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AGA is the member organization for government financial management professionals. We lead and encourage change that benefits our field and all citizens. Our networking events, professional certification, publications and ongoing education help members build their skills and advance their careers.

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The federal chief financial officer (CFO) community has significant experience under its belt. These CFOs represent decades of time and effort grappling with the financial management challenges of the federal government. The Chief Financial Officers Act of 1990 (CFO Act) ushered in a new era in which committed and ongoing attention would be focused on financial management issues plaguing government, including:

- billions of dollars lost each year through fraud, waste, abuse and mismanagement across numerous programs;
- obsolete and inefficient financial management systems;
- insufficient financial reporting disclosure of current and future operating costs;
- insufficient financial reporting data comparability of actual costs among agencies;
- insufficient financial reporting timeliness required for efficient management; and
- incomplete, inconsistent, unreliable and untimely information.

Since enactment of the CFO Act, the role of the CFO has evolved almost as much as the operational and political environments in which they operate. Throughout the years, CFOs have had to endure unfunded requirements, while supporting each administration’s efforts to do more with less; reinvent government; assess and rate programs; and pursue priority goals — all amid turmoil, including wars and financial crises; major technological advances; and heightened citizen interest, engagement and declining trust in government.

For 22 years, AGA and Grant Thornton have surveyed the federal financial management community to gain insight on CFO Act implementation and the evolution of the CFO’s role and priorities. Collectively, these surveys provide a historical guide of the government’s evolving financial and management challenges, and how effectively we are dealing with them. Looking at prior surveys, it’s clear the CFO community has made significant progress on many of the issues plaguing the government and, for the most part, has successfully built the infrastructure needed to achieve clean audits and provide required financial reports. However, CFOs continue to struggle with some persistent issues from the past, including improper payments, obsolete and inefficient systems, and attracting and retaining skilled staff.

With a new administration implementing its priority goals, the CFO community must continue to focus on making progress toward resolving key issues. This year, already burdened CFOs face an increased number of challenges, as illustrated in Figure 1, including even greater budget uncertainty, which 41 percent of CFOs listed as their top concern, followed by human capital (27 percent). These increased challenges result from the gap in executive leadership, as political appointees have been slow to be appointed and confirmed; while the incoming administration has identified new initiatives such as technological advances in cloud and cybersecurity services (M-17-25), maintaining the current number of federal employees (M-17-18), and government reorganization (E.O. 13781, implemented by M-17-22). (See Figure 2.) Disruption has been added to the CFO agenda.

CFOs and deputy CFOs (DCFOs), many of whom rose through the career ranks, are experienced with some amount of change that accompanies a new administration. As politically appointed positions remain vacant, CFOs and acting CFOs risk working toward goals that may change once political appointees are in place. The current environment presents CFOs and acting CFOs a unique opportunity to use their vast career experience to guide their organizations to prioritize and tackle issues that transcend multiple administrations, all while juggling the new leadership demands for tremendous change.
The 2017 Survey

We surveyed CFOs and other leaders in the CFO community to understand their reaction to the new administration's initiatives, and the implementation challenges and opportunities they face. Our survey included questions related to the CFO's role in this effort, the CFO's perception of the current operating environment, and what the CFO community sees as the challenges they face in transforming their operations and contributing to the improvement of agency operations, in general. Finally, we asked if CFOs feel they have the tools to meet these challenges. AGA’s 2017 CFO Survey included direct and online participation by hundreds of members of the federal, state and local financial communities. Respondents, largely, were federal employees; however, as shown in Figure 3, about 23 percent of the nearly 200 online respondents came from state or local governments. Additionally, we met with CFOs, acting CFOs, DCFOs and other leaders of the federal government both in group working sessions, as well as one-on-one interviews.

Figure 2.
What is your office's role in supporting the current administration's comprehensive plan for reorganizing the executive branch (i.e., Executive Order 13781)? (Check all that apply.)

- **24%** Providing financial data regarding agency operations to leadership to analyze
- **22%** Serving as a strategic thought leader based on financial analysis
- **19%** Analyzing financial data regarding agency operations to support leadership's strategic decisions
- **5%** The CFO's office is not involved in supporting this mandate at my agency
- **32%** Don't know
- **24%** Not applicable (e.g., legislative branch, judicial branch, state and local)
- **5%** Other

Figure 3.
What level of government do you work in?

- **60%** Federal
- **23%** State and Local
- **7%** Prefer Not To Respond
- **9%** Other

Executive Order 13781 — Comprehensive Plan for Reorganizing the Executive Branch

- **M-17-18** Federal Civilian Hiring Freeze Guidance
- **M-17-22** Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce
- **M-17-25** Reporting Guidance for Executive Order for Strengthening the Cybersecurity of Federal Networks and Infrastructure
As we conducted the survey, a central question we sought to answer was whether federal CFOs and other government financial leaders are being inducted into a new phase of government service, with disruption as its key operating principle. Respondents to the survey are feeling the effects of that disruption. But how the financial management community will respond remains an open question.

The emphasis on disruption in this survey report flows from a White House directive requiring agencies to identify ways to reorganize the executive branch, including eliminating programs and whole agencies, in order to improve efficiency, effectiveness and accountability, and minimize or eliminate redundancy and overlap. While every incoming administration develops its own theme to improve and transform government — whether the stated goal is do more with less, reinvent government, assess and rate programs or pursue priority goals — the tenor surrounding the current administration’s approach suggests financial managers could see significantly more disruption in the future than ever before in recent past.

Disruption may be an uncomfortable notion to some; but the growing availability of technology and data enables a future state where the financial management community could move beyond antiquated mindsets where staff spend their days grinding out reports, preparing audit remediation plans and manually executing budgets. Disruption could enable a future state where financial managers embrace a modern approach using data to generate evidence in an efficient and technology-enabled way, with a citizen-centric focus on results and engagement (see Figure 4).

That vision, however, cannot be realized unless financial professionals across government work with their non-financial management counterparts to think and act more disruptively than in the past. Economists use the term “creative destruction” to describe how economies evolve — essentially a process of industrial mutation wherein old economic structures are being constantly destroyed and new ones created. That principle could extend to government, too. New approaches could advance while the preexisting order is swept away. Our conversations and other interactions with government financial leaders suggest they are approaching this new challenge with eyes wide open, and perhaps with some skepticism, as well.

Survey respondents are aware of potential pitfalls such as relying on the developers and users of existing processes as the engineers of reform. But they have begun to explore fresh approaches, such as rotating staff to new positions to give them more of a dispassionate (read objective) and fresh perspective on how programs and processes might be improved or streamlined.

As might be expected in considering something as uncomfortable sounding as “disruption,” our survey respondents typically either expressed optimism and hope ... or resistance and despair.

Support for a disruptive approach was voiced by some respondents who provided these observations:

- Given the slow pace of onboarding political appointees, career staff should take full advantage of the current disruptive environment to effect change. Comments include:
  - “This is a very unique opportunity for career staff to participate in a revolution of sorts;” and
  - “There are not enough politicians in place to solve the big problems; so, let’s see the career folks take bold action.”

- The time is right for career staff to challenge the status quo and offer up reforms that have been pondered but may not have been voiced previously.

- A unique opportunity now exists to offer reforms that cut across agencies. In the past, agencies typically were only allowed to propose reforms to programs under their specific purview. As one commenter put it, “If you had an opportunity to be king/queen, what would you do to fix your agency — or the entire government?”

- The current situation represents real opportunity for career civil servants to develop strategic plans before most political appointees are in place.

- A willingness to embrace disruption could expedite adoption of efficient technologies and innovations, such as shared services.

Resistance sentiments (see Figure 5) rest on the following notions:

- Reforms and cost reductions have already been taken within discretionary budget agencies, and the only sensible way to address fiscal sustainability is to tackle entitlement spending.

- The focus within the financial management community tends to be on how to add more value if given more resources, not how to be more efficient and effective within existing budgetary constraints.
Time is money. Budgets reign supreme in the CFO world and financial management shops typically do not have the time to consider operational improvements. “My whole team is focusing on urgent emergent day-to-day grind,” as one respondent put it. “We’re just stuck keeping the trains moving.”

Career civil servants simply are not going to attempt bold reorganizations on their own for fear of reprisals.

There is a dearth of politically appointed financial leadership at agencies to lead the way.

Offices of the CFO (OCFOs) are driven by rules and regulations, so disruption appears incompatible. “This administration is trying to get things done, but they don’t understand the bureaucracy; they don’t understand that you can’t break certain rules,” was one comment that captured the vibe of several responses received.

Regardless of those sentiments — pro or con — the current disruptive environment can be seen as an added burden or opportunity for the federal financial management community. The central question remains: How will the financial community respond? They can view the situation as an opportunity to illuminate and advance improvements that career staff think should be made — before the full complement of political appointees is in place — or it can try to maintain the calm of status quo in a sea of disruption.

At long last, career financial managers have the ability to propose cutting out redundancies and inefficiencies across government. How they respond to this environment will be a key indicator as to how the community is viewed among the leaders of the executive branch for years to come.

“This administration is trying to get things done, but they don't understand the bureaucracy; they don't understand that you can't break certain rules.”
The Role of the CFO in Disruption

How the CFO is perceived within an organization may be a big factor in the role he or she plays. As depicted in Figure 6, fewer than 41 percent of online respondents see the CFOs as a strategic advisor or providing analytic support to leadership in responding to Executive Order 13871, “Comprehensive Plan for Reorganizing the Executive Branch.” The CFOs we interviewed in person are a bit more optimistic of their role; however, not all feel they are viewed as strategic advisors, particularly by appointed political leadership. CFOs and other agency executives have worked for years to develop budgets driven by strategic plans. Being asked to quickly shift priorities is challenging. As one CFO stated, “With our strategic plan — should we start before we get new leaders appointed? And the answer is: no, wait. But this order requires us to move ahead. However, without knowing who the appointees will be, it is difficult to make all those decisions.”

Others, however, view the order as the freedom to make long-desired improvements. One CFO, of an agency without any political leadership yet appointed, stated that the agency was making the most of the opportunity the order represented, and remained hopeful that new leadership would not turn things around when they came on board.

Interestingly, the executive order on reorganization is currently being administered as part of the budget process. Close to 75 percent of respondents report their offices have budget-formulation responsibility. But what about those that don’t? Figure 7 overlays what CFOs report they are responsible for with what functions should be their responsibility. The CFO role in analyzing and developing reorganization plans may depend on the extent to which they are involved in the budget process. If the CFOs are not involved in budget, they may remain on the sidelines. Inconsistency of CFO roles across government, which has occurred contrary to the intent of the CFO Act of 1990, remains not just an oddity of federal financial management. Inconsistency also produces confusion and hinders effective implementation of legislative and OMB directives. As our past surveys have shown, this inconsistency has contributed to the lack of CFO involvement at some agencies.

“this order requires us to move ahead. However, without knowing who the appointees will be, it is difficult to make all those decisions.”
Figure 6.
How do you view your CFO office’s role in supporting your agency’s mission?

- **Strategic** (presenting strategic thought leadership based on financial analysis and risk management): 41%
- **Analytical** (providing analysis of financial data to support leadership’s decisions): 14%
- **Transactional** (providing financial data regarding agency operations): 21%
- **Compliance** (complying with all applicable laws, regulations and authoritative guidance): 25%

Figure 7.
- **What functions are the CFO’s office responsible for in your organization?**
  - Budget Formulation: 75%
  - Budget Execution: 74%
  - Fiscal Accounting Operations: 82%
  - Financial Reporting: 87%
  - Financial Systems: 75%
  - Fiscal Accounting Operations: 82%
- **What functions do you think are best suited to be under the CFO’s responsibility?**
  - Procurement: 53%
  - Performance Management: 34%
  - Enterprise Risk Management: 42%
  - Grants Management: 41%
  - Program Evaluation: 17%
Cultural Disruption

A key ingredient in successful change is the level of leadership commitment, including among CFOs. Many interviewed report they, and their staffs, “have seen this movie before.” Many are adopting a wait-and-see attitude. They are waiting to see if this administration follows up on the promise to address department recommendations for reorganization, restructuring and other changes.

To succeed, CFOs require the support of their staff; and, our study indicates they may have it. More than 60 percent of online respondents felt their agency embraced change, at least to some degree, or did not resist change, according to Figure 8. That is something CFOs can work with — the workforce seems to acknowledge leadership commitment to change. They also report the commitment of leadership to employee engagement falls across a broad spectrum among federal agencies. Some CFOs report that, through extensive outreach, their departments have involved employees, and their offices are intimately involved in evaluating those recommendations for change. Those organizations will be better served than those that employed a process whereby the secretary’s office forwarded recommendations without CFO (or career staff) involvement, as some reported.

Commitment to change or even employee engagement is not enough to guarantee positive change. The government’s silos and structures are historic and resistant to change. When asked whether the administration’s push for change will have a significant impact on streamlining government, an overwhelming majority were skeptical. Eighty-four percent felt it would result in either no change or negative change. Only sixteen percent felt positive change was ahead, as shown in Figure 9.

Survey respondents stated their work environment and the decision-making at their agencies have improved. When asked (see Figure 10) what is likely to have the most positive influence on the agency’s culture, evidence-based decision-making ranked at the top. This unexpected result was followed by more traditional workforce-related findings. CFOs still want direct hiring authority and a broader understanding of the agency’s mission, but these two desires fall behind evidence as a basis for more of the agency’s policy decisions.

Federal staff, overall, may be more optimistic than the federal financial community, though this is subject to some debate. This year’s extensive annual OPM Employee Viewpoint Survey (EVS), which reached 485,000 federal employees, showed improved employee engagement, at its highest level (67 percent) in six years. Participation in the survey dropped slightly from 45.8 percent to 45.5 percent. A random online survey conducted this year by the Partnership for Public Service, as part of its annual “Best Places to Work in the Federal Government” report, showed slightly decreased employee engagement.

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**Figure 8.**
My agency embraces and strategically leverages change.
CFOs and others within the financial community recognize the role the budget will play in the coming cultural change. The No. 1 concern identified by both our online and in-person respondents was the uncertainty of the current budget climate. As stated by several CFOs, the lack of an approved budget is nothing new to federal agencies. After all, there have only been four years out of the last 40 in which Congress has not resorted to continuing resolutions to keep the government funded when the new fiscal year rolled around. But without political leadership in place — and an absence of clear priorities expressed in appropriations — budget uncertainty seems to be an even greater risk than usual. This year’s unusually disruptive presidential transition seems to be having a lasting effect on agency operations, especially when it comes to budgeting.

As one CFO explained, there is little transformation without investment. And such investment, as well as any significant change, will require the strong support of leadership. Though some smaller-agency staff expressed the view they could move forward on proposals without leadership in place, most said political leadership was critical to success.

**Figure 9.**
Do you believe the new OMB Memorandum M-17-22 will help agencies improve the efficiency of your agency’s operations?

![Pie chart showing responses to the OMB Memorandum M-17-22 question.](chart)

**Figure 10.**
Rank the positive impact the following changes would have on your agency’s culture (No. 1 being the greatest positive impact):

<table>
<thead>
<tr>
<th>RANK</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>More evidence/analysis-based decision-making</td>
</tr>
<tr>
<td>2</td>
<td>More direct hiring/firing authority to attain improved workforce</td>
</tr>
<tr>
<td>3</td>
<td>Broader and deeper staff understanding of, appreciation for, and affinity towards agency’s mission</td>
</tr>
<tr>
<td>4</td>
<td>More opportunity for career advancement/upward mobility</td>
</tr>
<tr>
<td>5</td>
<td>More bonuses/incentives for nonexecutive staff</td>
</tr>
<tr>
<td>6</td>
<td>More stringent and/or timely performance evaluations</td>
</tr>
<tr>
<td>7</td>
<td>Teambuilding exercises to facilitate workplace communication</td>
</tr>
<tr>
<td>8</td>
<td>CFO operated Enterprise Risk Management program</td>
</tr>
</tbody>
</table>
Workforce Disruption

In the 22 years of this CFO survey, human capital has annually ranked first or second on the list of challenges CFOs face. It falls to third in this year’s survey, but that is not necessarily because things have gotten better. In fact, with a temporary hiring freeze and an executive order promising wholesale restructuring of agencies, human capital management is likely to remain a huge challenge for every facet of the federal workforce, especially CFOs. (See Figure 11.) CFOs will be called on to support reorganizations that will include reorganizing their own offices. Juggling these dual requirements will mightily test CFOs’ workforce management capabilities. Added to this challenge are the government workforce policies and practices mired in the past, which show little evidence of becoming more efficient and effective.

Do CFOs have the right workforce for the job? By a relatively close 60- to 40-percent margin, respondents view the CFO’s role as one of analysis and strategy rather than compliance or process. Whether a CFO’s role is strategic or compliance-related will drive the type of workforce the CFO needs. But clearly, the role of the CFO is evolving to the more strategic. Efforts to streamline operations, and to reduce and/or change the focus of routine back-office functions through automation and shared services, as called for in the executive order, have been underway for decades. CFOs themselves can identify progress in moving from a compliance mentality to a more analytic approach in support of decision makers. Agencies are having to look at a new workforce strategy to obtain needed analytical skills, as in Figure 12, even while budgets are getting cut and new positions (with corresponding updated position descriptions) are an increasingly rare and precious resource.

CFOs tell us they seek answers to:

- How do we best structure and organize to change our workforce skills, even while reducing the number of overall positions? Basically, how do we make the staff we have, the staff we need?
- Many agencies are very heavy on operational costs: How can the future of the workforce evolve? How can the staff most effectively support the mission?
- Some will need to identify and plan their recruiting efforts in anticipation of new requirements: Will they need to forward fill or avoid backfills? Will some agencies want to remove positions and not fill them at all?

If government is going to adopt anything close to the creative destruction previously described, its workforce-management policies and practices will have to be dramatically reformed, and quickly.
Figure 11.
How do you view your CFO office's role in supporting your agency's mission?

- **Strategic** (presenting strategic thought leadership based on financial analysis and risk management): 42%
- **Analytical** (providing analysis of financial data to support leadership’s decisions): 19%
- **Compliance** (complying with all applicable laws, regulations and authoritative guidance): 20%
- **Transactional** (providing financial data regarding agency operations): 20%

Figure 12.
Which of the following best characterizes your current workforce?

- >75% Analytical, <25% Transactional: 6%
- 75% Analytical, 25% Transactional: 17%
- >75% Transactional, <25% Analytical: 27%
- 50% Transactional, 50% Analytical: 27%
- 75% Transactional, 25% Analytical: 24%
What Tools are Needed to Navigate the Disruption?

Even if processes kept up with the disruption going on today, CFOs would need the right tools and capacity to use them to navigate all that is coming at them. First and foremost, among these is responsibility for budget formulation and execution. As mentioned, about 75 percent of respondents say they include budget formulation among their responsibilities. Almost all also have accounting operations and financial reporting responsibilities. Less than half have performance management or enterprise risk management (ERM). These are, of course, both tools to help manage as well as responsibilities to fulfill. But CFOs are increasingly called to manage these efforts to help ensure agencies’ activities, including reorganizations, are managed smoothly, effectively and efficiently.

CFOs are behind, though, in leveraging the avalanche of data now at their disposal. Data analytics, another responsibility, is a critical capability and capacity that CFOs need to develop to continue evolving into more strategic roles. In part because of this gap, some CFOs are not seen as strategic advisors to agency leadership. Only 45 percent of CFOs, as shown in Figure 13, see their offices serving a strategic thought-leadership role based on financial analysis. One CFO told us, “We have a lot of analysis and data. We’ve done a lot of work that we’ve never acted on. We’re looking at it now to see what we can push up. We’re not doing legwork now, until we know what the other members of the C-suite want us to provide.” Data analytics is an area in which the OCFOs, like other C-suite offices, must catch up quickly.

Figure 13.
Agency leadership (i.e., "tone at the top") acknowledges and emphasizes the value of our agency's financial capability in decision-making.
Conclusion

In our 2016 Annual CFO Survey we provided a “Note for the New Administration” regarding the integral role that CFOs have played in helping “new leaders manage and monitor finances, improve performance and efficiency, and accomplish agency missions.” We also described how the implementation of ERM can help CFOs and other agency leaders anticipate and mitigate risks to delivery of mission critical services so important to our citizens (see Figure 14). Over the past year, ERM has slowly been gaining traction, not only because it is a requirement under OMB Circular No. A-123, but also because it is an effective business practice that serves to highlight risks that may impact the success of the agency. Sharing risks across organizational boundaries requires an agency culture change. As we look at agency culture, it’s appropriate to note what our 2017 respondents deemed would have an impact on their agency’s culture. The No. 1 ranked item was “more evidence/analysis-based decision-making,” closely followed by support for “direct hiring authority” — to gain access to staff with the skills needed to analyze all data now available to the CFO community. Given the hiring freeze still in place in many federal agencies, CFOs will be challenged to obtain the skillsets needed to make progress in delivering to the agency the data and information needed to make evidence based, informed decisions and manage risk. Even so, CFOs can remain key contributors and a positive force in the C-suite as agencies work through the fund-constrained years ahead.

Thus, CFOs are faced with two alternatives: 1) keep their heads down and weather the current disruption; or 2) leverage the opportunity for disruption to make lasting improvements to government, and agency structures and operations. Though disruption like the one we’re currently experiencing is more common in the private sector during mergers and acquisitions, it comes slowly and rarely to government. This year’s survey clearly shows some CFOs have chosen to take advantage of what’s going on and continue to make progress while there is political leadership void, whereas others expect this period to pass quickly. Whichever path CFOs choose, they can play a central role ensuring agency leaders have the insights and analytics needed to make their agencies perform better and more efficiently. How the CFO role evolves and how CFOs are engaged in the decision-making process will have a major impact on the success or failure of reform efforts today.

Figure 14. Enterprise Risk Management is mature and addresses risk to both mission and financial performance.