Introduction

Nothing is immune from the impact of rapid and constant developments in data and technology—not smartphones, not automobiles and not federal financial management.

Financial leaders overseeing this critical government function must help guide agency finances, confirm payment accuracy, cultivate a highly capable workforce and meet customers’ needs. But they work under a structure set up three decades ago by the Chief Financial Officers Act of 1990, which has not been updated to keep pace with technology-driven change and an evolving workforce.¹

Federal leaders must now look to the future to explore ways to adapt to meet the needs of financial management in a dynamic environment.

The passage of the CFO Act marked the most comprehensive reform of federal financial management in 40 years. Since then, the federal government has made great strides to advance effective financial management. Agencies established roles for a politically appointed CFO and a career deputy CFO, and the Office of Management and Budget created a government-wide controller position as well as the deputy director for management. Financial management standards and internal controls were put in place, the quality and timeliness of financial reporting improved, and agencies made progress toward modernizing their financial management systems.²

Thirty years after the CFO Act passed, many agencies are still working to implement core elements of the statute, and more substantial reform is needed in light of subsequent advances in data and technology, changing workforce demographics, and increased stakeholder expectations. The President’s Management Agenda, the administration’s long-term plan for modernizing the federal government, aims to have agencies steward their financial resources more effectively, emphasizing improved efficiency, enhanced customer experiences and greater transparency.³

The PMA proposes significant steps forward, detailing them in its cross-agency priority goals. For example, the PMA envisions centralized services through Quality Service Management Offices—established to provide in-house services, contracting support and best practices across government—empowering CFOs to bring greater

coherence to financial data within their agencies to inform their decisions.\(^4\)

But more can be done. While many agencies have strengthened internal controls, areas for improvement include the integrity of payments and the quality of reporting. Several agencies remain out of compliance with the CFO Act’s technical requirements, and others face challenges to modernize out-of-date financial reporting systems. Agency leaders must establish long-term plans in an effort to ensure that the workforce has the skills to meet financial management’s evolving needs. CFOs should seek out other management function leaders for strategic collaboration and other essential activities.\(^5\)

November 2020 will mark the 30th anniversary of the CFO Act. To acknowledge this milestone, the Partnership for Public Service and Deloitte convened federal leaders to discuss ways federal financial leaders could come together as a community to envision a future of more effective financial management. This issue brief outlines the top issues and key conclusions raised during these sessions, describes accomplishments and challenges for federal finance leaders (informed by the Government Accountability Office’s recent review of the CFO Act) and details approaches to consider to help turn the vision for federal finance into a reality.

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\(^4\) Ibid.

Between June and October 2019, the Partnership for Public Service and Deloitte hosted three discussion sessions with several dozen senior federal financial management leaders and CFOs from more than 15 agencies, including members of the cross-agency CFO Council. Three key themes emerged: the impact advancements in data and technology have had, the evolving skills needed for the federal financial management workforce, and the need for collaboration across agencies and management functions.

**Data and Technology**

The proliferation of data and new technologies is fundamentally changing the CFO role, and CFOs will need new skills and expertise to leverage the resulting potential benefits effectively. CFOs currently spend much of their time on financial reporting and accounting operations, and managing a multitude of financial systems. The vision statement of the Treasury Department’s Bureau of the Fiscal Service notes that across federal agencies, a significant number of employees and contractors process financial transactions with automated systems, and maintaining these is complex due to the need to keep on top of software licensing and version upgrades. Many agencies still use antiquated systems and obsolete software or hardware to fulfill their financial management responsibilities.

As data and newer technologies become more readily available in government, CFOs will be able to shift from managing transactional work on process and compliance activities to being strategic partners with their counterparts in other management functions. Tools such as artificial intelligence and robotic process automation will increasingly enable CFOs to reduce transaction costs and incorporate financial, budget and performance data to inform their decisions on strategy and operations.

During the discussions, many financial leaders acknowledged the value of a standardized framework for data collection and analysis. The resulting insights are valuable for informed decision-making and for setting policy and program goals that are core to an agency’s mission. This is especially imperative because the value in data-driven decisions is not derived from the raw data itself, but from the insights provided by effective analysis. To take full advantage of the massive amount of available data, financial leaders need to continually incorporate advancements in technology.

**The Evolving Workforce**

Government leaders who attended the sessions said that a capable and qualified federal financial management workforce could sustain the practices and standards established by the CFO Act, and government has already taken steps to strengthen its finance workforce, according to GAO. For example, some agencies have aligned core competencies and qualifications for finance experts with the Office of Personnel Management’s requirements for human capital operating plans, which highlight the need to address mission-critical skill gaps in auditing and other areas.

Strengthening the federal financial management workforce remains a priority in government. The skills and competencies required for a high-quality financial workforce 30 years ago are no longer sufficient, especially as data and technology proliferate, fundamentally changing the field of federal finance. As new skills become increasingly essential for the more than 106,000 employees in the federal finance workforce, agencies will likely need to retrain staff and strategically hire new employees such as data scientists and professionals in other technology-related positions. Identifying the right competencies will also be critical to recruiting and retaining a highly capable financial workforce.

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9 Indicated by 12 out of 24 CFOs and deputy CFOs interviewed by GAO for their review of the CFO Act.
11 Ibid.
12 For purposes of this research, the federal financial management workforce is defined as those in the “05xx-Accounting and Budget” occupations group designated as full-time nonseasonal permanent employees.
Collaboration Across Agencies and Management Functions

The issues government leaders face often do not fit neatly within one particular management function. For example, a decision about data quality and governance standards may fall under the purview of a chief data officer but can also have implications for human resources, technology, acquisition and finance. Financial leaders acknowledge the growth in the number of executive management roles in agencies across government, which has created an environment where many senior executives are responsible for increasingly narrow issue areas. With more agency executives leading work that may overlap or affect multiple management functions, top management leaders must work together to accomplish their respective agencies' missions more effectively and efficiently.

Each management leader plays a crucial role in an agency's decision-making, strategy and direction. The data and information CFOs manage provide valuable insights that can inform discussions about policy and program performance. The work of CFOs affects all agency functions, and CFOs are well-situated to play a key strategic role in setting goals and developing agency strategy.

CFOs can also use their information and data to support the needs of other management functions in their agencies. Helping management leaders in their respective disciplines could bolster working relationships among C-suite leaders and contribute to the development of strategic partnerships. Collaboration across the C-suite would help to better position CFOs to influence overall agency performance and contribute to more coordinated cross-agency management. Standardizing the CFO role could enable better information sharing across agencies and increase retention of institutional knowledge, which would help CFOs work across administrations more effectively.
Agency CFOs and other senior financial management leaders in government have a significant opportunity to recast federal financial management and expand its impact on their agencies and their missions. Finance leaders can lead thoughtful and thorough transformations by first developing a solid strategy and providing better information and approaches for improving agency programs and services.

Based on the Finance of the Future discussion sessions, the Partnership for Public Service and Deloitte offer the following steps to help drive transformation and continued reform for the federal financial community, including OMB, the CFO Council, the Department of the Treasury, and agency CFOs and deputy CFOs.

**Develop a cross-agency plan for financial management.**
As the federal financial management community navigates continued change, OMB and the Treasury should consider jointly creating a five-year strategy to identify shared goals and cross-cutting priorities for financial management across government.

**Standardize the CFO role across agencies.**
Having a common core set of CFO responsibilities throughout government would enhance the CFO’s ability to integrate and share information across agencies, transfer institutional knowledge from one CFO to the next, and standardize functions to help meet government-wide needs. Additionally, Congress should consider steps to promote continuity in leadership in CFO positions. This may include converting CFO positions from presidentially appointed, Senate-confirmed positions to career positions, or establishing the CFO role as a fixed term with a performance contract and an expectation that the appointee would not turn over with a change in administration.

**Collaborate better across agency management functions.**
CFOs should strengthen relationships with C-suite colleagues in their individual agencies to help ensure financial management is integrated across their organizations. Increased collaboration across agency functions supports more efficient management throughout the agency and would enable CFOs to provide a strategic financial perspective as agencies develop and execute strategy across management disciplines such as human resources, IT and acquisition.

**Shape workforce capabilities.**
As data and technology rapidly evolve, the financial management community should focus strategically on recruiting, retaining and retraining staff in skills such as data science, data analytics, computer science, data visualization and other technology-related skills. Hiring and retraining individuals based on their specific competencies can boost mobility for employees whose skills are needed for several agency departments or projects, enabling more engaged employees, higher retention rates and stronger skill sets on CFOs’ teams. The CFO Council should outline the new competencies necessary for federal financial professionals, and agencies should develop a plan to retain high-performing employees as other industries compete for talent. Agencies could streamline the hiring process, potentially by recruiting for similar positions across agencies and making multiple hires through a centralized talent pool using a shared certificate, a list of qualified applicants that many agencies can use.

**Establish a consistent set of workforce training and professional development opportunities.**
The CFO Council should create a set of common requirements for federal financial management employee training to help agencies meet changing workforce needs and share talent across agencies. Mechanisms such as cross-agency training opportunities and staff rotations can help employees boost their skills, enhance information sharing and enable agencies to work together more effectively.

**Looking Ahead: A Path Forward for Federal Finance**
Many of the actions discussed in this paper can be implemented under regulations and agency procedures in current law, and CFOs and their deputies should take action now. The following checklist provides a roadmap each agency could implement and adopt to fit its unique needs.

- **Take hold of the future through networking and education.** To take advantage of innovations in finance, finance leaders should understand what is possible. They should work with the broader finance community to understand the community’s predictions and future trends, attend conferences, share best practices and ask other agencies for demonstrations of emerging technologies they find useful.

- **Define the vision.** Finance leaders should define their vision for transformation at their agencies and articulate why it is essential for the mission. They should develop a vision statement with their teams to build consensus about why transformation is important and how they will achieve it. When defining the vision, leaders should seek input from their staff and other agency executives—such as the chief information officer or chief human capital officer—who will be critical in ongoing transformation efforts of federal financial management at their agencies.

- **Mobilize the finance team and create a tactical plan.** Finance leaders should develop and prioritize effective initiatives to help the broader finance community implement its vision for transformation and support effective implementation by breaking the vision down into tangible steps. Once these initiatives and actions are under way, agencies will be better equipped to develop their business cases and secure the resources they need to move their efforts forward. Resources could include additional funding, new governance arrangements such as establishing a steering committee, or additional expert staff members who might form a short-term team to focus on financial transformation for the agency.

- **Run a pilot to test the tactical plan.** A pilot (e.g., using robotic process automation) could be a crucial early step of a tactical plan for achieving transformation. It could generate momentum, test the team’s vision and identify challenges to consider when planning the implementation of key initiatives. Once the pilot concludes, the team should evaluate its results and impact and adjust the tactical plan, if necessary.

### RESOURCES

- President’s Management Agenda and Cross Agency Priority Goals
  www.performance.gov/PMA/PMA.html

- GAO Federal Financial Management Statement
  www.gao.gov/products/GAO-20-203T

- 2019 Annual Fiscal Service Letter to Chief Financial Officers
  fmvision.fiscal.treasury.gov/letter-to-cfos.html

- Looking Inward for Talent: Retraining Employees for Tomorrow’s Jobs
  ourpublicservice.org/publications/looking-inward-for-talent-retraining-employees-for-tomorrows-jobs/

- The Buck Stops Here: How Federal Leaders Can Reduce Improper Payments
  ourpublicservice.org/publications/the-buck-stops-here-how-federal-leaders-can-reduce-improper-payments/

- Crunch Time V: Finance 2025

- Government Trends 2020

- Future of Work in Government
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• Providing assistance to federal agencies to improve their management and operations, and to strengthen their leadership capacity.
• Conducting outreach to college campuses and job seekers to promote public service.
• Identifying and celebrating government’s successes so they can be replicated across government.
• Advocating for needed legislative and regulatory reforms to strengthen the civil service.
• Generating research on, and effective responses to, the workforce challenges facing our federal government.
• Enhancing public understanding of the valuable work civil servants perform.

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