

116TH CONGRESS }
2d Session }

SENATE

{ REPORT
{ 116-278

CFO VISION ACT OF 2020

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 3287

TO MODIFY THE GOVERNMENTWIDE FINANCIAL MANAGEMENT
PLAN, AND FOR OTHER PURPOSES



OCTOBER 19, 2020.—Ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

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OCTOBER 19, 2020.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 3287]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 3287) to modify the government-wide financial management plan, and for other purposes, having considered the same, reports favorably thereon with an amendment (in the nature of a substitute) and recommends that the bill, as amended, do pass.

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I. PURPOSE AND SUMMARY

The purpose of S. 3287, the CFO Vision Act of 2020, is to update the CFO Act of 1990 by standardizing Chief Financial Officers' (CFO) responsibilities, expanding the authority of Deputy CFOs, establishing metrics based on financial performance, and strengthening internal controls.

II. BACKGROUND AND THE NEED FOR LEGISLATION

On November 15, 1990, President George H.W. Bush signed into law the Chief Financial Officers Act of 1990, which established the position at 24 Federal agencies and vested financial management

functions in that position.¹ While there has been significant progress during the thirty years since the CFO Act's enactment, there are opportunities for improvement. The Federal Government spends substantial resources on audits of agencies' financial statements, financial management systems, and financial management personnel,² yet cannot currently produce a government-wide clean audit of financial statements.³ The Federal Government cannot produce a clean audit due to the Department of Defense's inability to produce auditable financial statements, as well as the inability of the Office of Management and Budget (OMB) and the Department of Treasury to reconcile intergovernmental transactions and efficiently prepare government financial statements.⁴

On October 30, 2019, the U.S. Senate Committee on the Budget held a hearing on the Chief Financial Officers Act of 1990.⁵ At the hearing, the Government Accountability Office (GAO) Comptroller General Gene Dodaro testified that uniform CFO responsibilities and government-wide and agency-level financial management plans would improve agency financial practices, while making government-wide financial reports more effective.⁶

III. LEGISLATIVE HISTORY

S. 3287 was introduced on February 12, 2020, by Senators Michael Enzi (R-WY), Mark Warner (D-VA), Chuck Grassley (R-IA), Ron Johnson (R-WI), David Purdue (R-GA), and James Lankford (R-OK). The bill was referred to the Committee on Homeland Security and Governmental Affairs. The Committee considered S. 3287 at a business meeting on July 22, 2020.

During the business meeting, Senator Enzi offered a substitute amendment to include technical assistance provided by OMB that gives OMB more discretion in the oversight of agency CFO's financial practices. The amendment was adopted by voice vote *en bloc* with Senators Johnson, Portman, Paul, Lankford, Romney, Scott, Enzi, Hawley, Peters, Carper, Hassan, Harris, and Rosen present.

The legislation as modified by the amendment was favorably reported by voice vote *en bloc* with Senators Johnson, Portman, Paul, Lankford, Romney, Scott, Enzi, Hawley, Peters, Carper, Hassan, Harris, and Rosen present.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section establishes the short title of the bill as the CFO Vision Act of 2020.

¹The Chief Financial Officers Act of 1990, Pub. L. No. 101-576 (1990).

²Gov't Accountability Off., *U.S. Government's 2017 and 2016 Consolidated Statements*, GAO-18-316R at 46, available at <https://www.gao.gov/assets/700/690123.pdf>.

³Gov't Accountability Off., *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, GAO-19-294R (Mar. 28, 2019), at highlights, available at <https://www.gao.gov/products/GAO-19-294R>.

⁴*Id.*

⁵*Chief Financial Officers Act of 1990: Achieving the Vision: Hearing Before the S. Committee on the Budget*, (Oct. 30, 2019), available at <https://www.budget.senate.gov/chief-financial-officers-act-of-1990-achieving-the-vision#:~:text=WASHINGTON%2C%20D.C.%20%E2%80%93%20The%20Senate%20Budget,Comptroller%20General%2C%20Government%20Accountability%20Office>.

⁶Gov't Accountability Off., *Federal Financial Management: Substantial Progress Made Since the CFO Act of 1990 and Preliminary Observations*, GAO-20-203T (Oct. 30, 2019), at highlights, available at <https://www.gao.gov/products/GAO-20-203T#summary>.

Section 2. Chief Financial Officers; government-wide financial management plan

This section updates CFO responsibilities, expands authorities of deputy CFOs, and clarifies agencies' financial management practices.

Subsection (a) defines the duties and responsibilities for agency CFOs and deputy CFOs, including budget formulation, budget execution, risk management, and accounting. It also requires CFOs to provide annual agency financial statements and maintain a four-year financial management plan with performance-based financial metrics. This section also clarifies that in the event that an agency's CFO position is vacant, deputy CFOs are to serve as acting CFOs and carry out the same duties.

Subsection (b) requires OMB, in consultation with the CFO Council, the Chief Information Officers Council, the Chief Data Officers Council, the Chief Acquisition Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and GAO to develop a government-wide four-year financial management plan with annual status reports.

Subsection (c) updates requirements for the information and internal controls for agencies' annual audits.

Subsection (d) provides technical and conforming changes to title 5, to ensure it complies with the changes made in title 31.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATES

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 22, 2020.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3287, the CFO Vision Act of 2020.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

PHILLIP L. SWAGEL,
Director.

Enclosure.

S. 3287, CFO Vision Act of 2020			
As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 22, 2020			
By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	0	*	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	100	not estimated
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000.			

S. 3287 would revise requirements for the Office of Management and Budget (OMB) and federal agencies to prepare government-wide financial plans. Under current law, those plans cover five years; S. 3287 would replace those with four-year financial plans and would expand the information to be measured and reported. The bill also would broaden the requirements to audit each agency's internal controls.

Under S. 3287, the duties of each agency's Chief Financial Officer (CFO) would be expanded to:

- Implement the new four-year financial management plan,
- Evaluate the agency's performance against the financial metrics established in the plan, and
- Prepare performance reports that link performance and cost information.

CBO is unaware of any comprehensive information on the costs associated with the activities of CFOs. Reports from the Government Accountability Office indicate that most agencies have devoted significant resources to improving their financial management systems. The federal government spends about \$45 billion annually on civilian information technology (IT) investments. The Federal Government's IT Dashboard indicates that 80 percent of that spending is for operations and maintenance and about 20 percent is for modernization and enhancement. CBO expects that S. 3287 would codify, re-emphasize, and add to the financial management structure of the federal government. CBO estimates the new activities specified in S. 3287 would cost a total of \$20 million annually (less than \$1 million for each agency covered under the CFO Act of 1990), on average, over the 2021–2025 period; that spending would be subject to the availability of appropriated funds. Those costs, which are higher in the first few years would primarily stem from the additional administrative costs for new reporting requirements and changes to existing financial management system. Those costs would primarily be borne by the 24 agencies that are required to comply with the law.

Enacting S. 3287 could affect direct spending by some agencies that are allowed to use fees, receipts from the sale of goods, and

other collections to cover operating costs. CBO estimates that any net changes in direct spending by those agencies would be negligible because most of them can adjust amounts collected to reflect changes in operating costs.

There are two areas of uncertainty in the bill. If implementing S. 3287 would require investments to significantly modernize existing financial management systems at federal agencies, costs could be higher. In contrast, potential improvements in financial reporting from implementing the bill could lead to decreased costs if agency operations became more efficient.

TABLE 1.—ESTIMATED INCREASES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 3287

	By fiscal year, millions of dollars—						2020–2025
	2020	2021	2022	2023	2024	2025	
Estimated Authorization	0	25	25	20	15	15	100
Estimated Outlays	0	25	25	20	15	15	100

The CBO staff contact for this estimate is Matthew Pickford. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows: (existing law proposed to be omitted is enclosed in brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

UNITED STATES CODE

* * * * *

TITLE 5—MONEY AND FINANCE

* * * * *

PART III—EMPLOYEES

* * * * *

SUBPART B—EMPLOYMENT AND RETENTION

* * * * *

CHAPTER 33—EXAMINATION, SELECTION, AND PLACEMENT

* * * * *

SUBCHAPTER III—DETAILS, VACANCIES, AND APPOINTMENTS

* * * * *

SEC. 3348. VACANT OFFICE.

(a) * * *

* * * * *

(e) This section shall not apply to—

(1) the General Counsel of the National Labor Relations Board;

(2) the General Counsel of the Federal Labor Relations Authority;

(3) any Inspector General appointed by the President, by and with the advice and consent of the Senate; *or*

[(4) any Chief Financial Officer appointed by the President, by and with the advice and consent of the Senate;]

[(5)](4) an office of an Executive agency (including the Executive Office of the President, and other than the Government Accountability Office) if a statutory provision expressly prohibits the head of the Executive agency from performing the functions and duties of such office.

* * * * *

TITLE 31—MONEY AND FINANCE

* * * * *

SUBTITLE I—GENERAL

* * * * *

CHAPTER 9—AGENCY CHIEF FINANCIAL OFFICERS

* * * * *

SEC. 902. AUTHORITY AND FUNCTIONS OF AGENCY CHIEF FINANCIAL OFFICERS.

(a) [An] *It shall be the duty and responsibility of each agency Chief Financial Officer to oversee and provide leadership in the areas of budget formulation and execution, planning and performance, risk management, internal controls, financial systems, and accounting. In carrying out the preceding sentence, each agency Chief Financial Officer shall—*

(1) * * *

(2) * * *

(3) develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which—

(A) * * *

(B) * * *

(C) complies with any other requirements applicable to such *areas and* systems; and

(D) provides for—

(i) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;

(ii) the development and reporting of cost information;

(iii) the integration of accounting and budgeting information; **[and]**

(iv) the systematic measurement of **[performance,]** *performance and integration of performance and cost information; and*

(v) *annual agency financial statements prepared in accordance with United States generally accepted accounting principles;*

(4) * * *

(5) *prepare, in consultation with financial management and other appropriate experts, an agency plan to implement the 4-year financial management plan prepared by the Director of the Office of Management and Budget under section 3512 (a)(2) of this title and to achieve and sustain effective financial management in the agency, which shall—*

(A) *be completed within 90 days of the issuance of a government wide plan under section 3512(a)(2) of this title;*

(B) *be revised as determined necessary by the Chief Financial Officer;*

(C) *include performance-based financial management metrics against which the financial management performance of the agency shall be assessed; and*

(D) *be submitted upon completion or revision to the head of the agency, the Director of the Office of Management and Budget, the Comptroller General, and appropriate committees of Congress, and be made publicly available;*

[(5)](6) direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations, including—

[(A)] the preparation and annual revision of an agency plan to—

(i) implement the 5-year financial management plan prepared by the Director of the Office of Management and Budget under section 3512(a)(3) of this title; and

(ii) comply with the requirements established under sections 3515 and subsections (e) and (f) of section 3521 of this title;

[(B)](A) the development of agency financial management budgets;

[(C)](B) the recruitment, selection, and training of personnel to carry out agency financial management functions;

[(D)](C) the approval and management of agency financial management systems design or enhancement projects; *and*

[(E)](D) the implementation of agency asset management systems, including systems for cash management, credit management, debt collection, and property and inventory management and control;

[(6)](7) prepare and transmit, by not later than 60 days after the submission of the audit report required by section 3521(f) of this title, an annual report to the agency head **[and the Director of the Office of Management and Budget]** *the Director of the Office of Management and Budget, the Comptroller*

General, and appropriate committees of Congress, which shall be made publically available and, which shall include—

(A) a description and analysis of the status of financial management of the [agency] agency, including—

(i) *the progress of the agency in implementing the agency plan described in paragraph (5);*

(ii) *the progress of the agency in implementing the government-wide 4-year financial management plan prepared by the Director of the Office of Management and Budget under section 3512(a)(2) of this title; and*

(iii) *the performance of the agency against financial management metrics established by the Director of the Office of Management and Budget;*

(B) * * *

(C) * * *

(D) a summary [of the reports] of—

(i) *the reports; on internal accounting and administrative control systems submitted to the President and the Congress under [the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255); and] section 3512(d) of this title;*

(ii) *agency spending data published under the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6106 note); and*

(iii) *the reporting of the agency under the Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 note); and*

[(7)](8) * * *

(9) *be responsible for linking performance and cost information, including the preparation and submission to the head of the agency of timely performance reports that incorporate cost information;*

[(8)](10) *review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides, and make recommendations on revising those charges to reflect inflation and costs incurred by it in providing those services and things of value[.]; and*

(11) *coordinate with senior agency personnel, including the Chief Data Officer, Chief Information Officer, Chief Performance Officer, Chief Acquisition Officer, Chief Risk Officer, and Chief Evaluation Officer of the agency on—*

(A) *the exercise of authorities under this subsection; and*

(B) *the strategic planning, performance measurement and reporting, and risk management functions of the agency.*

* * * * *

SEC. 903. ESTABLISHMENT OF AGENCY DEPUTY CHIEF FINANCIAL OFFICERS.

(a) There shall be within each agency described in section 901(b) an agency Deputy Chief Financial Officer, who shall report directly to the agency Chief Financial Officer on financial management matters and who shall assist the agency Chief Financial Officer in the performance of each of the duties of the agency Chief Financial Officer under this chapter. The position of agency Deputy Chief Fi-

nancial Officer shall be a career-reserved position in the Senior Executive Service.

(b) * * *

(c) *Notwithstanding subchapter III of chapter 33 of title 5, United States Code, in the event of a vacancy in the position of Chief Financial Officer of an agency, the Deputy Chief Financial Officer of the agency shall serve as the acting Chief Financial Officer.*

* * * * *

SUBTITLE III—FINANCIAL MANAGEMENT

* * * * *

CHAPTER 35—ACCOUNTING AND COLLECTION

* * * * *

SUBCHAPTER II—ACCOUNTING REQUIREMENTS, SYSTEMS, AND INFORMATION

* * * * *

SEC. 3512. EXECUTIVE AGENCY ACCOUNTING AND OTHER FINANCIAL MANAGEMENT REPORTS AND PLANS.

(a)

(1) The Director of the Office of Management and Budget shall prepare and submit to the appropriate committees of the Congress and make available on the website described under section 1122 [a financial management status report and a government 5-year financial management plan] *a government wide 4-year financial management plan and a financial management status report.*

[(2) A financial management status report under this subsection shall include—

(A) a description and analysis of the status of financial management in the executive branch

(B) a summary of the most recently completed financial statements—

(i) of Federal agencies under section 3515 of this title; and

(ii) of Government corporations;

(C) a summary of the most recently completed financial statement audits and reports—

(i) of Federal agencies under section 3521 (e) and (f) of this title; and

(ii) of Government corporations;

(D) a summary of reports on internal accounting and administrative control systems submitted to the President and the Congress under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255);

(E) a listing of agencies whose financial management systems do not comply substantially with requirements of Section 3(a) of the Federal Financial Management Improvement Act of 1996, and a summary statement of the efforts underway to remedy the noncompliance; and

(F) any other information the Director considers appropriate to fully inform the Congress regarding the financial management of the Federal Government.】

【(3)】(2)

(A) A government-wide 【5-year】 *4-year* financial management plan under this subsection 【shall describe】 *shall—*

(i) *describe* the activities the Director, the Deputy Director for Management, the Controller of the Office of Federal Financial Management, and agency Chief Financial Officers shall conduct over the next 【5 fiscal years to improve the financial management of the Federal Government.】 *4 fiscal years to improve the financial management of the Federal Government in a manner that is strategic, comprehensive, and cost-effective; and*

(ii) *be developed in consultation with the Chief Financial Officers Council, the Chief Information Officers Council, Chief Data Officer Council, the Chief Acquisition Officers Council, the Council of the Inspectors General on Integrity and Efficiency, the Government Accountability Office, and other appropriate financial management experts.*

(B) Each government-wide 【5-year】 *4-year* financial management plan prepared under this subsection shall—

(i) describe the existing financial management structure and any changes needed to establish an integrated financial management system;

(ii) be consistent with applicable accounting principles, standards, and requirements;

(iii) provide a strategy 【for developing】 *for improving financial management systems, including—*

(I) *developing* and integrating individual agency accounting, financial information, and other financial management systems to ensure adequacy, consistency, and timeliness of financial information;

(II) *linking performance and cost information to facilitate effective and efficient decision making;*

(III) *eliminating duplicative and unnecessary systems; and*

(IV) *identifying opportunities for agencies to share systems and encouraging agencies to do so where practicable;*

【(iv) identify and make proposals to eliminate duplicative and unnecessary systems, including encouraging agencies to share systems which have sufficient capacity to perform the functions needed;】

【(v)】 *(iv) identify projects to bring existing systems into compliance with the applicable standards and requirements;*

(v) provide a strategy for reporting performance and cost information;

(vi) contain milestones for equipment acquisitions and other actions necessary to implement the 【5-year】

4-year plan consistent with the requirements of this section;

(vii) **[identify]** *provide a strategy for strengthening the Federal financial management workforce, including identification of financial management personnel needs and actions to ensure those needs are met;*

(viii) include a plan for ensuring the annual audit of financial statements of executive agencies pursuant to section 3521(h) of this title; **[and]**

(ix) include comprehensive financial management performance-based metrics against which the financial management performance of executive agencies can be assessed; and

[(ix)] *(x) estimate the costs of implementing the government-wide [5-year] 4-year plan.*

(3) *A financial management status report under this subsection shall include—*

(A) a description and analysis of the status of financial management in the executive branch, including the progress made towards implementing the government wide 4-year financial management plan, the status of remaining challenges, and cost estimates of improvements to Federal financial management;

(B) a summary of the performance of agencies against the metrics developed and identified by the Director of the Office of Management and Budget in the government wide 4-year financial management plan;

(C) a summary of the most recently completed financial statements—

(i) of Federal agencies under section 3515 of this title; and

(ii) of Government corporations;

(D) a summary of the most recently completed financial statement audits and reports—

(i) of Federal agencies under subsections (e) and (f) of section 3521 of this title; and

(ii) of Government corporations;

(E) a summary of reports on internal accounting and administrative control systems submitted to the President and Congress under subsection (d);

(F) a listing of agencies whose financial management systems do not comply substantially with the requirements of section 803(a) of the Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 note), and a summary statement of the efforts underway to remedy the non-compliance; and

(G) any other information the Director considers appropriate to fully inform Congress regarding the financial management of the Federal Government.

(4)

(A) Not later than [15 months after the date of the enactment of this subsection] January 31 after the date of enactment of the CFO Vision Act of 2020, the Director of the Office of Management and Budget shall submit the first financial management status report and government

wide **[5-year]** 4-year financial management plan under this subsection to the appropriate committees of the Congress.

(B)

(i) **[Not later than January 31 of each year thereafter]** *At a minimum, concurrently with the submission of the budget of the United States Government under section 1105(a) of this title made in the first full fiscal year following any year in which the term of the President commences under section 101 of title 2, the Director of the Office of Management and Budget shall submit to the appropriate committees of the Congress a **[financial management status report and a revised government wide 5-year]** government wide 4-year financial management plan to cover the succeeding **[5 fiscal years]** 4 fiscal years, including a report on the accomplishments of the executive branch in implementing the plan during the preceding fiscal year.*

(ii) The Director shall include with each **[revised government wide 5-year]** government 4-year financial management plan a description of any substantive changes in the financial statement audit plan required by **[paragraph (3)(B)(viii),]** *paragraph (2)(B)(viii)* progress made by executive agencies in implementing the audit plan, and any improvements in Federal Government financial management related to preparation and audit of financial statements of executive agencies.

(C) Each year, concurrently with the submission of the budget of the United States Government under section 1105(a) of this title, the Director of the Office of Management and Budget shall submit to the appropriate committees of Congress and the Comptroller General a financial management status report.

[(5) Not later than 30 days after receiving each annual report under section 902(a)(6) of this title, the Director shall transmit to the Chairman of the Committee on Government Operations of the House of Representatives and the Chairman of the Committee on Governmental Affairs of the Senate a final copy of that report and any comments on the report by the Director.]

(b) * * *

(c) * * *

(d)

(1) In consultation with the Comptroller General, the Director of the Office of the Office of Management and Budget—

(A) shall establish by December 31, 1982, guidelines that the head of each executive agency shall follow in evaluating the internal accounting and administrative control systems of the agency to decide whether the systems comply with subsection (c) of this section; and (B) may change a guideline when considered necessary.

(B) may change a guideline when considered necessary.

(2) By December 31 of each year (beginning in 1983), the head of each executive agency, based on an evaluation con-

ducted according to guidelines prescribed under paragraph (1) of this subsection, shall prepare a statement on whether the systems of the agency comply with subsection (c) of this section, including—

(A) if the head of an executive agency decides the systems do not comply with subsection (c) of this section, a report identifying any material weakness in the systems and describing the plans and schedule for correcting the weakness; **and**

(B) a separate report on whether the accounting system of the agency conforms to the principles, standards, and requirements the Comptroller General prescribes under section 3511(a) of this title.

(C) a separate report on the results of the assessment required under subsection (e)(2).

(3) * * *

(e) The head of each executive agency shall—

(1) in establishing the internal accounting and administrative controls under subsection (c), identify the key financial management information needed for effective financial management decision making; and

(2) annually assess the effectiveness of the internal controls of the executive agency over financial reporting and key financial management information identified under paragraph (1).

[(e)] (f) * * *

[(f)] (g) * * *

[(g)] (h) * * *

* * * * *

SUBCHAPTER III—AUDITING AND SETTLING ACCOUNT

* * * * *

SEC. 3521. AUDITS BY AGENCIES.

(a) * * *

* * * * *

[(e) Each financial](e)

(1) Each financial statement prepared under section 3515 by an agency shall be audited in accordance with applicable generally accepted government auditing **standards,** standards

(2) As part of each audit under this subsection, the auditor shall—

(A) evaluate the design of the internal control of the agency over financial reporting and key financial information, as assessed and reported on by the head of the agency under section 3512(d)(2)(C) of this title;

(B) determine whether those controls have been implemented;

(C) for controls that are properly designed and implemented, perform sufficient tests of those controls to conclude whether the controls are operating effectively and to support a low level of assessed control risk; and—

(D) communicate controls that the auditor concludes are not suitably designed and implemented or are not operating

effectively, as appropriate under applicable generally accepted government auditing standards.

(3) Audits under this subsection shall be conducted—

[(1)](A) in the case of an agency having an Inspector General appointed under the Inspector General Act of 1978 (5 U.S.C. App.), by the Inspector General or by an independent external auditor, as determined by the Inspector General of the agency; and

[(2)](B) in any other case, by an independent external auditor, as determined by the head of the agency.

(f) * * *

(g) * * *

(h) Each financial statement prepared by an executive agency for a fiscal year after fiscal year 1991 shall be audited in accordance with this section and the plan required by section **[3512(a)(3)(B)(viii)] 3512(a)(2)(B)(viii)** of this title.

* * * * *

