

## **Federal Financial Management: Where's My Money Going?**

One of the major objectives of the President's Management Agenda (PMA) is to provide the American people with confidence in the financial reporting of Executive agencies. The goal for this initiative is to improve financial reporting to ensure that agencies provide timely, reliable, and routine financial information. The Chief Financial Officers (CFO) Act of 1990 started the Federal financial management journey by establishing as a primary activity the production of traditional, accrual basis financial statements, such as the balance sheet. These statements are largely anchored around asset and liability reporting, answering the question of "what we own and owe." Federal CFOs have spent the better part of 18 years initiating the necessary controls and systems to publish reliable financial statements. With 80 percent of CFO Act agencies achieving clean audit opinions, results from FY 2007 demonstrate that these efforts are paying off.

This great success story is still being written. The Administration is taking the initiative to look beyond the revolutionary stability of financial reporting that now exists in many areas of government to additional realms of financial management that can be improved. Today it is clear that the next major Federal financial management transition has begun – a change from an emphasis on "what we own and owe" to "where the money is going." We come to this conclusion by observing the increasing demand among key stakeholders, in particular, Congress and the public, for information and accountability on where Federal dollars are being spent.

While the disciplines necessary to produce traditional financial statements have led to meaningful internal management improvements, the public consumption and demand for the information contained in traditional financial statements never materialized. Instead, the increasing reliability of government financial information has allowed demand to focus on how Federal funds are distributed and the extent to which Federal payments are made correctly or for authorized purposes. This demand appears to have reached an apex, with immediate and long-term impacts on Federal financial management.

The recent enactment of the Federal Funding Accountability and Transparency Act (Transparency Act) best exemplifies this change in the focus of the Administration and Congress. The Transparency Act requires the Executive Branch to provide detailed and timely data on all Federal grant, contract and loan payments that exceed \$25,000 in a searchable, online format. With the launch of USASpending.gov in January, the public possesses a powerful tool to search where Federal dollars are going – to which parties, in what amount, in what geographic

location and for what purpose. By 2009, the Transparency Act requires Federal agencies to report “sub-award” information, which enables following Federal funds beyond the initial recipient.

This is not to say that agencies will not face considerable obstacles to produce this information in a timely and reliable manner. Indeed, significant work remains before all Transparency Act requirements are met. The challenge to produce this data rivals the challenge agencies faced in the 1990s when they began producing traditional financial statements. An important difference between CFO Act and Transparency Act reporting is the potential that the latter has to change the way citizens use government information to drive accountability and inform the public dialogue on the Federal budget.

Beyond the Transparency Act, other indicators point to growing Congressional interest in “where the money is going.” Hearings and letters of inquiry in the financial management domain are increasingly focused on areas such as improper payments, charge card abuses and instances of excessive spending. Currently, there are a plethora of introduced bills that would establish additional requirements for financial reporting and accountability on Federal payments. The reduced focus on traditional financial statements is a testament to agency success and also reflects that the connection between the citizen and government financial information goes well beyond traditional financial statements.

Today, information on “where the money is going” appears to be creating a more meaningful connection between the citizen and government than information on “what we owe and own.” Will the Transparency Act provide the critical link between citizen and government accountability? Maybe... maybe not. But perhaps it will spur the public to ask and government to have the answer to the pivotal question: “What results are being achieved with our money?”