TRANSFORMING GOVERNMENT’S FINANCIAL MANAGEMENT

Federal Financial Management Maturity Model:
Fiscal “Fitness” Self-assessment
The Maturity Model is a business tool that helps a Chief Financial Officer (CFO) self-assess his or her organization’s level of financial management discipline, effectiveness, and efficiency.

Similarly to personal health, the Maturity Model centers on the “fitness” of an agency’s financial management. It can validate a CFO’s view of his or her agency’s maturity against a standard framework, and show areas where there is opportunity to improve.

The Maturity Model is designed to be used internally, is easy to perform, and is based on current conditions and existing documentation common to every agency.
<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>LEVEL 1: INADEQUATE</th>
<th>LEVEL 2: BASIC</th>
<th>LEVEL 3: CAPABLE</th>
<th>LEVEL 4: EFFECTIVE</th>
<th>LEVEL 5: LEADING</th>
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</thead>
<tbody>
<tr>
<td><strong>FM Strategic Goals &amp; Metrics</strong></td>
<td>No documented FM goals or performance metrics</td>
<td>FM goals and performance metrics documented and communicated to FM personnel; no performance targets exist</td>
<td>FM goals and performance metrics documented and communicated to agency personnel; performance targets exist; some performance targets met</td>
<td>FM goals and performance metrics documented and communicated to agency personnel and customers; performance targets exist; most performance targets met</td>
<td>FM goals and performance metrics demonstrate year-over-year improvement; performance targets updated annually</td>
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<tr>
<td><strong>Operational Efficiency</strong></td>
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<tr>
<td><strong>Financial Processes</strong></td>
<td>Heavy reliance on manual processes that lead to rework; no customer service</td>
<td>Reliance on manual processes with efforts underway to automate; limited customer service</td>
<td>Mix of manual and automated processes; established customer service processes</td>
<td>Automated end-to-end processes with predominantly real-time interfaces; self-service capabilities</td>
<td>Fully automated, real-time end-to-end processes; self-service capabilities widely adopted</td>
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<td><strong>Financial Systems and Reporting</strong></td>
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<td><strong>Level of Automation &amp; System Integration</strong></td>
<td>Legacy, customized system; lack of automated interfaces requiring manual re-entry; no plans to modernize; FISMA financial findings exist</td>
<td>Legacy, customized system; limited automated interfaces; OMB approved modernization plan; FISMA financial findings exist</td>
<td>Modern COTS product with limited customizations; batch interfaces; no FISMA financial findings</td>
<td>Modern COTS product with no customization; mix of batch and real-time system-to-system interfaces; no FISMA financial findings; strategic use of third party arrangements</td>
<td>Modern COTS product with no customization; real-time system-to-system interfaces; no FISMA financial findings exist</td>
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<tr>
<td><strong>Data &amp; Management Reporting</strong></td>
<td>Standard financial reports; data is unreliable</td>
<td>Standard financial reports with limited ad-hoc capability; data reconciled and validated periodically</td>
<td>Standard, ad-hoc reporting capabilities for financial data; data reconciled and validated regularly</td>
<td>Standard, ad-hoc, user-driven reporting capabilities; integrated financial and program data</td>
<td>Standard, ad-hoc, user-driven, analytic reporting capabilities; agency-wide access to integrated financial and program data; practices evidence based decision-making</td>
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<tr>
<td><strong>Financial Integrity</strong></td>
<td>Modified opinion (Disclaimer or Adverse); does not meet reporting deadlines unable to produce cost of agency programs</td>
<td>Modified opinion (Qualified); noncompliant with one of more laws and regulations; may no meet reporting deadlines; produces macro level cost of agency programs with no insight on cost detail</td>
<td>Unmodified opinion with one or more material weaknesses; noncompliant with one or more laws and regulations; meets reporting deadlines; produces detailed annual cost of agency programs and understands cost drivers</td>
<td>Unmodified opinion no material weaknesses or significant deficiencies; compliant with laws and regulations; meets reporting deadlines; regularly produces detailed cost of agency programs and leverages internal benchmarking</td>
<td>Sustained (three years) unmodified opinion; no material weaknesses or significant deficiencies; compliant with laws and regulations; meets reporting deadlines detailed cost estimating, forecasting, and external benchmarking drive program decisions</td>
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<tr>
<td><strong>Information Management &amp; Financial Reporting</strong></td>
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<td><strong>Enterprise Risk Management (ERM) Program</strong></td>
<td>Risks occasionally discussed; no formal process to manage risks; periodic mission failure due to lack of preparedness</td>
<td>Risks identified and managed in a siloed manner; ad hoc process to identify and document risks; major risks averted in a reactive, inefficient manner</td>
<td>Risks identified and managed across the agency; management understands cross-cutting agency risks; established mitigating controls minimize risk exposure</td>
<td>Formal ERM program to identify, document and manage risks across the agency; mission programs inherently manage risk; risk mitigation enhanced through diagnosis of lessons learned</td>
<td>Mature ERM program to identify, document and manage risks across the agency and with external stakeholders; culture of proactive risk management; agency routinely implements preventive controls and risks rarely become issues</td>
</tr>
</tbody>
</table>

**Federal Financial Management Maturity Model**

Component: FM Strategic Goals & Metrics
- Level 1: Inadequate (No documented FM goals or performance metrics)
- Level 2: Basic (FM goals and performance metrics documented and communicated to FM personnel; no performance targets exist)
- Level 3: Capable (FM goals and performance metrics documented and communicated to agency personnel; performance targets exist; some performance targets met)
- Level 4: Effective (FM goals and performance metrics documented and communicated to agency personnel and customers; performance targets exist; most performance targets met)
- Level 5: Leading (FM goals and performance metrics demonstrate year-over-year improvement; performance targets updated annually)

Component: Operational Efficiency
- Financial Processes
- Financial Systems and Reporting
- Data & Management Reporting
- Financial Integrity
- Information Management & Financial Reporting
- Enterprise Risk Management (ERM) Program

**Financial Systems and Reporting**
- Level 1: Inadequate (Legacy, customized system; lack of automated interfaces requiring manual re-entry; no plans to modernize; FISMA financial findings exist)
- Level 2: Basic (Legacy, customized system; limited automated interfaces; OMB approved modernization plan; FISMA financial findings exist)
- Level 3: Capable (Modern COTS product with limited customizations; batch interfaces; no FISMA financial findings)
- Level 4: Effective (Modern COTS product with no customization; mix of batch and real-time system-to-system interfaces; no FISMA financial findings; strategic use of third party arrangements)
- Level 5: Leading (Modern COTS product with no customization; real-time system-to-system interfaces; no FISMA financial findings exist)

**Data & Management Reporting**
- Standard financial reports; data is unreliable
- Standard financial reports with limited ad-hoc capability; data reconciled and validated periodically
- Standard, ad-hoc reporting capabilities for financial data; data reconciled and validated regularly
- Standard, ad-hoc, user-driven reporting capabilities; integrated financial and program data
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- Unmodified opinion no material weaknesses or significant deficiencies; compliant with laws and regulations; meets reporting deadlines; regularly produces detailed cost of agency programs and leverages internal benchmarking
- Sustained (three years) unmodified opinion; no material weaknesses or significant deficiencies; compliant with laws and regulations; meets reporting deadlines detailed cost estimating, forecasting, and external benchmarking drive program decisions

**Information Management & Financial Reporting**
- Modified opinion (Disclaimer)
- Unmodified opinion
- Sustained (three years) unmodified opinion

**Enterprise Risk Management (ERM) Program**
- Risks occasionally discussed; no formal process to manage risks; periodic mission failure due to lack of preparedness
- Risks identified and managed in a siloed manner; ad hoc process to identify and document risks; major risks averted in a reactive, inefficient manner
- Risks identified and managed across the agency; management understands cross-cutting agency risks; established mitigating controls minimize risk exposure
- Formal ERM program to identify, document and manage risks across the agency; mission programs inherently manage risk; risk mitigation enhanced through diagnosis of lessons learned
- Mature ERM program to identify, document and manage risks across the agency and with external stakeholders; culture of proactive risk management; agency routinely implements preventive controls and risks rarely become issues
Use the worksheet to get a quick view of your agency's financial management maturity.

1. Familiarize yourself with areas, definitions, components, and descriptions on page 2.

2. Review the Federal Financial Management Maturity Model on page 3, and note the levels of maturity within each component.

3. Rank each component in your organization on a scale of 1: Inadequate to 5: Leading. Enter your rating on the column on the table below.

4. Plot a point on the ranking number under the component at each point on the radar graph to the left. Connect the points.

5. Use graphic internally to begin discussions surrounding areas for improvement.

To Learn More
To learn more about the Maturity Model and other approaches, visit fiscal.treasury.gov/FIT or contact us at FIT@fiscal.treasury.gov.