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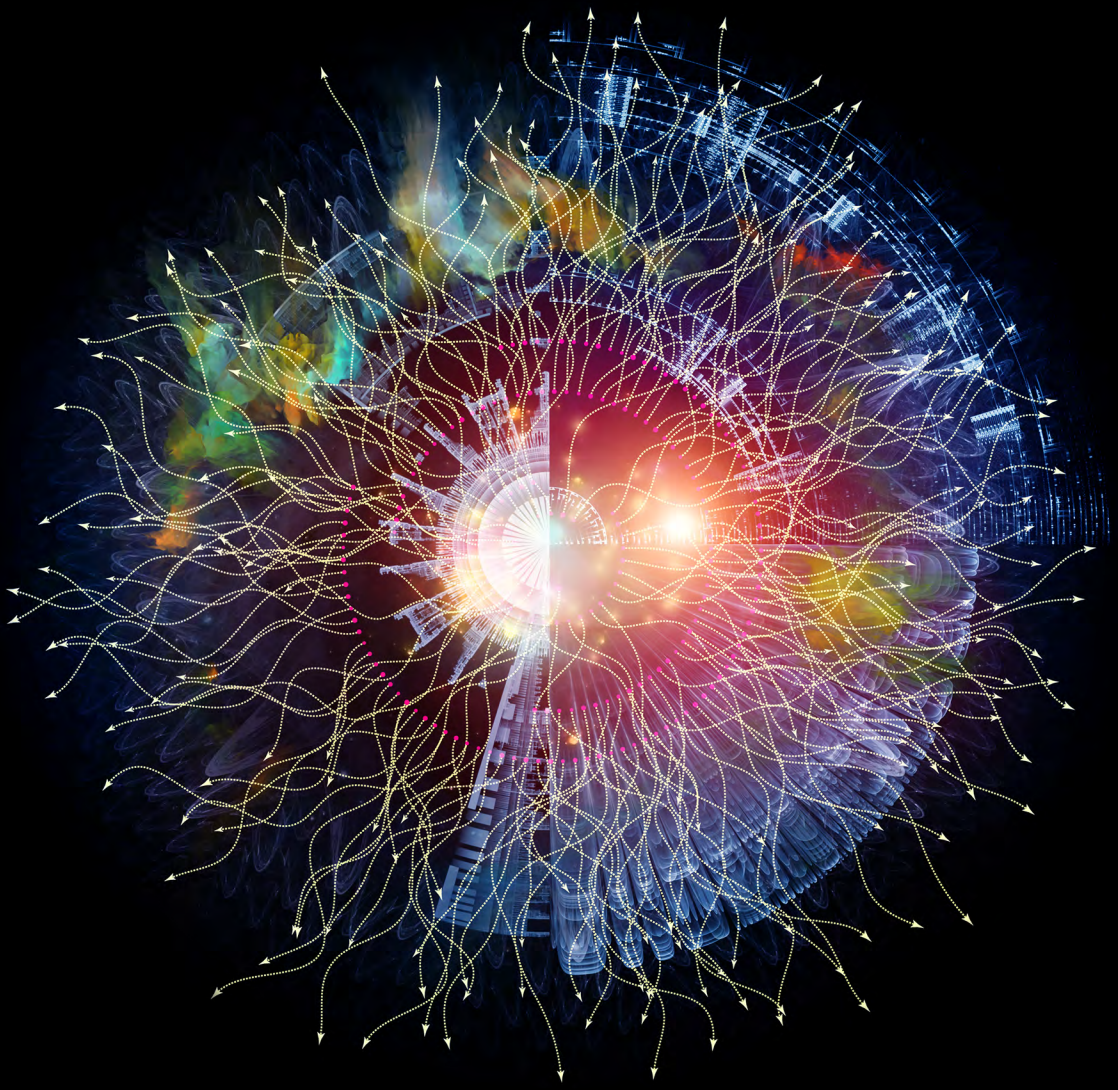

Readying federal CFOs to unleash AI for cost recovery and operational efficiency

February 2026

With the right Artificial Intelligence (AI) tools, government agencies can extract exponentially more insights from readily available financial data and automate operational components based on existing rule-based processes—to do more with less.

The evolving role of federal CFOs

For Federal Chief Financial Officers (CFOs), the pressure to deliver greater value within existing constraints is ever present. These financial stewards must navigate chronic budget constraints and complex regulatory requirements, all while meeting rising expectations for transparency, accountability, and agility. Traditionally, CFOs relied on institutional knowledge and manual effort to push the planning, programming, budgeting and execution process along.

However, a new variable has been thrown into the mix: mandates to decrease spending and waste, increase accountability and transparency, and promote innovation.

As budgets tighten and priorities shift, federal agencies face a dual challenge: How can agencies extract deeper, actionable insights from the vast financial data they already possess? In what ways can they drive greater operational efficiency and innovation while simultaneously reducing spending and waste, and striving for stronger accountability and transparency? These questions are at the heart of the modern CFO's mandate, demanding new approaches that go beyond traditional methods.

So, is AI the silver bullet? No – AI cannot replace human insights, judgment, and experience. Instead, when advanced analytics are thoughtfully paired with human insight, AI becomes a powerful force multiplier: accelerating routine tasks, surfacing actionable insights for faster, more informed decision-making, and enabling staff to focus on higher-value priorities. This paper explores how federal CFOs can leverage AI alongside their teams to navigate change more effectively and chart a course for sustainable, long-term success.

Finding the best deal

Just as shoppers scour grocery aisles for the best value, federal agencies need to strike a delicate balance between reducing expenses and fulfilling the mission.

In the following sections, we will dissect these questions, identifying common variables across the federal government. We will then discuss each one, offering practical AI applications in finance to help tackle these pervasive challenges and drive meaningful improvements in efficiency and effectiveness.

This quest for the sweet spot—where cost-cutting meets effective governance—raises two critical questions.

01. How can the government lower costs while meeting its mission?

02. How can it ensure that every dollar spent delivers maximum value?

Question 1: Lower costs without compromising mission

When considering government costs, there are two main types: recurring and non-recurring costs. Recurring costs are primarily associated with personnel salary and benefit costs, while non-recurring costs are typically linked to investments that can be terminated or adjusted, mostly in grants and contracts. The very nature of recurring versus non-recurring costs offers different sets of challenges (and opportunities) to achieve this quest.

Let's explore each type of cost.

In fiscal year 2024, roughly 43% of the $6.9T US government obligations were made up of up 3 main costs: grants (25.08%), contractual services (8.91%), and salaries and benefits (8.78%)[i].

Recurring costs – Salaries and benefits

As agencies work to achieve their mission amidst resource constraints, finding new ways to incorporate AI to handle routine tasks so human workers can focus on larger items is critical.

So, what does the average workload look like for a government worker? According to a Deloitte analysis of O*NET Work Activity data and Office of Personnel Management Fedscope employment data in 2024, several of the most time-consuming tasks across the federal government are ***documenting and recording information, handling and moving objects*** and ***getting information***[ii].

The good news, per a similar Deloitte study, is that over 50% of the sub-tasks within these activities have medium to high finance process automation potential[iii]. By leveraging AI to handle many of the routine or repetitive aspects of these tasks, government workers could focus on more mission-critical priorities and higher value work.

One use case for automating repetitive tasks within the government: workflow management.

Solution 1: Intelligent workflow management

AI can significantly enhance finance workflow management by automating and optimizing various aspects of the process. For instance, the use of AI-driven tools like FEMA OCFO Response Augmentation Suite, used for automating the generation of initial and preliminary responses to questions, has reduced processing times of 15 budget questions per day on average, which previously took thousands of hours per year to research and respond to[iv].

An agentic AI solution (Figure 1) can begin with an automated, 24/7 monitoring of incoming requests, upon which a manager AI agent can triage a series of AI agents to categorize, assess, and assign the task to the best matched staff (by availability and expertise) as well as AI agents to support documenting task or request statuses and notes and updating its knowledge repository in the background. Large Language Models (LLMs) are used to process and encode incoming requests to check against existing documents and databases, and LLMs are used to decode and generate output into natural language for the assigned staff as well as the final response to users.

By streamlining the initial stages of workflow handling, AI can significantly reduce the time spent on manual data entry and retrieval, allowing staff to focus on more complex tasks. Intelligent workflow management promotes efficient and effective case resolution through optimizing task assignments and reducing the need for task managers to start from scratch. Throughout the workflow management lifecycle, AI can help enhance service delivery by improving efficiency, accuracy, and resource allocation.

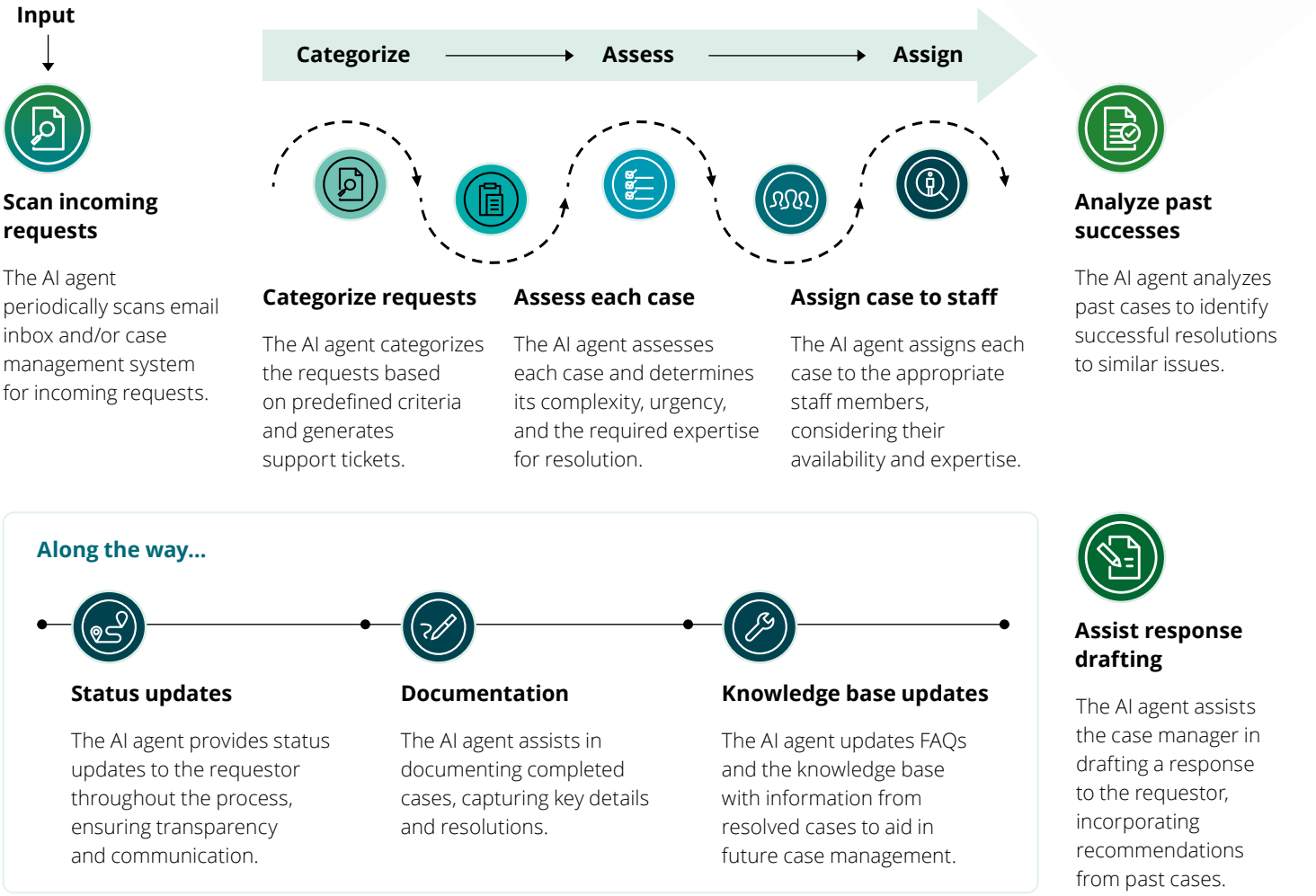

Figure 1. Agentic AI for intelligent workflow management

Non-recurring costs – Grants and contracts

Non-recurring costs are primarily in procurement—for example, in fiscal year 2024, the US government collectively spends $3.2 trillion on grants and contracts[v]. In addition to reviewing existing and pending agreements, it is equally important to create a sustainable review cadence, continuously evaluating future procurement needs for each period of performance and ensuring that funds are awarded intentionally.

To thoughtfully determine future awards, federal agencies and CFOs would need to have a comprehensive understanding of current and future drawdowns by vendors and grantees to accurately forecast undisbursed funds. However, vendors and grantees' drawdown patterns are most often non-linear and therefore difficult to forecast (e.g., time and materials contracts, 5-year project period of performance grants). Additionally, many agencies rely on labor-intensive processes to review and certify open obligations, using mass emails, spreadsheets, and Enterprise Resource Planning (ERP) data extraction. Given that agencies can have thousands or millions of unliquidated obligations (ULOs) and undelivered orders (UDOs) at a time, this approach can significantly drain resources and divert staff from larger tasks such as identifying trends or forecasting issues.

Consequently, significant amounts of expired funds are often returned to the Treasury because ULOs were never identified or there was insufficient time to repurpose the money[vi]. On average, federal agencies collectively return approximately $24 billion worth of budgeted funds to the Treasury each year[vii]. With the right analytic capability and faster processing time, agencies could reduce undisbursed funds and de-obligate them faster for investment in other mission-critical activities.

Solution 2: Obligation insights

AI can leverage the vast amount of historical financial data that government agencies possess to assess the risk of any UDO or ULO by the end of the period of performance. Paired with advanced machine learning (ML) models, the solution can be extended to chart out "low risk" and "high risk" spending patterns (Figure 2), making it easy for Contracting Officer's Representatives (CORs) and Project Officers (POs) to identify awards with potential spending risks and save significant time in gathering, analyzing, and visualizing data.

AI can be used for early detection of spending or performance issues. With minimal data analysis work from staff, the government can proactively identify issues, reach out to vendors or grantees to provide technical assistance if needed, and liquidate obligations before funds expire, effectively recovering funds to invest in other mission-critical needs. Alternatively, the government can decide to reduce future awards to grantees or vendors who require less funding in future performance years.

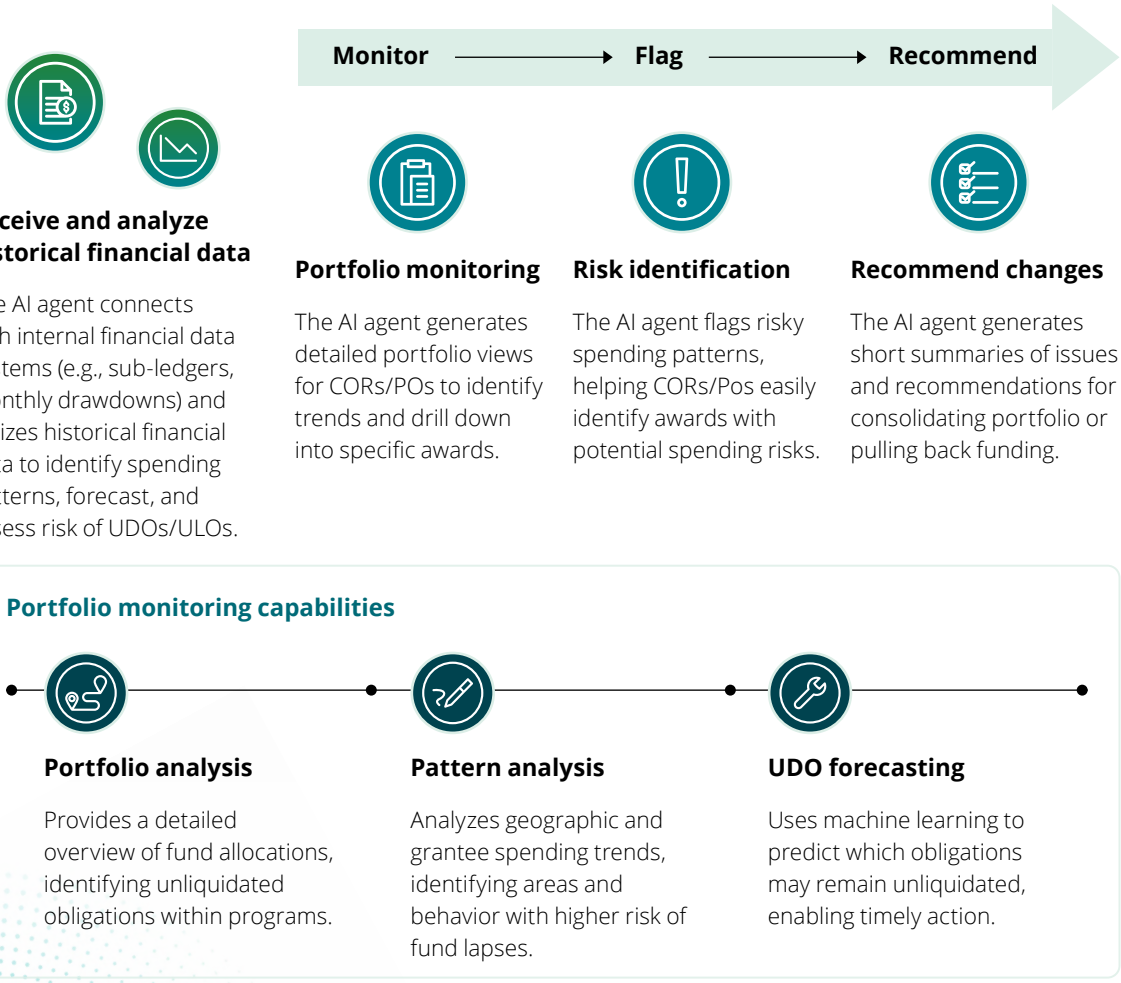

Figure 2. Machine learning-powered AI solution for UDO/ULO management

Question 2: Maximize every dollar spent

When the government seeks to maximize return on investment, the foundation lies in making well-informed, strategic investment decisions. Effective investment selection requires a forward-looking approach—anticipating future needs, risks, and opportunities—while also grounding choices in historical trends and spending patterns. Let's explore how AI can effectively combine these factors to help the government in its investment decisions.

Many government agencies are well-versed in strategic planning and budgeting. However, the process of mapping budgets to specific programs is often tedious and nuanced, becoming increasingly complex at lower levels within the agencies. Aligning budgets to programs effectively is only half the battle. When faced with budget constraints, it often involves time-consuming, back-and-forth negotiations among various sub-organizations to ensure their projects receive adequate funding. CFOs are typically at the center of these negotiations, tasked with optimizing resources across multiple scenarios and making difficult decisions to balance competing priorities.

Solution 3: Scenario planning and resource optimization

CFOs can adopt an AI-enabled scenario planning solution (Figure 3) capable of dynamically analyzing financial and programmatic data, accounting for historical spending patterns vs. plans, and suggesting optimal resource utilization while balancing competing program priorities. CFOs can choose to incorporate known business rules (e.g., procurement option years, payroll increases) and ML-forecasted variables (e.g., staff attrition/retirement rates, historical under-/over-obligation trends) to further refine their planning scenarios. Finally, AI can also identify and remove duplications and inefficiencies across an agency's submitted plans (e.g., duplicated vendors, grantees, and IT purchases) to spark potential consolidation of contractual services and procurements, increasing the government's purchasing power and, thus, helping to reduce government spending. AI can save CFOs significant time running through multiple scenarios aligning budget to program, accelerating finance and accounting process optimization, reducing weeks of work typically done manually via spreadsheets and email communications.

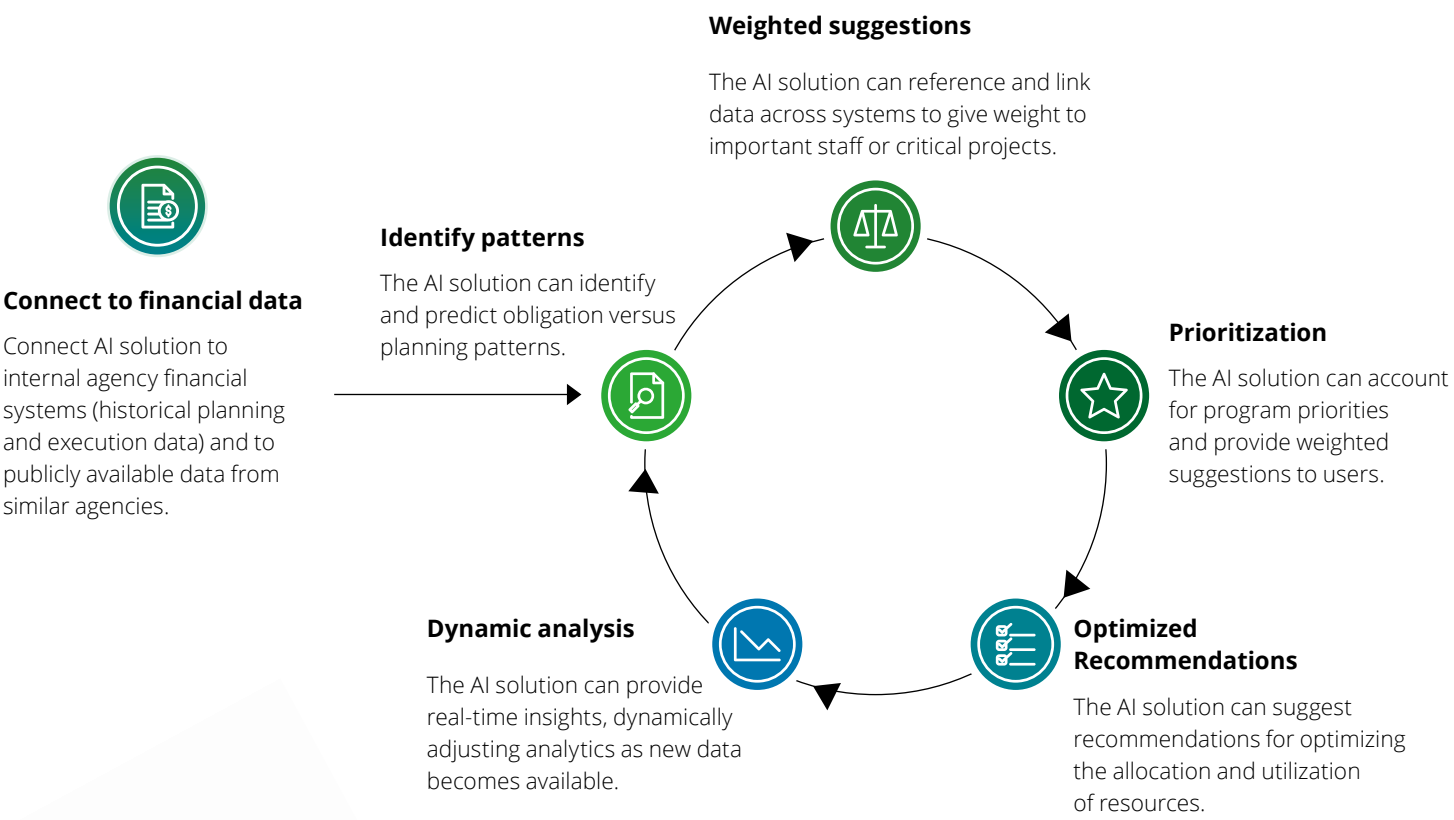

Figure 3. Scenario planning and resource optimization

Working toward a more efficient and innovative future

By strategically pairing AI with the abundant data and established processes already present in CFO offices—and by targeting areas with the greatest potential for time and cost savings—the government can unlock significant efficiencies. However, the true value of AI depends on (1) clean, well-structured data and (2) the expertise of skilled staff who can interpret and act on AI-driven insights. By combining the strengths of both AI and human expertise, CFO offices can drive greater impact showcasing that AI is a collaborative tool designed to enhance the workforce.

Deloitte is well-positioned to help you embark on your AI journey efficiently and effectively. We bring deep government finance experience, a demonstrated track record of supporting federal agencies, over 30 years of technology implementation experience, and the latest AI thought leadership.

It's time to reshape the future of government finance. Your vision and data paired with our AI-powered solutions and experience can unlock new levels of efficiency, accountability, and mission success.

Together, we can transform your operations.
Reach out today to start your AI journey.

Reach out for a conversation

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End Notes

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