

## Federal Agencies Still on the Path to Timely, Reliable, and Routine Financial Information

Federal agencies continue to improve financial reporting by providing timely, reliable, and routine financial information. This is evident with the fiscal year 2007 financial reporting results discussed below. Agencies are meeting aggressive reporting deadlines, achieving unqualified “clean” audit opinions, reducing material weaknesses and maintaining effective internal control.

For the third year in a row, all major Federal agencies successfully met the 45-day financial statement audit deadline as required by the guidelines set by the Office of Management and Budget (OMB). Since 2001, agencies have been required to prepare financial statements and have those statements audited 45 days after the end of the fiscal year, compared to the previous five month (150 days) window for completion. The accelerated reporting deadline enables agencies to provide more timely financial information to decision-makers and also requires them to employ more rigorous disciplines throughout the year to ensure readiness for year-end reporting.

In addition to timely reporting, 19 of the 24 major Federal agencies received clean opinions on their financial statements. Achieving a clean opinion means that the financial statements are fairly presented and do not contain material misstatements. In other words, the financial statements can be relied upon by appropriators, agency decision makers, and the public. This accomplishment is a significant milestone for agencies as they strive to continuously improve their financial reporting.

Another significant milestone is the reduction and resolution of material weaknesses. The total number of material weaknesses government-wide declined from 41 in fiscal year 2006 to 39 in fiscal year 2007. This is the fourth year in a row that material weaknesses have declined. Material weaknesses indicate that an agency’s internal control over financial is not effective. In other words the processes and/or systems used for compiling financial information and preparing the financial statements are not routinely identifying potential errors. For example, lack of edit checks in financial systems to identify abnormal balances or staff not performing reconciliations of account balances. Agencies are actively working to mitigate and resolve the remaining material weaknesses through the development, implementation, and monitoring of corrective actions.

While several agencies are still striving to resolve material weaknesses, 13 agencies have achieved a clean audit opinion with no material weaknesses. This accomplishment means that not only did these 13 agencies receive clean audit opinions, but that their basic financial and accounting practices, as well as their processes for preparing financial reports, are in place, working properly, and performed on a routine basis. This drives better overall management of agency resources and allows agencies to rely on the processes already in place to prepare financial statements rather than Herculean and ad-hoc efforts at year-end.

The 13 agencies that achieved this accomplishment are the Departments of Commerce, Education, Energy, Justice, the Interior, and Labor, Agency for International

Development, Environmental Protection Agency, General Services Administration, National Science Foundation, Office of Personnel Management, Small Business Administration, and Social Security Administration.

The Federal financial management community is committed to providing timely, reliable, and routine financial information for decision makers and the public. OMB, likewise, is committed to continuously working with the agencies toward this goal.

More information on the fiscal year 2007 financial reporting results can be found in the Federal Financial Management Report at <http://www.whitehouse.gov/omb/financial/index.html>.