Did This Study

The ability to produce the data needed to efficiently and effectively manage the day-to-day operations of the federal government and provide accountability to taxpayers has been a long-standing challenge to most federal agencies. To help address this challenge, the Federal Financial Management Improvement Act of 1996 (FFMIA) requires the 24 Chief Financial Officers Act agencies to implement and maintain financial management systems that comply substantially with (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL). FFMIA also requires GAO to report annually on the implementation of the act.

What GAO Recommends

GAO reaffirms its prior recommendations that OMB revise its FFMIA audit testing and reporting guidance to:

- (1) include a statement of positive assurance when reporting an agency's systems to be in substantial compliance with FFMIA, and
- (2) clarify the definition of "substantial compliance" to promote consistent reporting of FFMIA compliance.

As in the past, OMB did not agree with our view on the need for auditors to provide positive assurance on FFMIA, but agreed to consider clarifying the definition of "substantial compliance" in future policy and guidance updates.

www.gao.gov/cgi-bin/getrpt?GAO-03-1062.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sally Thompson (202)-512-9450 or thompsonsa@gao.gov.

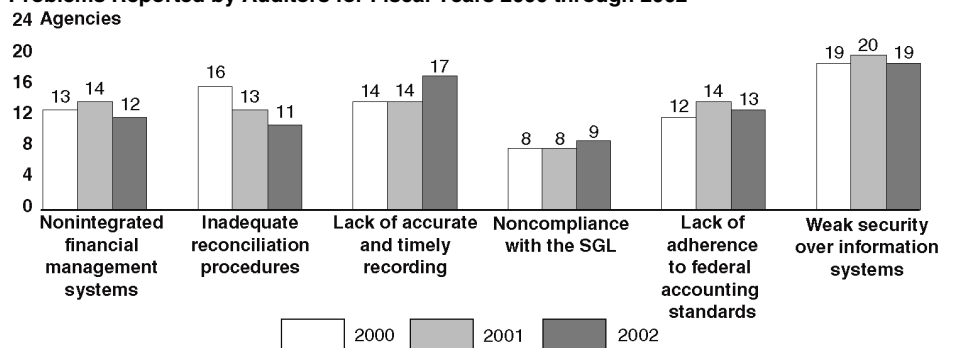
FINANCIAL MANAGEMENT

Sustained Efforts Needed to Achieve FFMIA Accountability

What GAO Found

Federal agencies are making progress to address financial management systems weaknesses. At the same time, for fiscal year 2002, 19 of the 24 CFO Act agency inspectors general or their contract auditors reported that these agencies' financial management systems did not comply with FFMIA. The nature and seriousness of the reported problems indicate that, generally, agency management does not yet have the full range of reliable information needed for accountability, performance reporting, and decision making. As shown in the chart below, audit reports highlight six recurring problems that have been consistently reported for those agencies whose auditors reported noncompliant systems.

Problems Reported by Auditors for Fiscal Years 2000 through 2002



Source: Independent auditors' reports for fiscal years 2000, 2001, and 2002, prepared by agency Inspectors General and contract auditors.

Following OMB's reporting guidance, auditors for 5 agencies provided negative assurance on agency systems' FFMIA compliance for fiscal year 2002. This means that nothing came to their attention indicating that these agencies' financial management systems did not meet FFMIA requirements. GAO does not believe that this type of reporting is sufficient for reporting under the act. FFMIA requires the auditor to state "whether" the agency systems are in substantial compliance, which in our view, requires the auditor to perform sufficient audit tests to be able to provide positive assurance.

Agencies have recognized the seriousness of their financial systems weaknesses, and as of September 30, 2002, 17 of the 24 CFO Act agencies were planning to or were implementing a new core financial system. It is imperative that agencies adopt leading practices, such as top management commitment and business process reengineering, to ensure successful systems implementation.

The JFMIP Principals, congressional oversight, and the President's Management Agenda are driving governmentwide initiatives to transform federal financial management. Modernization of agency financial systems and continued attention is needed to sustain momentum on these initiatives.