

GAO

Testimony

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FINANCIAL
MANAGEMENT

Recurring Financial
Systems Problems Hinder
FFMIA Compliance

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FINANCIAL MANAGEMENT

Recurring Financial Systems Problems Hinder FFMA Compliance

Highlights of [GAO-04-209T](#), a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires 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. Most federal agencies face long-standing challenges, which are discussed in greater detail in our mandated September 2003 report, *Sustained Efforts Needed to Achieve FFMIA Accountability* (GAO-03-1062). In light of these circumstances, the Subcommittee asked GAO to testify about recurring financial management systems problems and agencies' efforts to upgrade their systems.

What GAO Recommends

GAO is not making new recommendations in this testimony, but in a past report has made specific recommendations aimed at addressing the problems hindering agencies' compliance with FFMIA.

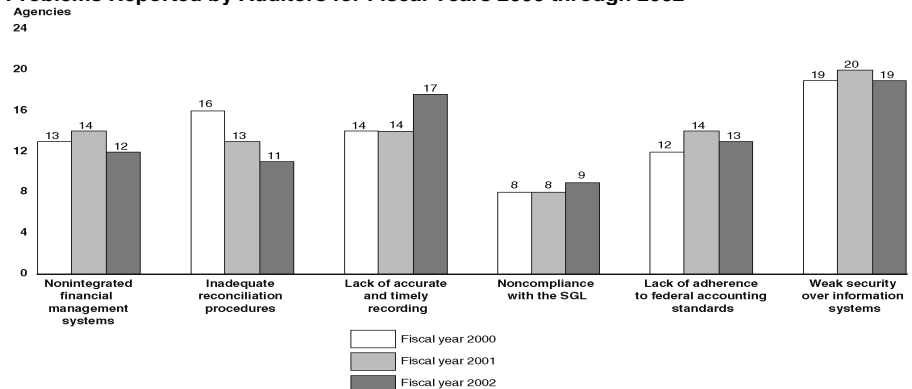
www.gao.gov/cgi-bin/getrpt?GAO-04-209T.

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

What GAO Found

The results of the fiscal year 2002 FFMIA assessments performed by agency inspectors general or their contract auditors again show that the same types of problems continue to plague the financial management systems used by the CFO Act agencies. While much more severe at some agencies than others, the nature and severity of the problems indicate that overall, agency management lacks the full range of information needed for accountability, performance reporting, and decision making. As shown in the figure 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.

Agencies have recognized the seriousness of the financial systems weaknesses, and have many efforts underway to implement or upgrade financial systems to alleviate long-standing problems. As of September 30, 2002, 17 CFO Act agencies advised us they were planning to or were in the process of 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 and to avoid complicating factors, such as poor communication and inadequate project planning, that have hampered some agencies' efforts in the past.

Congressional oversight, the Joint Financial Management Improvement Program Principals, and the President's Management Agenda are driving forces behind several governmentwide efforts now underway to improve federal financial management. Continued attention by these key drivers is critical to sustaining agencies efforts to improve their financial management systems.

