



Highlights of [GAO-08-1018](#), a report to congressional committees

Why GAO Did This Study

The ability to produce the financial information needed to efficiently and effectively manage the day-to-day operations of the federal government and provide accountability to taxpayers continues to be a challenge for many federal agencies. To help address this challenge, the Federal Financial Management Improvement Act of 1996 (FFMIA) requires the 24 Chief Financial Officers (CFO) 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.

This report, primarily based on GAO and inspectors general reports and agencies' performance and accountability reports, discusses (1) the reported status of agencies' systems compliance with FFMIA and overall federal financial management improvement efforts and (2) the remaining challenges to achieving the goals of FFMIA.

What GAO Recommends

Although no new recommendations are being made in this report, GAO reaffirms its prior recommendation that the Office of Management and Budget (OMB) revise its guidance to clarify the meaning of "substantial compliance" to provide consistency when assessing FFMIA compliance. GAO will continue to work with OMB on this issue.

To view the full product, including the scope and methodology, click on [GAO-08-1018](#). For more information, contact Kay L. Daly at (202) 512-9095 or dalykl@gao.gov.

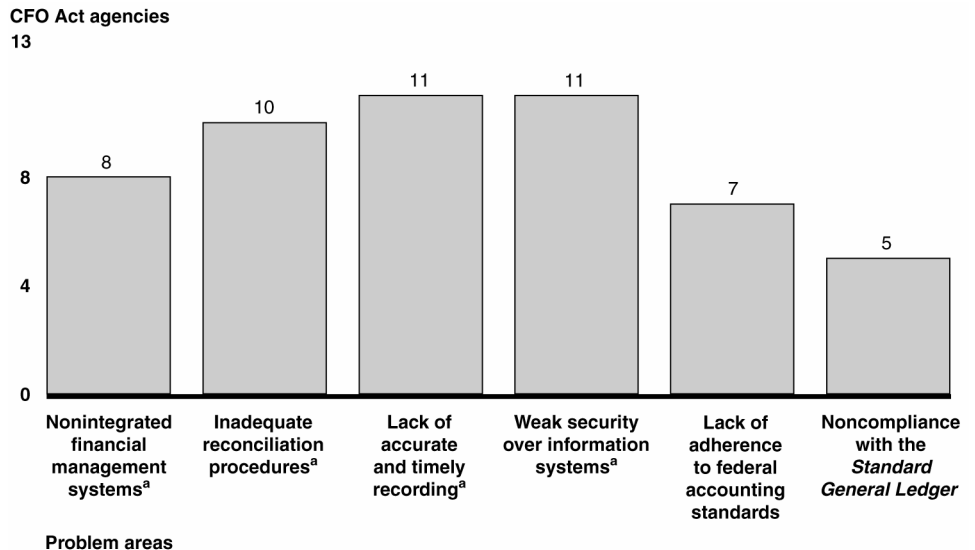
FINANCIAL MANAGEMENT

Persistent Financial Management Systems Issues Remain for Many CFO Act Agencies

What GAO Found

For fiscal year 2007, auditors reported 13 of 24 CFO Act agencies' financial management systems were not in substantial compliance with FFMIA requirements. For these 13 agencies, auditors reported a number of problems, as shown below, that illustrate how agency financial management systems—including processes, procedures, and controls—are not providing reliable, useful, and timely information to help manage agency programs more effectively. As discussed in prior FFMIA reports, GAO remains concerned that the criteria for assessing substantial compliance with FFMIA are not well defined or consistently implemented across agencies. In addition, the majority of participants at a Comptroller General's forum on improving federal financial management systems said there is little agreement on the definition of "substantial compliance." To address GAO's prior recommendation, OMB is in the process of revising its guidance, and GAO has reemphasized its concerns with the need for an appropriate definition of substantial compliance that focuses on financial management systems' capabilities beyond financial statement preparation.

Number of Reported Problems for 13 Agencies with FFMIA Noncompliant Systems for Fiscal Year 2007



Source: GAO analysis based on independent auditors' financial statement audit reports prepared by agency inspectors general and contract auditors for fiscal year 2007.

^aProblem reflects noncompliance with federal financial management systems requirements.

Agencies' efforts to implement new systems far too often result in systems that do not meet cost, schedule, and performance goals. Recent modernization efforts by some agencies have been hampered by not following disciplined processes. To help avoid implementation problems, OMB continues to make progress on its financial management line of business initiative, which promotes business-driven, common solutions for agencies to enhance federal financial management, but additional efforts are needed.