Association of Government Accountants' Annual CFO Survey **JULY 2009**

AGA
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Grant Thornton

Recovery and the Transparency Imperative

About the Association of Government Accountants (AGA)

AGA, founded in 1950, is the educational organization dedicated to the enhancement of public financial management. The AGA serves the professional interests of state, local and federal financial managers who are responsible for effectively using billions of dollars and other monetary resources every day. The association has more than 14,000 members, including professionals in accounting, administration, auditing, budgeting, consulting, grants, fraud investigation and information technology. The AGA has been instrumental in developing accounting and auditing standards and in generating new concepts for the effective organization and administration of financial management functions. The association conducts independent research and analysis of all aspects of government financial management. These studies, including the 2008 AGA CFO Survey and 20 independent studies supported by the Corporate Partner Advisory Group, make AGA a leading advocate for improving the quality and effectiveness of government fiscal administration and program performance and accountability. For more information, please visit our Web site at www.agacgfm.org.

About the National Association of State Auditors, Comptrollers and Treasurers (NASACT)

NASACT is an organization for state officials who deal with the financial management of state government. NASACT's membership comprises officials who have been elected or appointed to the office of state auditor, state comptroller or state treasurer in the 50 states, the District of Columbia and U.S. territories. Visit www.NASACT.org.

About the Financial Management Institute of Canada (fmi*igf)

A national, not-for-profit, professional association, fmi*igf was established in 1962 with a main objective of sharing best practices in managing public sector resources. Membership is open to anyone with an interest in sound public sector management. The institute has 2,400 members and 13 chapters across Canada. Visit www.fmi.ca.

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Executive summary

In spring 2009, nearly 500 government financial executives and managers from the United States and Canada participated in the 15th annual chief financial officer (CFO) survey sponsored by the Association of Government Accountants (AGA). Key topics for 2009 include economic recovery, transparency, what new CFOs need to know and annual financial statements.

Governments in Canada and the United States are in a "perfect storm" of economic recession, budget shortfalls and growing demands for public service. Both national governments have increased spending to help their economies recover, but along with recovery funding there are new mandates for transparency. At the same time, President Barack Obama has called for government that is more transparent, collaborative and participatory. Transparency is the foundation for this approach to government, especially for financial and performance information, and is inextricably linked to fiscal recovery.

"Transparency" is in the eyes of the beholder, say many survey respondents, but they need more specific and practical guidance on the meaning of the term. Based on survey responses, this report presents eight principles of transparency for financial and performance information, the first of which is to have a process for ensuring that data disclosed are timely, accurate and reliable. This principle means the first responsibility of CFOs is to take care of basic financial management activities like accounting, budgeting, reporting, auditing and internal control, because these are the building blocks of fiscal transparency.

Survey respondents are concerned about the cost of meeting transparency mandates in a time of tight budgets. For example, executives in some U.S. state governments say that their information systems are ill equipped to meet requirements to track funds from the American Recovery and Reinvestment Act of 2009 (ARRA) down to the program and local levels. All levels of government are debating how to invest in increased transparency. CFOs can calculate the return on investment (ROI) on alternative approaches to disclosing information to the public, which will help guide cost-effective transparency.

Survey participants say that excellent money management is critical for tight budgets, but old ways of making government decisions do not give finance the importance it deserves. They think that new analytical capabilities for financial managers will be useful to their customers and stakeholders. First, though, CFOs must understand what financial and performance data users need and educate them in how to use the information.

In their current form, the audited annual financial statements used in government, though important indicators of fiscal soundness, have little intrinsic value to the public or to government decision makers. Ways to improve the reports include aligning their content with the information needs of citizens, legislators and nonfinancial managers and making better links between financial information in the statements and budgets and performance measures.

A perfect storm in the economy and government creates extraordinary challenges, but it presents an opportunity to CFOs and other financial leaders. According to a U.S. financial executive we interviewed, "With transparency, we have this great experiment called 'Where's the money going?' and money is the CFO's story. This gives us an opportunity to evaluate our reporting model against citizen demand for information. It is also an opportunity for us to show our value."

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About the survey

The Association of Government Accountants (AGA), in partnership with Grant Thornton, has sponsored an annual federal chief financial officer (CFO) survey since 1996. In 2009, the AGA has joined with the National Association of State Auditors, Comptrollers and Treasurers (NASACT) and the Financial Management Institute of Canada (fmi*igf), with the support of the Office of the Comptroller General of Canada, to expand the reach of the survey.

Most survey respondents are from U.S. federal civilian agencies and departments and from state and local governments. This year, we added a small sample of U.S. federal government executives who are customers to the financial function. Also, we welcome for the first time U.S. state government and Government of Canada financial executives.

Earlier AGA surveys focused on issues such as financial reporting, audits, internal control and performance measurement. For the 2009 survey, we look at the role of government financial management in the current economic crisis, the global push for more transparency in government and at public sector financial statements.

The purpose of the surveys is to identify emerging issues in financial management and provide a vehicle for practitioners to share their views and experiences with colleagues and policy makers. This is one of the ways in which AGA maintains its leadership in governmental financial management issues.

Anonymity

To preserve anonymity and encourage respondents to speak freely, the annual surveys of the CFO community do not attribute thoughts and quotations to individual financial executives who were interviewed, and they do not identify online respondents.

Survey methodology

With AGA, NASACT and fmi*igf guidance, Grant Thornton developed online and in-person survey instruments that included closed- and open-ended questions used to survey 492 people. We interviewed 122 U.S. federal financial leaders (CFOs, deputy CFOs, and other executives) and senior leaders of oversight groups such as the U.S. Office of Management and Budget (OMB)

In this report, we refer to the following:

- **Chief financial officers (CFOs)** are the top financial executives in their governments or government entities and may include comptrollers and treasurers.
- **U.S. financial or nonfinancial executives** are U.S. federal government executives interviewed in person.
- **State financial executives** are state treasurers, comptrollers, accounting directors or budget directors interviewed in person.
- **Canadian financial executives** are Government of Canada financial executives interviewed in person.
- **U.S. financial managers** are federal participants in the online survey.
- **State and local financial managers** are state and local participants in the online survey.

and the U.S. Government Accountability Office (GAO). We interviewed 10 U.S. federal nonfinancial executives, 20 U.S. state government financial executives (treasurers, comptrollers, accounting directors and budget directors) and 16 Canadian CFOs and deputy CFOs.[1] We also held three meetings, each attended by between 15 and 20 U.S. federal financial executives and oversight leaders, to discuss the survey topics. Our online survey garnered 324 responses, of whom:

- 87 percent are current members of AGA and 16 percent are current or former members of NASACT; these organizations promoted the survey through contacts with members and with links at their Web site home pages.
- 36 percent work in local, 54 percent in state and 32 percent in federal government.
- 25 percent report that they hold positions of, or equivalent to, comptroller or CFO in their government entity.

Copies of the in-person and online questionnaires may be found at www.grantthornton.com/publicsector.

[1] Before April 1, 2009, Government of Canada departmental CFOs were called senior financial officers (SFOs).

Introduction: recovery and transparency

In mid-2009, governments in Canada and the United States are in a "perfect storm" of economic recession, budget shortfalls and increasing demands on public service. The storm is putting stress on their ships of state, but government leaders have been working hard to navigate the tempest. They have funneled record amounts of stimulus and recovery money to the private and public sectors, aiming at saving whole industries and jump-starting the economy.

Earlier in 2009, large U.S. banks went through federally mandated stress tests to determine their stability. The purpose was to determine whether the banks could withstand extreme, but plausible, economic events. The results alert bankers, regulators and potential investors to a bank's weaknesses and risks that must be mitigated for the institution to be viable.

Federal and state governments have been going through a sort of stress test, too. In the United States, funds from the American Recovery and Reinvestment Act (ARRA) of 2009, though welcome, are straining many state governments' and federal entities' capacities to monitor and report on funds received and disbursed. Although the U.S. federal government has not yet felt the pinch of major budget cuts, it likely will soon enough. Canadian government departments are gearing up for budget reductions, too. For government chief financial officers (CFOs), the shortfalls mean that financial management problems will not be solved through large investments in systems and new personnel—because the money is simply not going to be available.

Where is the silver lining of this fiscal cloud? Government funding to help the national economy recover means opportunities for long-term improvements to financial management, say many of the respondents to this 2009 CFO survey. They think that the demands for transparency for recovery funds will become the mandates of the future and may shape the role of the new government chief financial officer.

In this introductory section, we will give an overview of recent government activities for economic recovery. In the next section, we will show why survey respondents think that these recent activities dovetail with an emerging political philosophy of transparency, collaboration and participation in government. Following that, we will look at how both recent and ongoing demands will be shaping the government CFO's role. Then, we will report respondents' concerns and ideas about audited annual financial reports, a major duty of the chief financial officer.

Stimulus and recovery

Throughout the world, governments have elected to be their nations' spark plugs for economic recovery, usually by increasing public spending. In the United States, the ARRA, signed into law on February 18, 2009, calls for injecting $787 billion of federal funds into the economy over the next two years, or about 3 percent of gross domestic product (GDP). On January 27, 2009, the Canadian government launched an Economic Action Plan (EAP) valued at about $40 billion in spending and tax relief over the next two years, or 1.9 percent of GDP in 2009 and 1.4 percent in 2010. U.S. and Canadian goals to improve the economy are to create or maintain jobs for citizens and to increase consumption, investment, government purchases and net exports.

"ARRA is a potential disaster for us. The reporting requirements [to the federal government] are not clear at all, and we are getting so much money with such a short period to spend it that we are at risk of significant fines and penalties down the road."

State government and recovery

A major goal of the ARRA and EAP is to funnel funds to national, state/provincial and local government entities for projects through subsidies, grants and other means. In some cases, the amount of ARRA funds slated for a federal program will nearly double its normal annual budget. Many state and local governments will also benefit from large central government grants. Their national governments expect all recipients of recovery funds to spend this money quickly to halt the downward slide of their economies.

Therein lies a problem for state governments (and for some federal entities, as well). Says a state financial executive, "ARRA is a potential disaster for us. The reporting requirements [to the federal government] are not clear at all, and we are getting so much money with such a short period to spend it that we are at risk of significant fines and penalties down the road."

This fear is one reason that several states have established special offices to oversee ARRA funds. For example, the Commonwealth of Pennsylvania appointed a chief accountability officer (CAO) for recovery funds, and North Carolina has set up a dedicated ARRA office whose director reports to the state's governor. However, some state financial executives report there is, for all practical purposes, no real central authority over ARRA activities, especially where funds go directly to programs rather than through the state treasury. Also, they say that reporting rules seem to change weekly.

Like their U.S. federal counterparts, many state financial executives realize that the ARRA has the potential to drive changes to financial reporting. Although ARRA is a concern to them, it is also a catalyst. Many are using it as an opportunity to introduce better internal controls within their organizations and among state fund recipients.

Besides ARRA, some state governments face serious problems of insolvency, say some state financial executives. "Growing budget shortfalls are taking up most of our attention," says one. For this reason, transparency also means making program costs visible inside an entity in order to make budget decisions in a shortfall environment.

Defining transparency

Citizen and watchdog groups across the United States, Canada and the world are calling for increased visibility into government decision making, especially in the ways that public money is spent. They also want to know where the money actually goes and is used, and with what results. Government responses to this imperative range from publishing more financial reports and more spending and budgetary data on Web sites, sometimes including agency "checkbook stubs" that give the raw facts on nearly every expenditure. For example, since 2003, Canadian government departments must disclose on their Web sites the travel and hospitality expenses of selected government officials.

What, exactly, is transparency? We asked survey respondents to give us their definitions, and the most frequent one was "it depends," because transparency is in the eye of the beholder. While true, that answer gives little practical guidance to government leaders. After reviewing all the responses again, we developed eight principles of financial and performance transparency and show them in the box with that title. The "Recovery University" curriculum in the next section gives more details on each principle.

Transparency is certainly not the only issue confronting government financial executives and managers, nor is it the most important. It is, however, a defining issue, one that may well set the course of public sector financial management in the future. According to a U.S. financial executive we interviewed, "With transparency, we have this great experiment called 'Where's the money going?' and money is the CFO's story. This gives us an opportunity to evaluate our reporting model against citizen demand for information. It is also an opportunity for us to show our value."

Eight principles of financial transparency

We asked survey respondents to define transparency for government financial and performance information. Here are their chief principles for such transparency, which apply to both the public and government users:

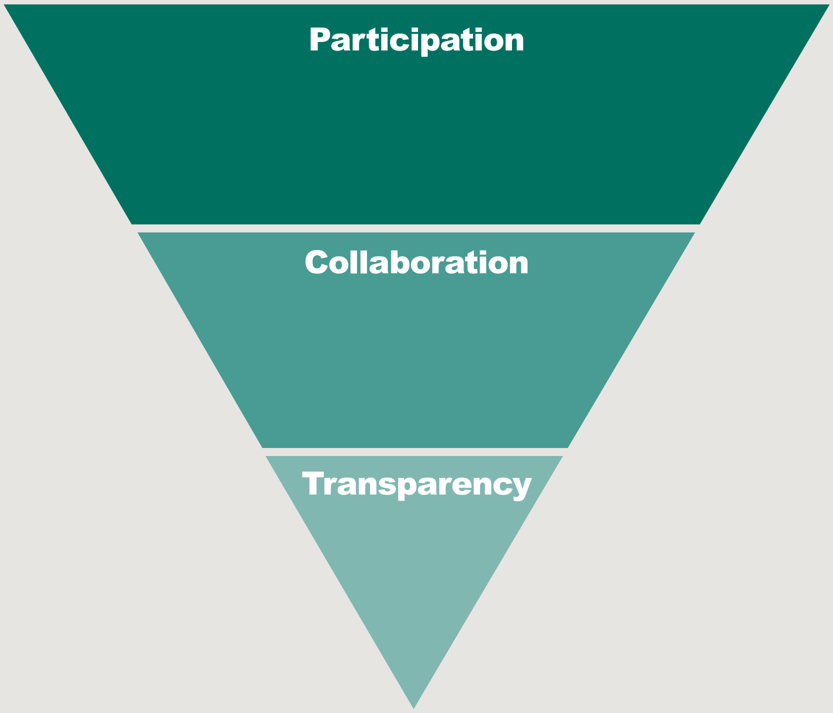
1. **Have a process for ensuring that data you disclose are accurate and reliable, and show that process to users.**
2. **Understand the information that people want, and deliver it. They may not be sure what they need, so help them define it. Along with the information you provide, show them how to get more.**
3. **Be as open as possible without creating risk. The default setting for disclosure is anything that does not violate security or the law.**
4. **Provide information that helps make decisions.**
5. **Do not just react to requests—active outreach is important.**
6. **Give context to data: show goals, benchmarks and other information with which to compare them.**
7. **Take action yourself based on the information, and tell people what you did. This includes using it to make policy and budget decisions and to manage and improve operations.**
8. **Be conscious of the dollar cost of transparency, and invest wisely in it. Set priorities for disclosure, and strive for the best return on investment.**

Note: We recognize that "transparency" also means full disclosure on relationships and decision processes. However, in this report, we limit the term to financial and performance data on government operations, results and outcomes.

Transparent, collaborative and participatory government

President Obama calls for government that is transparent, collaborative and participatory. One way for CFOs to look at this is a three-stage building process, as shown in Figure 1. *Transparency* is the foundation: governments send out accurate, timely and clear information on their research, planning, operations and outcomes. This is a CFO's home turf—good work here helps bring success to the next two stages. Information gives people agreed-upon facts for building *collaboration*. Collaboration builds *participation*: more people take part in public decisions. The result: a vibrant democracy and a strong nation.

Figure 1:
Transparency as the foundation for collaboration and participation



Transparency: Recovery University undergraduate courses

Adding performance data to the financial numbers, which some CFOs already do, makes it easier for taxpayers to see the return on investment (ROI) on their money. How are financial executives going to answer this call for more and better information? We framed the survey responses as Recovery University courses.

Recovery 101: the basics

Government information is the "nuts and bolts" of transparency, so the most basic requirements for it are to be timely, accurate and reliable. Therefore, the first item in the principles box on page 7 is to have a process that delivers financial and performance data with those qualities. Says a U.S. nonfinancial executive, "Despite the new emphasis on transparency, CFOs must ask themselves if they are taking care of the basics and doing it well, efficiently and effectively." The basic "blocking and tackling" activities of financial management include accounting, budgeting, internal control, audits, reporting, systems and stewardship. "An agency needs to have the basics down, or it is a bit grandiose to think that it can solve all of government's problems," says a U.S. financial executive.

Government entities often determine the accuracy and reliability of financial information through independent audits. The goal is to have auditors render an unqualified opinion on financial statements. Table 1 shows what U.S. financial executives and U.S. state and local government financial managers consider the most important activities for maintaining an unqualified opinion on their annual financial reports. No matter whether a person agrees that annual financial reports are useful, the responses in the table show what CFOs must do to maintain the credibility of the information they provide. (We will discuss annual financial statements later in this report, including issues about the current reporting model used by the U.S. government.)

Recovery University curriculum

Transparency: undergraduate

Recovery 101: the basics. Deliver timely, accurate and reliable information.

Recovery 201: what to disclose. Provide raw or enriched data?

Recovery 301: understanding information needs. Find out what customers and stakeholders need.

Recovery 401: ROI for transparency. Manage the cost of disclosure.

Collaboration: graduate

Recovery 501: CFOs in tough financial times. Support missions, improve performance and manage risk.

Participation: postdoctoral

Recovery 601: a place at the table. Create a culture that values financial management.

Table 1:
Ranking of activities that help ensure that government entities will receive unqualified opinions from auditors on financial statements

Activity Category	Description of Activity	Rank of importance		
		U.S. executives	U.S. managers	State & local managers
Having the right people	Recruiting, hiring, training, developing and retaining financial personnel with the right skills; replacing the knowledge of retiring Baby Boomers; and managing a blended workforce (employees and contractors).	1	5	1
Internal control	Ensuring that appropriate controls are in place for financial information, including feeder systems, and educating nonfinancial internal and external stakeholders on the value of controls.	2	3	3
Systems and information technology	Lack of a good financial management system (FMS) is a significant barrier to reporting accurate data. Activities included managing and improving mixed FMSs (i.e., legacy and new systems); upgrading to new FMSs; developing better interface with feeder systems and among multiple FMSs; installing controls on systems; dealing with nonstandard architecture while striving for standard architecture; and training financial and nonfinancial personnel to use FMSs correctly.	3	2	5
Process change	Here, process means the same thing as "financial operations." Activities include developing standard processes and procedures; educating financial and nonfinancial personnel to follow them; improving financial and associated nonfinancial processes to make them more effective, efficient and visible; introducing new processes (e.g., for monitoring grants from the federal down to the local level); and restructuring entities to remove barriers to information exchange and to promote coordination and collaboration.	4	1	2
Auditors and inspectors general	Educating auditors and managing relations, communications and transparency with them; establishing materiality thresholds and governmentwide standard operating procedures for audits; and changing auditors.	5	Not mentioned	10
Standards and guidelines	Aligning budgetary and financial practices and data with accounting standards; ensuring that financial and nonfinancial staff understands and follows standards; and getting good guidance on reporting from central authorities.	6	4	4

As shown in Table 1, the U.S. groups surveyed agree on the top six activities for maintaining an unqualified opinion, although with differing orders of importance. All the activities effect the timeliness, accuracy and reliability of financial information—and thus its credibility—so they are also related to transparency. Says a U.S. financial executive, "Transparency and accountability equate to improving the quality of general-purpose financial reporting, which leads to better-informed assessments of the resource allocation decisions made." Further, now may be the time to make the effort, says another U.S. financial executive, because ". . . there is a lot of interest and thus momentum about where the money is going."

Some state financial executives report problems in ensuring accurate information because the publisher of the data (e.g., the state comptroller or treasurer) has no authority or responsibility for determining the accuracy of the information or appropriateness of expenditures. In some states, the communication between entities and issues with information systems can cause interesting behavior. Says a state financial executive, "Our agencies report [ARRA-funded spending] directly to the federal government. What we get from the agencies is different from what they report to the feds, so we use the data from the federal Web site. Otherwise, there will be a discrepancy, and we will have a whole new set of problems."

Recovery 201: what to disclose

Having taken care of the basics, CFOs can move to determining what types of information to make available to internal and external stakeholders. Internal stakeholders consist of executives, program managers, other support functions (procurement, human resources, security, etc.), field offices, component entities and internal auditors. External stakeholders include the public, media, interest groups, oversight entities and legislators.

Respondents were of two minds about what to disclose:

- **Raw data.** A few say to "put it all out there," which means to disclose anything so long as doing so does not violate security or the law. This is in keeping with the third item shown in the box titled "Eight principles of financial transparency," which is to make disclosure the default action instead of the exception. We know of some jurisdictions that disclose all or most of their spending data in relatively unprocessed form on their Web sites, which is

like publishing checkbook stubs. Some media and advocacy groups say that is all they want and that they will figure out what to do with the data.

However, says one U.S. financial executive, "If you think that transparency is just dumping data, then you are creating all kinds of problems. Data dumps are dangerous." Some respondents say that this approach can put an entity or the public at risk by causing panic with data that have no context. Others point out that wholesale release of raw data can overwhelm users and make it harder to find answers. In addition, disclosing raw data without context can create hard feelings within one or more government organizations or with grantees and others, say survey participants. For example, "[Releasing raw data without context] may cause program managers to perceive biases toward or against their program, whether such biases are real or not," says a U.S. financial executive.

- **Enriched data.** "Transparency is 'right' when the public understands how and why taxpayer dollars are spent," says a U.S. financial executive. Making it right often means including context along with data, such as by comparing cost and performance data with program goals, external benchmarks and other standards. Says a Canadian financial executive, "The law says that, in response to a Access to Information Act request, we are to provide all available documents. But sometimes we will do some limited processing of the information for the benefit of, and in consultation with, the requestor."

Another way to enrich data is to provide metadata, or information about the context or characteristics of disclosed data, such as by using XML (eXtensible Markup Language) or XBRL (eXtensible Business Reporting Language). This enables users to slice and dice, mix and match, and drill down into data to different levels of granularity. The AGA has sponsored several studies on the use of XBRL in preparing state and federal financial reports and for grants management.[2] One of the studies, *Performance-based Management*, reports on a pilot project that integrated financial, performance and internal control data to create a new type of financial statement.

"[Releasing raw data without context] may cause program managers to perceive biases toward or against their program, whether such biases are real or not."

Recovery 301: understanding information needs

In the end, says a U.S. financial executive, transparency is ". . .the ability to respond to whatever questions come up—it's not a report, but instead is a state of mind." Several respondents believe that the heart of this ability is the transparency principle that financial personnel must strive to find out and understand what people want (and sometimes help them figure that out). This is much more than complying with reporting mandates or following accounting procedures. While important, such requirements seldom produce information that is useful to

[2] For more information on XBRL and metadata, see the AGA Corporate Partner Advisory Group (CPAG) reports *XBRL and Public Sector Financial Reporting: Standardized Business Reporting—the Oregon CAFR Project* (CPAG #16), *Grants Management: How XBRL Can Help* (CPAG #18) and *Performance-based Management* (CPAG #20). To order or download, visit www.agacgfm.org/research/publications.

> "…Most people are not skilled at reviewing data, conducting analysis, formulating defensible conclusions and crafting reasonable recommendations. There may be a tendency to misuse the data, causing more work for the government."

most internal and external stakeholders. Says one executive, "No one reads most of the stuff we turn out. I look at my own performance and financial reports and am confused and bored, so how can citizens possibly be interested in them?" So, who needs what kind of financial and performance information? We call them external and internal stakeholders.

External stakeholders. In the 2008 CFO survey report, we reported that, according to a 2008 Harris Interactive® poll commissioned by the AGA, 90 percent of American adults say that, as taxpayers, they are entitled to transparent financial management information from all levels of government. Although 72 percent said that it is important to receive federal government financial information, only 5 percent report satisfaction with what they receive. State and local figures were not much better. This data disappointment may not simply be because of a paucity of information; it is also how government displays the data. "Citizens are more interested at a functional level, in what we spend as a whole government," says a U.S. financial executive. Other respondents suggest these interests are geospatial as well, focusing on states, districts and sometimes specific buildings. For example, they may want to know the amount of federal, state and local funds going into building a new public school. "Citizens also need to see the whole picture," says a U.S. financial executive, "which is where blending financial and program aspects comes into play."

"The biggest risk is people not caring about financial issues," says a U.S. financial executive, which means that financial managers must be more engaged in educating the public on public finance. Survey participants from the U.S. federal, state and local levels emphasized the need to sell the importance of finance to the public, to legislators and to nonfinancial managers.

Says a U.S. financial executive, "Another great risk is that, as transparency grows, more and more people (and other external stakeholders) will misinterpret the data we present. Most people are not skilled at reviewing data, conducting analysis, formulating defensible conclusions and crafting reasonable recommendations. There may be a tendency to misuse the data, causing more work for the government." This is the best argument for data enrichment and proactive education on how to interpret it. Establishing good relationships with the public, or at least an entity's intermediaries between financial managers and the public, makes it is possible, in the words of a survey respondent, ". . .to understand and respond to what people really need, rather than simply answering their questions."

People also want current data, as close to real-time as possible. Says one U.S. financial executive, "Users should be prompted when new information is available so that relevant constituents know that it's out there or that it has been updated. There should be outreach—active transparency, rather than passive."

Some governments and associations are actively engaged in finding out what citizens want. The AGA citizen survey mentioned above is one example. In addition, the AGA and the U.S.

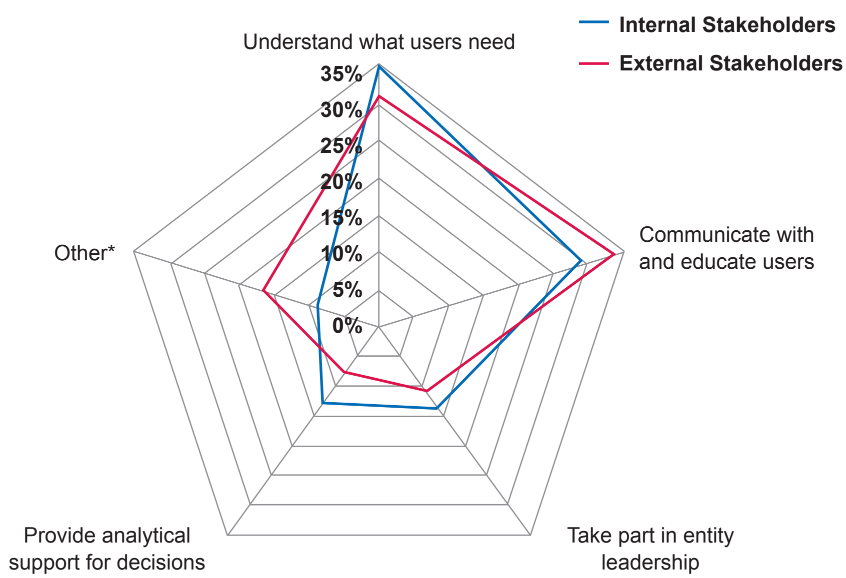
Chief Financial Officers Council—consisting of the CFOs of major federal entities—are working together to better define the types and forms of information to provide to the public.

Internal stakeholders. Active transparency is even more critical inside an entity. With all the discussion about public transparency, it is easy to forget that government managers also want better access to more useful data. For financial managers, this means finding out what nonfinancial managers want and sometimes educating them on what they need. This requires financial personnel to gain a deep understanding of the mission and operations of one's entity and of the type, format and timing of information that internal stakeholders need for their work. For example, says a U.S. financial executive, "For the [entity chief], the requirement is to have sufficient information in order for the leader to be accountable for a decision, so the process of the decision has to be traced and full cost applied to it."

Perhaps the highest ROI on transparency comes from providing useful information to internal stakeholders, says a Canadian financial executive, "The things you do for transparency are the things you should be doing for yourself. When you do that, then it is a much smaller marginal cost to provide the same things to the public."

A greater challenge, say many executives, is to get some nonfinancial managers to use any financial information other than what is in their budgets to make their management decisions. Such attitudes marginalize both financial information and financial managers and make it harder to live up to the eighth principle of financial transparency, which is to take action based on disclosed financial and performance information. In construction parlance, the attitudes may require the CFO to start at the subbasement level when building internal transparency. Until program managers gain more fiscal sense, a Canadian financial executive offers this advice, "We need to walk them through the process when things are difficult so they can focus on their technical areas of expertise and we can focus on providing our financial management expertise."

Figure 2:
What U.S. financial executives think that CFOs should do to maximize the value of financial management to internal and external stakeholders



Includes develop good financial staff, advocate internal control, integrate financial and performance data, and be a realist.

What can a CFO do to change these attitudes? Figure 2 offers a suggestion; its spider diagram shows the areas that U.S. financial executives think are most important for becoming more useful to external and internal stakeholders. The blue line defines the areas for internal stakeholders and the red line for external stakeholders. The figure indicates that, at least in 2009, a CFO's resources need to skew toward understanding, communicating and educating internal and external stakeholders. In other words, financial executives who want to collaborate with their nonfinancial colleagues must first convince them why this is important and that the CFO has something of value to bring to the table.

Finally, CFOs need to have a solid working relationship with their entity's chief information officer (CIO), especially because of the growing importance of business systems to financial and performance reporting. Heretofore, the CFO has been considered the owner of the financial management system and often played a key role in business system investment decisions. Many state financial executives say the CFO/CIO relationship is particularly important to their government.

Recovery 401: return on investment for transparency

Everything costs something. Concerning the calculation of ROI on transparency, most respondents from all executive groups agree that CFOs must be aware of and attempt to control the cost of making financial and performance information more transparent. This is the eighth item in the box on the principles of transparency. There appear to be two schools of thought about ROI, though.

Cost not a great consideration. All interviewees in this camp acknowledge the hefty price of transparency, but many see it as the new cost of doing business. Some of the comments by U.S. financial executives:

- "There is no ROI with transparency; the value is what transparency is worth to the public."
- "If a committed member of Congress requires transparency, then no matter the cost, that is what you have to deal with."
- "Everything should be transparent. From a cost standpoint, it is sometimes more costly not to be transparent."
- "ROI has never been part of the question…We consider timing, accuracy, usefulness of information and provision of information required for stakeholders to make reasoned decisions."

Cost is a very important consideration. Many U.S. and Canadian executives were wary of the costs involved in increased transparency.

- According to a Canadian financial executive, "The government of Canada says you have to do it, but the policy regarding transparency has gone too far. We need to look at materiality levels, but I'm not sure what they should be."
- A U.S. financial executive says, "We should ask, if you get this information, 'what are you going to do with it?' We're not in the nice-to-know business. We shouldn't want to make stuff transparent just to make it transparent."
- Another U.S. financial executive says, "The concept of ROI is important. You need the right mix of information, but you could go on forever in collecting and reporting it. At what point do you say, 'this is enough'? You have to make tradeoffs."

Whatever the case, the increasing demand for transparency faces a technical obstacle. "The infrastructure to provide spending and performance information more readily to both program managers and the public is lagging behind the desire for that information," says a U.S. financial executive, "Significant investment in technology and processes will be needed for this to improve." Some state financial executives would agree with this, saying they have no central way to collect data from their agencies.

"The infrastructure to provide spending and performance information more readily to both program managers and the public is lagging behind the desire for that information."

Finally, the cost of information should be a function of its value to users and the difficulty of obtaining it. During the survey, we heard several times that some government Web sites that were set up recently to promote transparency are very rarely used. "It seems as though people are more interested in knowing that the Web-accessed databases are there, rather than in actually using them," says a U.S. financial executive. A state colleague says, "There is no point in spending a huge amount on transparency if all you need is a junior staffer with a calculator."

Collaboration: graduate school

Once at the table, a CFO is in the unique position of being at the center of things and in touch with all the data, so he or she can provide information on the actual performance of operations, on trends and on other issues, rather than have management depend on guesswork.

Especially in tough financial times like the end of the 21st century's first decade, this realism is sorely needed. During this period, CFOs and financial executives can expect to collaborate more with external stakeholders such as other government entities, oversight groups and legislative bodies.

Recovery 501: CFOs in tough financial times

Tough financial times test the mettle of CFOs, so we consider Recovery 501 a graduate course—you need to master the first four to succeed in the fifth. Table 2 shows the activities that U.S. financial executives in the survey mentioned the most when asked what they could bring to the table:

Table 2:
U.S. executives' opinions on CFOs' role when government is threatened by economic crisis

CFO Role	% of U.S. executives mentioning the role	Comments by other executives
1. **Support entity mission.** Provide more performance information; do more analysis; be an advisor to program managers and executives; find ways to make or get more money.	46	"Help us [program executives] make sure that decisions are data driven. CFOs should provide the underlying detail to understand how stimulus and recovery money is best spent for the maximum impact. This includes more performance information, particularly integrated operations and cost data." U.S. nonfinancial executive.
2. **Improve performance.** Work on improving processes and the efficiency of operations and support functions; control and contain costs.	20	"[Financial executives and managers] need to help conduct program reviews that will cut those programs that cannot achieve their mission with the funding they are to receive, rather than cutting across the board to keep all programs operating at reduced budgets." Canadian financial executive
3. **Manage risk.** Emphasize internal control and risk management.	10	"Over time, bond rating agencies will view states with strong internal control structures more favorably." State financial executive
4. **Set priorities.** Help set priorities for spending; focus leaders and managers on high-value-added, important things.	9	"Provide an honest reality check and offer solutions and fearless advice." Canadian financial executive
5. **Exercise stewardship.** Protect and account for public funds.	9	"Maintain an entity's fiscal health, including by obtaining unqualified opinions on financial audits." U.S. financial executive
6. **Communicate.** Help entity leaders communicate with internal and external stakeholders.	9	"Good CFOs are like marriage counselors, bringing together people with shared interests, but who have problems communicating about them." Canadian financial executive

Note that "managing the financial function" is not in Table 2 (it was mentioned slightly fewer times than the last three topics on the list). This does not mean that the basics are unimportant; a football team without good blocking and tackling cannot win the game. It does mean that the basics are likely to be beneath the notice of an entity's top leaders—unless the finance squad misses a key block or tackle.

A U.S. financial executive summarized the thoughts of most survey respondents about collaboration during economic recovery this way: "People are going to want to know 'How much will it cost?' and 'Who will pay?' Feasibility studies are going to be needed. If we can supply this information, we will be more valuable. We have to get out of the 'gotcha' routine and into another, more helpful one."

Participation: postdoctoral

The approach to participatory government of President Obama's administration includes more interaction with the public. One way of doing this will be to increase the practice of soliciting comments and suggestions from citizens on programs and policies, using Web technology to create a dialogue. At this time, it seems likely that CFOs and financial managers will not join in these discussions directly, but they still have critical roles to play in participatory government and should sit at the table of top executives. The first role is always to ensure that financial information disclosed by the government and posted on its Web sites is timely, accurate and reliable. That information will be part of participatory program/public dialogue, so it has to be right, else the government loses credibility. The ultimate role, though, is to ingrain financial management into strategic and daily decision making throughout an entity.

Recovery 601: a place at the table

Having "joined the team," financial executives and managers should be able to analyze alternative proposals from a financial viewpoint, to "… show people how their decisions play out from a financial perspective, using fully loaded costs," says a U.S. financial executive, "We should all be able to perform or oversee a good business case analysis, complete with multiple, realistic alternatives, and pros and cons of each alternative." In another example, a Canadian financial executive says, "When I arrived at this post a few years ago, the financial horizon of nonfinancial managers was quite short: the current budget cycle. They assumed that budgets would continue to go up, which blinded them to the future. I insisted that we do modeling and forecasting based on alternative funding scenarios,

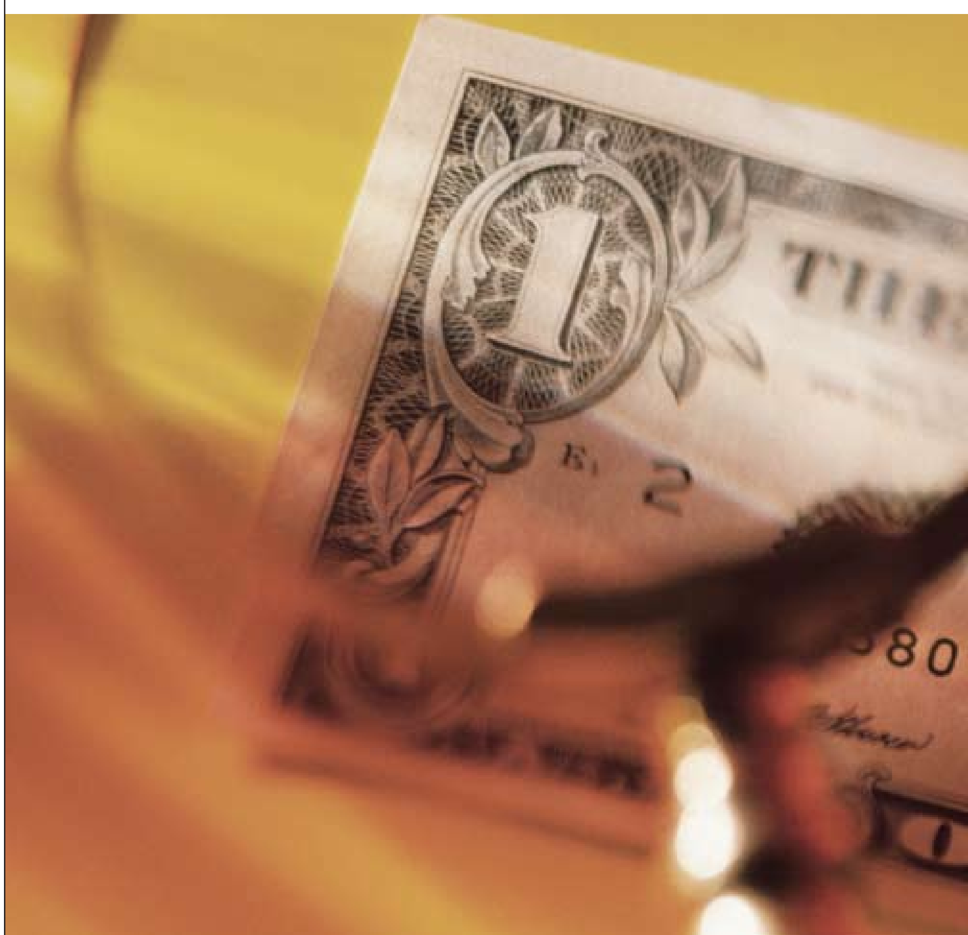
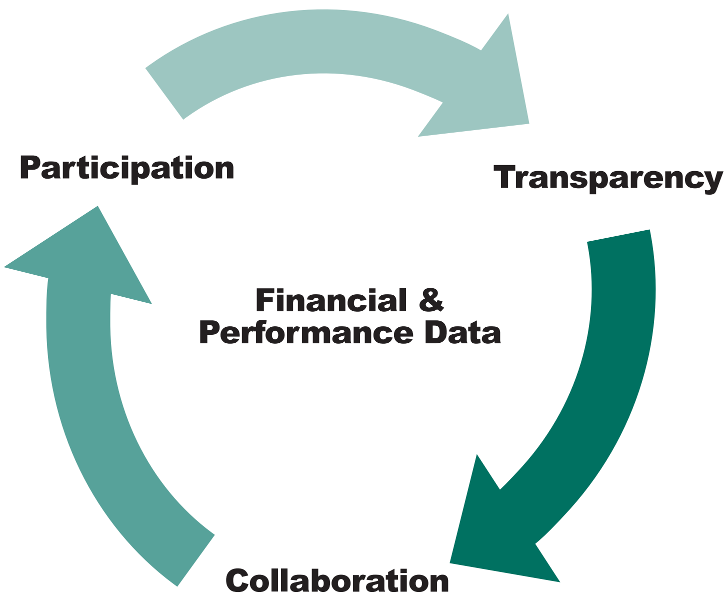


Figure 3:
Cycle of transparency, collaboration and participation



which they reluctantly went along with. Today, we have steady-state and decreasing funding, and the managers are grateful that we went through those exercises, because they can see what they need to do to adjust." Once program managers begin to see the value of financial analysis, an organization can expect to see a culture change toward cost management, instead of a strictly budgetary focus.

In the long term

In Figure 1 at the start of this section on recovery and transparency, we showed President Obama's vision of transparency, collaboration and participatory government as different levels, one built on the other. Over the long term, another way financial leaders can look at the vision is Figure 3. Financial and performance information are at the center of the figure because this data shows stakeholders the return on taxpayers' investment in their government. The circular arrows show a continuous cycle because, says a U.S. financial executive, "We are seeing a new paradigm: the more information you give people, the more they want." Transparency leads to collaboration with internal and external stakeholders, which results in more collaboration, which facilitates participatory government, which demands even more transparency. A righteous cycle, to say the least.

What new CFOs need to know

What are the important things for a new CFO to know during the first days and weeks on the job? We posed that question to every group of financial executives and received considerable guidance. We start with Table 3, which quantifies the opinions of the U.S. financial executives, and then move to other suggestions from their state and Canadian government peers.

Table 3:
What U.S. financial executives think new CFOs should know about their roles and responsibilities

Top five things new CFOs should know (U.S. financial executives)	Key observations
1. **Emphasize customer and stakeholder relationships and communication.** Establish good relations with customers and stakeholders (internal and external) and be effective communicators.	"The CFO needs to do a lot of reaching out to build relationships and communicate [the following]: • 'What are your thoughts? I think we should meet.' • 'Here are ways I can help you.' • 'Your success is my success. I don't have an independent job.' If you define success the same as the head of your entity, you will get along just fine."
2. **Understand entity business and program needs and culture.** To be valuable to the entity and develop relevant useful solutions, find out what program managers need, and learn about entity history and culture, especially as these affect financial and other business decisions.	"Most program managers fear that their financial data will be used against them and do not believe that it will be useful to them. They do not know enough about CFO operations to clearly understand the financial data and processes. They see financial information as someone else's problem."
3. **Initiate succession planning and staff retention and development activities.** To ensure there is sufficient staff with requisite skills, quickly start succession planning to replace attrition of experienced personnel, continuously train staff and reward staff successes.	"Federal hiring procedures are complex and time-consuming. Retirements are resulting in a significant loss in experienced personnel. We are currently working on succession planning for all levels, not just executives and managers." Other comments include, "Other agencies are going to 'poach' your best staff. You will be faced with a staff shortage, and because of this, you will be promoting young people faster than they should be."
4. **Trust your staff.** Listen to senior managers—they know the ropes, the auditors and where the skeletons are. Recognize that things do go wrong, and do not overreact. Set up a process that allows periodic close interaction with all financial management staff.	"The CFO should realize that the career professionals around him or her are experienced and generally do an excellent job. Learn to listen to them and trust them. But at the same time, do not be afraid to challenge them with new ideas."
5. **Establish effective internal controls.** Understand the importance of risk management and internal controls, establish effective controls and introduce/follow standard processes and procedures.	"Employ a risk management approach, for both the long and the short term. Make a risk analysis a first order of business. Be sure to look at the GAO's high-risk areas. Look for leading indicators of bad news."
Next five things	
Understand: **6.** The budget process and the role of the White House OMB **7.** Financial laws and rules and how to comply with them, statutory requirements and their impact on operations and finance, and how government works **8.** Accounting and audit standards, and financial reporting **9.** Financial systems and the importance of information technology to financial services **10.** The differences between the federal and private sectors in general, and in financial management in particular	

Note that the top four things in Table 3 are not technical, such as budgeting and accounting, but rather the organizational skills and behavior of a corporate-level leader. Technical skills are important, but in order to apply them to the greatest benefit, CFOs need to be leaders.

We posed the same question to U.S. state and local government participants in the online survey and garnered these suggestions, which we show in rank order.

1. **Accountability.** CFOs must put accountability first, both their own and that of other leaders in an organization. CFOs need to know that they will be held to a higher standard in this role of protecting others' assets. They must understand the effect their decisions (and failure to decide) have on their staff, organization, government and citizenry.
2. **Role.** During the first few weeks in office, new CFOs must become thoroughly familiar with their roles and responsibilities and what is expected of them by people throughout the organization and government.
3. **Understand the organization.** This includes the goals, objectives and mission of the organization; the "pecking order" of the organizational chart; the backgrounds of the players; and how to communicate up and down the chain of command. It is important for CFOs to know where their organization fits into the big picture of their government.
4. **Leadership.** New CFOs should learn to lead, not just manage. They need to have a vision and goals to help lead the financial management staff, and must quickly develop plans for reaching those targets.
5. **Internal controls.** Effective internal controls are critical to the financial and program health of the organization and must receive attention from the CFO.

Other guidance from U.S., state and Canadian government financial executives include:

Management

- Stakeholders often have conflicting demands, so learn multistakeholder management.
- Involve others as much as possible in the decision-making process, and try to reach consensus.
- Strive to make things easier and simpler.
- Be willing to say no, nicely and politely—but firmly.
- What may seem counterproductive to you is, for government managers, a practical way to accomplish their mission.
- You might not have the authority to run a program or another support function, but you do have permission (and often an obligation) to talk to those who do.
- Be careful not to over define things. In a mature organization, nobody cares who does what, so long as it is done.

Systems

- Play an active role in large IT projects and initiatives.
- Use major information system projects to drive process change, eliminate redundancy and introduce effective internal control.

Politics

- Quickly establish a money-based trust with the entity chief, or else a budget person is going to get in there ahead of you.
- If you are a careerist, then become aware of your potential to influence political appointees (and vice versa).
- Know the rules, both written and unwritten, and respect the process, including the legislative side of things.
- Many internal budget and resource deals are made behind closed doors. This is a short-term game—take the long view, and strive for internal transparency.

Point of view

- Look outside the financial function, and take an organizationwide view of things. As a CFO, you are uniquely able to do this.
- Look outside organization entity, and take a governmentwide perspective. In addition, we are in a global economy, so get a good grasp of macroeconomics, both of your country and the world.
- Network with colleagues inside your entity and among other CFOs and central agencies.

The following may be the most important piece of advice to new CFOs: according to several state and local government managers, a new CFO should not settle for "it's always been done that way."

The following may be the most important piece of advice to new CFOs: according to several state and local government managers, a new CFO should not settle for "it's always been done that way." Financial executives and managers, they say, have the power to improve how the government operates financially, and there are many new ways to do things better, faster and more effectively. Do not make drastic changes in the organization for the sake of change, but expect, embrace and initiate it when necessary.

Finally, warns a U.S. financial executive, "With the Recovery Act, there is going to be a lot of scrutiny over the next five years as to how you spend the money, so if you want to finish off your career right, then you better get things right, right now."

CFOs united

New CFOs should understand that they are not alone out there in the financial wilderness. They have colleagues in other entities in their government and in other governments: CFOs, comptrollers, treasurers and other top financial leaders. Meeting with them formally and informally is an important part of a new CFO's education. Good ways to do this include joining associations such as the AGA, AMSC, NASACT and fmi*igf and participating in their conferences and committees. With the current push for transparency, more collaboration among top financial executives at all levels of government will be especially important.

In addition, many governments have organizations such as the U.S. government's CFO Council (a statutory group), where financial leaders convene to discuss and develop solutions for pressing problems. Government of Canada CFOs have the opportunity to congregate quarterly to receive direction and information, align priorities, exchange best practices and share how they are meeting challenges. Through the AGA, fmi*igf and other organizations, U.S. and Canadian CFOs have started a dialogue that will be of value to both financial communities. Says one U.S. financial executive, "All CFOs should work as a collective. There are some very smart individuals among us with good and different ideas, and the mission of government financial management is not agency dependent. When a crisis arises, the CFO Council, or a subset of that body, should be locked in a room to become a think tank."

Annual financial statements and transparency

For anyone other than an accountant or bond rater, audited annual financial statements are perhaps the least transparent public documents produced by governments, according to many participants in the 2008 and 2009 AGA CFO surveys. Few of the people who can read these reports actually use them for business decisions. Given the cost of preparing and auditing the statements, it may be time to rethink them. Are there alternative ways of financial reporting that maintain the discipline of the current approaches, but that produce information that is more transparent and useful?

Nearly all the government financial executives and managers in the survey are in entities with audited annual financial statements done in accordance with their respective accounting standards boards. Most say these annual reports are valuable testaments to the credibility of financial information. U.S. state and local government managers are more likely to consider the reports to be valuable because their bond ratings depend on receiving an unqualified opinion from auditors. Some Canadian government financial executives see the value in the process to achieve an unqualified opinion on an annual financial statement, but not in the report itself. One thing that all government financial executives would agree on is that, while they get no special award for gaining an unqualified opinion, losing one can be a career-buster.

Some state government financial executives report increased interest and efforts at introducing controls over financial reporting such as those of the U.S. Sarbanes-Oxley Act of 2002 (SOX). That law was passed in reaction to several major corporate and accounting scandals, such as those of Enron and WorldCom. SOX also influenced the December 2004 revisions of the U.S. government's OMB Circular A-123, *Management's Responsibility for Internal Control.*

U.S. financial statements

Most U.S. government entities that are required to produce audited annual financial statements have received unqualified opinions on them. This is not the case for the consolidated financial report (CFR) of the United States government. Although the GAO issued an unqualified opinion on the U.S. government's FY 2008 and FY 2007 Statements of Social Insurance, certain material financial reporting control weaknesses and other limitations on the scope of its work prevented GAO from giving an opinion on the remaining financial statements. Table 1 of this report ranks the general activities all entities must do to maintain unqualified status. Table 4 on the next page shows U.S. government financial executives' opinions about how to correct the more specific problems in the consolidated financial report.

In Table 4, the most-mentioned activity area was for the Departments of Homeland Security (DHS) and Defense (DoD) to obtain unqualified opinions on their annual reports, because they represent a material part of the federal budget. In an April 2009 survey sponsored by the American Society of Military Comptrollers (ASMC), two-thirds of the DoD financial executives interviewed think it will be six or more years before that department receives an unqualified opinion.[3]

[3] American Society of Military Comptrollers, *Taking Care of Business: Managing Military Dollars*, April 2009. Electronic copy available at www.grantthornton.com/publicsector.

Table 4:
What the U.S. government must do to continue its progress toward an unqualified opinion on the consolidated financial report

Activities
1. **Obtain unqualified audit opinions for large component entities.** The Departments of Homeland Security and of Defense do not have unqualified opinions on their financial statements, and until they do, neither will the CFR.
2. **Fix intergovernmental transfers.** Areas to address include the clarity of central agency guidelines, reconciliation and timeliness.
3. **Processes.** Entities need to fix the problems pointed out by auditors, continue to improve financial reporting procedures and set priorities for improvement.
4. **Systems and information technology.** Continue to reduce the number of and consolidate financial systems throughout government, strive for an automated standard close in all entities and for intergovernmental reconciliations, and implement a standard architecture across government.
5. **Internal controls.** Continue to improve controls in financial reporting and systems.

The second area in the table, intergovernmental transfers, will likely require central agency involvement and better communication among entity systems, say many respondents. The objective here is to speed the process of reconciling the transfers. Two of the other activity areas in Table 4 (processes and internal control) are much the same as those shown in Table 1. Systems and IT problems are hard to solve right now because of the large number of financial systems in the U.S. government and their poor ability to share information with each other. A standard architecture across government would help solve the systems problem.

Materiality: United States and Canada

In the 2008 CFO survey, we discussed differences in materiality in the U.S. and Canadian national governments' approaches to their annual financial reports. The chief lesson learned from this was that some of the weaknesses that might seem material at the agency or department level become much less of a concern in the big picture of a country's combined financial report.

Here is the reason why: the U.S. approach uses a bottom-up closing package process that starts with funds, agencies and departments preparing individual financial statements and having them audited. The U.S. Treasury Department's Financial Management Service rolls up the individual report results into the consolidated financial report.

In contrast, Canada takes a top-down approach in which its entities submit trial balance data during and at the end of the fiscal year for the national summary financial statement process. The Canadian government's central auditor identifies and audits material components, taking the audit work to the entity that submitted the data. Thus, a material weakness is said

to occur when it affects the entire government, not just one agency. This approach has helped the Canadian government obtain unqualified opinions on its summary financial statements for the past 10 years, and could perhaps do the same for the CFR of the U.S. government.

Canada's departments undergo audits, but only after the audit of the governmentwide summary financial statements, and then only with a focus on issues that affect the entire government. Some Canadian entities have received unqualified opinions, and all have been ordered to be fully auditable by 2012.

Like many of their U.S. colleagues, Canadian government financial executives applaud the process improvements that come from preparing their financial reports for audit, but are not convinced of the value of the documents themselves. Says one, "We need the credibility of a financial statement, but the traditional private sector version is not applicable to government. We need to move to a format that's tailored for government and links operations to performance."

Improving the U.S. financial reporting model

Most U.S. government respondents agree that an unqualified opinion on a federal entity's annual financial report represents three things of value: credibility, progress and understanding. As noted at the start of this report under Transparency, credibility comes from accurate, reliable and timely information, and an unqualified opinion can be a certification of these achievements. Regarding progress, some say that an unqualified opinion shows that an entity has improved its financial accounting and reporting. Finally, some U.S. respondents say that working toward an unqualified opinion helps financial and nonfinancial managers to better understand their processes.

However, many U.S. government financial executives say that financial statement information has little intrinsic value because the government does not use financial statement information to make business decisions. According to both financial and nonfinancial executives, few people other than accountants read them. We asked U.S. government financial executives what could be done to make financial statements more useful for business decisions (which would add to the reports' value). Table 5 shows their opinions.

Table 5:
How U.S. CFOs can increase the value of the annual audited financial statement

Response	Percentage
Change the financial statements in some way: eliminate all or parts; refocus; more/less detail	37
Communicate more: educate public, program managers, others about the value of the statements and how to use them	36
Other: unrelated items mentioned once	20
No value: the statements have no value whatsoever; nothing can be done to change this	11

Changing the U.S. financial statement

Spurred by the Chief Financial Officers Act of 1990 (CFO Act), the U.S. government developed a set of financial statements that imitate those used in the private sector. Nineteen years later, say about one-third of U.S. financial executives, it is time to think about changing this model. Improvements they suggest include the following:

- Do not write the report just for accountants, auditors and OMB. Instead, align the contents with needs of other users, such as citizens, nonfinancial executives and managers, and legislators. Many of these needs are analytical:
    - Make better links between the financial information in the statements, budgets and entity performance measures.
    - Use real-world financial measures that nonfinancial personnel can understand.
    - Use more-specific terms/line items that would be useful to stakeholders (e.g., travel obligations).
    - Have more vertical links to enable stakeholders to drill down into the details of the data presented.
    - Introduce cost accounting to the reporting mix.
    - Issue citizen-centric short reports along with the main report.
- Eliminate statements that are of no use (the Statement of Net Cost and the Fund Balance with Treasury are valuable, say some U.S. government financial executives).
- Eliminate calculations that have no value, such as depreciation of fixed assets.
- Focus on big-ticket items and material weaknesses.
- Use the Management Discussion and Analysis (MD&A) section more, especially for performance measures and for focusing on the future.

Making these changes will require action from the White House. Says a U.S. financial executive, "At the national level, CFOs cannot increase the value of the annual audited financial statements. OMB can, by orienting the relevant requirements to align with the information the government owes to the taxpayer. The reports currently address how much the government owns versus how this money benefits the taxpayer."

Communicating the value of the U.S. financial statement

No matter whether there are changes made to U.S. financial statements, CFOs will have to market their value to stakeholders. Some of the activities that will help include the following, say U.S. government financial executives:

- Do not assume that nonfinancial leaders know what the statements mean. Instead, take every opportunity to educate all stakeholders about the statements and about what an unqualified opinion means.
- Show nonfinancial managers the connection between the statements and their work. This means translating findings into program as well as financial terms. Also, show them the link to internal controls.
- Show leaders and managers how to use statements for making business decisions.
- Make the reports more interesting and understandable by using plain English, more definitions, more explanations and more graphics in the MD&A section.

"Figure out the real value points of the annual financial report, and focus on them," says a U.S. financial executive.

Conclusion

A new CFO taking the financial helm in today's perfect storm of economic recession and new calls for transparency would do well to reflect on this quotation from Shakespeare's *Twelfth Night*: "… some are born great, some achieve greatness, and some have greatness thrust upon 'em." Whatever the case for the new CFO, "greatness" is going to be necessary for the next several years. We believe that the nearly 500 financial leaders and managers who took part in the 2009 CFO survey have shown how to render distinguished service during these troubled times.

Mind the basics

Over the next few years, governments may not emphasize the important basic tasks of financial management (accounting, budgeting, internal control, audits, reporting, systems and stewardship) as much as they have in the past. The CFO must not let the basics backslide, or else the data that form the foundation of transparency will no longer be accurate and reliable. When that happens, CFOs and whole governments lose credibility and are less able to pursue their missions.

Invest carefully

With budget shortfalls, every dollar saved counts double: less tax burden for citizens, more resources for government. Two resource-draining activities could use more careful analysis to determine how best to maximize the benefits they deliver: annual financial reports and transparency.

Improve financial reports

Many survey participants said that few people actually read their government's annual financial reports and that fewer still use the documents for making business decisions. While such reports are necessary, governments need to find ways to improve their usefulness to groups other than bond rating organizations. As a group, government CFOs need to work together to prepare proposals for more cost-effective annual reports.

Increase transparency

More transparency is definitely needed in government, but the reality is that it costs money to disclose information, and right now money is tight. Governments need a way to determine ROI on transparency investments, just as they should for any other activity area.

Table 6:
Questions for calculating return on investment (ROI) of transparency information

Question	High ROI information . . .	Low ROI information . . .
1. Who wants to know?	… is focused on defined user groups with known characteristics	… is unfocused and its users are not well defined or known
2. What do they want to know?	… responds to user needs; detailed, gives context	… is hard to use, sketchy and lacks context
3. What is the information worth?	… enables action on major risks and opportunities	… risks and opportunities addressed have low importance
4. What does it cost to collect and report the information?	… is affordable and its value exceeds cost	… has a cost that exceeds its value

Table 6 is an example of a thought process to use when designing cost-effective ways to increase transparency.

Communicate and educate

For financial information to have high value, it must be useful and used for making decisions. Our survey indicates that the CFO is the key to increasing the usefulness of financial information to internal and external stakeholders.

The top two things that raise the value of this information are to understand user needs and to communicate with and educate them (see Figure 2). This starts at the top, where CFOs work with other senior executives, and it is more important than any information system or increase in staff in the financial function.

Distilling all the advice of the survey participants, we would say to the new CFO:

> **Strive to be a leader among the leaders of your organization, because leaders make a difference.**

Additional Information

If you would like more copies of this survey or an opportunity to hear more about its content and the challenges facing the federal CFO community, please contact the Association of Government Accountants at the address below:

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