
SECTION 700

Internal Control

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701 – ASSESSING COMPLIANCE OF AGENCY SYSTEMS WITH THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

- .01 FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions and to ensure ongoing accountability. FFMIA requires the 24 CFO Act departments and agencies¹ to implement and maintain financial management systems that comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the *U.S. Government Standard General Ledger* (SGL) at the transaction level. The law also requires auditors to report whether agency financial management systems comply with the FFMIA requirements. OMB has provided FFMIA implementation guidance to help agencies and their auditors determine compliance. This section also provides guidance for assessing agency systems' compliance with FFMIA. It explains FFMIA's requirements and discusses audit issues related to testing for compliance with the act. An example audit program is included as section 701 A.

FFMIA REQUIREMENTS

- .02 OMB Circular A-127, *Federal Financial Systems*, also addresses the three FFMIA requirements. OMB Circular A-127 prescribes policies and standards for executive branch departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems (see www.whitehouse.gov/omb/financial). In its FFMIA implementation guidance, OMB identifies the applicable requirements from Circular A-127 that should be assessed when making an FFMIA compliance determination.² OMB, in Circular A-127, refers to the federal financial management systems requirements, a series of publications issued by the Joint Financial Management Improvement Program (JFMIP), as the source of governmentwide requirements for financial management systems software functionality. JFMIP has developed a framework to describe the basic elements of an integrated financial management system, including the core financial system. Agency financial management systems fall

¹ OMB also requires certain designated entities to determine FFMIA compliance.

² OMB did not include certain elements of Circular A-127, section 7, in its FFMIA implementation guidance because some of the elements are not essential to satisfying the requirements of FFMIA and to the ability of an agency's systems to provide reliable, timely, and useful information necessary for federal managers' responsibilities. Accordingly, those elements are not included in this section.

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into four categories: core financial systems, other financial and mixed systems³ (such as procurement, property, budget, payroll, and travel systems), shared systems,⁴ and departmental executive information systems (systems to provide information to all levels of management.)

- .03 JFMIP has developed publications of systems requirements for the core financial system and for some of the mixed or feeder systems (see www.jfmip.gov). The systems requirements in the publications are stated as either mandatory (required) or value-added (optional). Agencies should use the mandatory functional and technical requirements in planning system improvement projects, whereas value-added requirements should be used as needed. The core financial management system affects all financial event transaction processing because it maintains reference tables used for editing and classifying data, controls transactions, and maintains security. The core financial management system consists of six functional areas: general ledger management, funds management, payment management, receivable management, cost management, and reporting. OMB Circular A-127 requires agencies to use for agency core financial management systems commercial-off-the-shelf (COTS) software that has been tested and certified through the JFMIP software certification process. According to JFMIP, core financial management system certification does not mean that agencies that install qualified software packages will have financial systems that are in compliance with FFMIA. Many other factors can affect the capability of the systems to comply with FFMIA, including modifications made to the JFMIP-certified core financial management system software, and the validity and completeness of data from feeder systems. JFMIP's certification process does not eliminate or significantly reduce the need for agencies to develop and conduct a comprehensive testing effort to ensure that the software product meets their requirements
- .04 The federal accounting standards, the second requirement of FFMIA, are promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB develops accounting standards after considering the financial and budgetary information needs of Congress, executive agencies, and other users of federal financial information as well as comments from the public (see www.fasab.gov). FAM section 560 describes the relationship of the FASAB standards to the hierarchy of accounting principles.

³ Mixed systems are any information systems that support both financial and non-financial functions of the federal government. Mixed systems can also be feeder systems.

⁴ Shared systems are governmentwide systems used by agencies with information and data definitions common to all users.

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- .05 Implementing the SGL at the transaction level is also a requirement of FFMIA. The SGL provides a uniform chart of accounts and guidance for use in standardizing federal agency accounting and supports the preparation of standard external reports required by OMB and Treasury (see www.fms.treas.gov/ussgl). The SGL is defined in the latest supplement, which is released annually, to the Department of the Treasury's *Treasury Financial Manual (TFM)*. The supplement is composed of five major sections (1) chart of accounts, (2) account descriptions, (3) accounting transactions, (4) SGL attributes, and (5) report crosswalks. Each agency should implement a chart of accounts that is consistent with the SGL and meets the agency's information needs. OMB Circular A-127 states that application of the SGL at the transaction level means that financial management systems will process transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Transaction detail supporting SGL accounts are required to be available in the financial management systems and directly traceable to specific SGL account codes. In addition, the criteria for recording financial events in all financial management systems should be consistent with accounting transaction definitions and processing rules defined in the SGL.
- .06 OMB's FFMIA implementation guidance requires the CFO act agency auditors to perform tests of the compliance of the entity's systems with FFMIA. Auditors who are reporting that agency financial management systems do not substantially comply with FFMIA requirements are to include in their reports (1) the entity or organization responsible for the financial management systems that have been found not to be substantially compliant and all pertinent facts relating to the noncompliance, (2) the nature and extent of the noncompliance including areas in which there is substantial but not full compliance, (3) the primary reason or cause of the noncompliance, (4) the entity or organization responsible for the noncompliance, (5) any relevant comments from any responsible officer or employee, and (6) a statement with respect to the recommended remedial actions for each instance of noncompliance and the time frames for implementing these actions. FFMIA as well as OMB's FFMIA implementation guidance require agencies to report whether the agencies' financial management systems comply with FFMIA's requirements and prepare remediation plans that include resources, remedies, and intermediate target dates necessary to bring the agency's financial management systems into substantial compliance.
- .07 According to OMB's FFMIA implementation guidance, auditors are to plan and perform their audit work in sufficient detail to enable them to determine the degree of compliance and report on instances of noncompliance for all of the applicable FFMIA requirements. The guidance describes specific minimum requirements from Circular A-127 that agency systems should meet to achieve compliance and provides indicators of compliance. The indicators included in OMB's implementation guidance are characterized as examples and are not all-

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inclusive. The four primary factors OMB identifies as critical to assessing compliance with FFMIA are determining whether agencies can:⁵

- Prepare financial statements and other required financial and budget reports using information generated by the financial management system(s);
- Provide reliable and timely financial information for managing current operations;
- Account for their assets reliably, so that they can be properly protected from loss, misappropriation, or destruction; and,
- Do all of the above in a way that is consistent with federal accounting standards and the *Standard General Ledger*.

AUDIT ISSUES

- .08 While financial statement audits will offer some assurances regarding FFMIA compliance, auditors should design and implement additional testing to satisfy the criteria in FFMIA. For example, in performing financial statement audits, auditors generally focus on the capability of the financial management systems to process and summarize financial information that flows into agency financial statements. In contrast, FFMIA requires auditors to assess whether an agency's financial management systems comply with systems requirements. To do this, auditors need to consider whether agency systems provide complete, accurate, and timely information for managing day-to-day operations. This is based on Congress' expectation, in enacting FFMIA, that agency managers would have any necessary information to measure performance on an ongoing basis rather than just at year-end. Financial statement auditors generally review performance measure information for consistency with the financial statements, but do not assess whether managers have the performance-related information to manage during the fiscal year.
- .09 As a result of the overlapping scope and nature of FFMIA assessments and financial statements audits, the auditor should use, where appropriate, the audit work performed as part of the financial statement audit. In the example audit program (FAM 701 A) for testing compliance with FFMIA, several procedures indicate that the auditor may have performed the procedure as part of the financial statement audit; whereas, other procedures needed to assess FFMIA compliance require additional work not normally contemplated by financial statement auditors. The determination of FFMIA compliance need not be performed simultaneously with the financial statement audit. The determination of FFMIA compliance may be performed by different staff or staggered throughout the assessment time frame. While the example audit program

⁵ OMB is considering revising its FFMIA guidance.

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provides steps the auditor should perform, the auditor may tailor the steps to satisfy the objectives or intent of the step if the step cannot be completed as described. Because of the broad scope of federal operations and the many variations that can and do flow from such a broad scope, the degree of specificity in the example audit program varies. For example, each agency will likely need and use a variety of internal reports for managing current operations. These reports may be on line or in hard copy. Auditors will need to use their skills and professional judgment to assess the adequacy of these reports that are essential to having FFMIA compliance. Auditors may also rely on other work products that address the objectives of the example audit procedures.

- .10 As discussed in FAM section 350, the auditor need not perform specific tests of the systems compliance with FFMIA requirements for agencies with longstanding, well-documented financial management systems weaknesses that severely affect the systems' ability to comply with FFMIA requirements. The auditor should understand management's process for determining whether its systems comply with FFMIA requirements and report any deficiencies in management's process along with previously identified problems.
- .11 FAM paragraphs 580.62 through .66 and FAM section 595 A provide FFMIA reporting guidance. When reporting a lack of substantial compliance, the auditor should refer to FAM 595 B for suggested modifications to the report. FAM Part III, section 1603, provides guidance that GAO will use to provide an affirmative statement when reporting on compliance with FFMIA.

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701 A – EXAMPLE AUDIT PROCEDURES FOR TESTING COMPLIANCE WITH FFMIA

Entity _____

Date of review _____

Job code _____

Objective: FFMIA requires the 24 major departments and agencies covered by the CFO Act to implement and maintain financial management systems that comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the *U.S. Government Standard General Ledger* (SGL) at the transaction level. OMB also requires certain designated entities to determine FFMIA compliance. The objective of this audit program is to assess whether agencies' systems' comply with FFMIA.

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>I. Planning (May be combined with the work to plan the financial statement audit)</p> <p>A. To understand the FFMIA requirements, read:</p> <ul style="list-style-type: none"> • Federal Financial Management Improvement Act, P.L. 104-208. • <i>Audit Requirements for Federal Financial Statements</i> (OMB Bulletin). • OMB Memorandum, January 4, 2001, <i>Revised Implementation Guidance for the Federal Financial Management Improvement Act</i>. • JFMIP Publications of Federal Financial Management System Requirements including the Framework and Core Financial System Requirements. • <i>Form and Content of Agency Financial Statements</i> (OMB Bulletin) • FASAB Standards. • <i>Treasury Financial Manual</i> (TFM) sections related to the SGL (see transmittal letter S2-01-02 and TFM Part 2, Chapter 4000). 		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<ul style="list-style-type: none"> • OMB Circular No. A-123, <i>Management Accountability and Control</i>. • OMB Circular No. A-127, <i>Financial Management Systems</i>. • OMB Circular No. A-130, <i>Management of Federal Information Resources</i>. • Government Information Security Reform (GISR) legislation, Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. 106-398. 		
<p>B. Read the prior year's workpapers and audit report to identify (1) the auditors' FFMIA determinations, (2) reported instances of noncompliance with FFMIA, and (3) material weaknesses and reportable conditions related to the agency's financial management systems.</p> <ul style="list-style-type: none"> • Prepare a schedule of the previously identified problems to follow up on the status of these specific problems. See section 701 B for an example of the schedule. 		
<p>C. Read the most recent FFMIA report, IG reports, GAO reports, internal control workpapers from the financial statement audit or other reports related to financial systems and consider the impact of any reported weaknesses on the FFMIA assessment.</p> <ul style="list-style-type: none"> • Obtain an update on the status of the issues and document problems identified in the schedule in section 701 B. 		
<p>D. Read the cycle memoranda for each of the audit cycles completed for the current year audit. Document issues related to FFMIA compliance in the schedule in section 701 B.</p>		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>E. From the work performed in part I (planning), decide whether it is necessary to perform the remaining test steps. If the information gathered indicates "longstanding, well-documented financial management systems weaknesses" that preclude compliance with FFMIA requirements, then:</p> <ol style="list-style-type: none"> 1. Document recognition of longstanding, well-documented financial management systems weaknesses and identify the source for this conclusion. 2. Obtain and document an understanding of management's process for determining whether its systems comply with FFMIA requirements. Report any deficiencies identified in management's process. 3. Complete step V (summary), except for completion of the schedule in FAM section 701 B. 		
<p>II. Testing for Compliance with Federal Financial Management Systems Requirements</p> <p>A. Ask whether the agency has an agencywide inventory of its systems. If so, obtain the inventory and any supporting documentation.</p>		
<p>B. From the agency's inventory of systems, identify the core financial management systems and the feeder systems.</p> <ol style="list-style-type: none"> 1. Document the key internal controls and the information flows between the core financial systems and the feeder systems in a flowchart or narrative. (This step may be performed as part of the internal control phase). <ol style="list-style-type: none"> a. Determine whether the feeder systems are integrated or interfaced with the core financial system. Note: Feeder systems that are integrated with the core financial system share data tables. Therefore, reconciliations should not be necessary. 		

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701 A – Example Audit Procedures for Testing Compliance with FFMA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>b. If the feeder systems interface with the core systems, determine whether reconciliations are performed between the systems. If reconciliations are performed, determine how often and by whom; assess the adequacy of the reconciliation, including follow-up activities and supervisory review.</p> <p>c. Through interviews with agency management and reading of systems documentation, determine if the agency's systems have detective controls (i.e., batch control or hash totals or supervisory reviews) and preventive controls (i.e. segregated duties, appropriate authorizations, or access controls) to process transactions properly and timely. (May be performed as part of the internal control phase).</p>		
<p>2. Using the documentation prepared in step II.B.1 above, identify those JFMIP financial management systems requirements that are applicable to the agency's operations. For example, for those agencies that do not have grant or loan programs, the auditor would not need to assess whether JFMIP requirements related to grants or loans are applicable. Document the results.</p>		
<p>C. Determine whether the agency's core financial management system and the financial portions of its applicable feeder systems, as identified in step II.B.2 above, conform to JFMIP's federal financial management systems requirements.</p> <ul style="list-style-type: none"> • Ask whether the agency's core financial management system is a JFMIP-certified COTS system. If so, ask which version of the software is being used and obtain the agency's JFMIP certification for that software version. [Agencies replacing software to meet coore financial system requirements must use JFMIP-certified core financial management systems as required by OMB Circular A-127, but it is not a noncompliance issue for FFMA purposes.] 		

Internal Control**701 A – Example Audit Procedures for Testing Compliance with FFMA**

FFMA example audit procedures: Description of Procedure	Done by/date	W/P ref.
1. Ask whether there have been significant changes in the agency's automated business processes since compliance testing with JFMIP requirements was last performed. If so, ask whether the agency has performed an assessment of any new functionality using the JFMIP system requirements documents, GAO checklists, or similar tools. Document the results.		
2. For those agencies with a core financial management system that is not a JFMIP- certified COTS and for any feeder systems, obtain any analyses performed by agency management to support its FFMA and FMFIA assessments that document how the agency's systems conform to the applicable JFMIP systems requirements. If management has not performed an analysis of systems functionality, go to step C.5.		
3. Select several important functions that management has reported as complying with the systems requirements and determine if management's assessment can be relied upon.		
4. If management's results cannot be relied upon for each system, perform an assessment of the functionality of the applicable systems using JFMIP system requirement documents, GAO checklists or other similar tools.		
5. Document in section 701 B, the instances and related impact in which the agency's systems did not comply with JFMIP requirements.		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>D. Ask if management receives appropriate reports that are significant to performing day-to-day management operations.</p> <p>1. Determine the adequacy of reports used to manage day-to-day operations.</p> <p>a. For reports that are produced by the agency's financial management systems, ask knowledgeable users, read the agency's financial management systems documentation, and from other audit work, use professional judgment to determine if the reports produced by the systems are timely, useful, reliable, complete, and appropriately summarized for the management level receiving the report. Use professional judgment, agency policy, and/or criteria evident from each report to determine its timeliness and accuracy; i.e., if a report is due by the 10th of each month, verify it was provided by the 10th of each month. If only on-line access is provided for important internal reports, through observation, documentation, and inquiry—such as obtaining systems logs and asking key managers about their work habits— assess whether the reports were available and accessed. Through inquiry and observation, assess if management uses the reports to manage operations. Ask management what improvements are needed in the current reporting methods. Document the results.</p> <p>b. If the reports were not produced by the agency's financial management systems, ask how the reports were prepared and perform a similar assessment as described in step D.1.a.</p>		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>2. Determine whether appropriate levels of management are receiving adequate and timely management information. See FAM paragraph 903.12 for questions related to determining FFMIA compliance with SFFAS No. 4.</p> <p>a. Using professional judgment and industry best practices, identify internal management performance-related information that should be available for managing day-to-day operations.</p> <p>b. Determine whether appropriate levels of management are receiving the information identified in step D.2.a.</p> <p>c. If full costing is not used in these management reports, assess whether the lack of full cost information affects the usefulness of the information. Review management's justification that full costing would not be beneficial for the internal reports. This may need to be assessed on a case-by-case basis.</p>		
<p>3. Include any deficiencies identified and related impact in the schedule shown in section 701 B.</p>		
<p>E. Identify the agency's external reports that are related to financial management such as those used for budget formulation and execution, fiscal management of agency programs, funds management, payments and receipts management, and to support the legal, regulatory, and other special requirements of the agency.</p> <p>1. Through interviews with knowledgeable users and reading of the agency's financial management system documentation, determine if the reports are produced by the systems.</p> <p>a. For external reports that are tested as part of the financial statement audit, include any deficiencies identified and the related impact in section 701 B.</p> <p>b. For external reports that are not tested as part of the financial statement audit, using professional judgment select several reports and assess whether the reports are reliable, timely,</p>		

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701 A – Example Audit Procedures for Testing Compliance with FFMA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
and complete. Include any deficiencies identified and the related impact in section 701 B.		
2. As an indicator of systems deficiencies, determine the magnitude and type of adjustments made by both management and the auditors to derive financial statements after the end of the accounting period.		
F. Determine if the agency's financial management systems track financial events and summarize information to facilitate the preparation of auditable financial statements. This determination can result from work performed as part of the financial statement audit. Document the deficiencies and the related impact in the schedule shown in section 701 B.		
G. Determine if the financial management systems enable the agency to prepare, execute, and report on the agency's budget in accordance with the requirements of OMB Circular No. A-11. This determination can result from work performed as part of the financial statement audit. Document the deficiencies and the related impact in the schedule shown in section 701 B.		
H. Determine if the agency's financial management systems capture and produce the financial information required to measure program performance. 1. Identify the agency's performance measures from its most recent accountability report that include data from the agency's financial management systems.		
2. Ask agency management whether an assessment was performed of the validity of the financial data used to derive the performance measures. If so, obtain and review the assessment and any supporting documentation.		
3. If agency management has not assessed the validity of the financial data used to derive the agency's performance measures, include this deficiency in section 701 B.		

Internal Control**701 A – Example Audit Procedures for Testing Compliance with FFMIA**

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
4. Determine if recent GAO or IG reports have addressed the validity of financial data used to derive performance measures.		
5. If any deficiencies were identified, include them along with the related impact in the schedule shown in FAM section 701 B.		
I. Coordinate with the Information Security (IS) auditors to determine if the agency has implemented and maintains a program to provide adequate security for all agency information that is collected, processed, transmitted, stored, or disseminated in financial management systems. 1. Have the IS auditors review the annual management evaluation and the annual independent evaluation conducted in accordance with the Government Information Security Reform (GISR) legislation.		
2. Document the deficiencies and related impact identified by the IS auditors in the schedule shown in section 701 B.		
J. Determine if the financial management systems include internal control to safeguard resources against waste, loss, and misuse, and whether reliable data are obtained, maintained, and disclosed in system generated reports. Some of the information needed to make this determination may be obtained from the work performed in the internal control phase of the financial statement audit, and other systems internal control weaknesses may be identified from other audit reports reviewed and steps performed in this program. Document the results in section 701 B.		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>III. Testing for Compliance with the Federal Accounting Standards</p> <p>A. Determine if the agency's financial statements are compiled in accordance with applicable accounting standards.</p> <p>1. Ask agency management and review financial statement audit results to determine whether any FASAB standards are not applicable. Document the results. Analyze the resultant list of applicable/inapplicable FASAB standards for reasonableness and use the list as a reference in performing these steps.</p>		
<p>2. Determine if any issues reported as part of the financial statement audit were related to the lack of the agency's implementation of the accounting standards in their systems or the standards were not properly applied because of inadequate or improperly implemented manual procedures. Document the results in the schedule shown in section 701 B.</p>		
<p>B. Perform tests to determine if the agency's cost accounting systems</p> <ul style="list-style-type: none"> • use the agency's accounting classification elements to identify and establish unique cost objects to capture, accumulate, and report costs and revenues; • allocate and distribute the full cost and revenue of cost objects as defined by OMB including services provided by one federal entity to another for external reporting; and • transfer cost data directly to and from other cost systems/applications that produce or allocate cost information. <p>Also, see step II.D.2 of this audit program.</p>		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
<p>C. From the deficiencies identified in performing steps in part II (testing for compliance with federal financial management systems requirements) and from tests conducted as part of the financial statement audit, determine if the financial systems record and summarize transactions in accordance with applicable accounting standards. Note that the systems functionality assessments performed in step II. B. should have determined any compliance issues related to accounting standards since the accounting standards are used as a source for systems functionality requirements. Document the results and the related impact in the schedule shown in section 701 B.</p>		
<p>IV. Testing for Compliance with the SGL</p>		
<p>A. Determine whether the agency financial management systems use financial data that can be traced directly to SGL accounts to produce reports providing financial information for both internal and external reporting.</p> <p>1. Ask agency management and from the documentation prepared in step II.B.1 above, determine how financial transaction data are summarized from the financial systems to the core financial system.</p>		
<p>2. Compare the agency's chart of accounts to the SGL accounts and identify any deviations.</p>		
<p>3. Review all of the standard entries allowed by the core financial system to determine if these entries conform to the SGL posting rules.</p>		
<p>4. Document any deficiencies and the related impact in the schedule shown in section 701 B.</p>		
<p>B. Ask whether the agency uses a crosswalk from its chart of accounts for its core financial management system to the SGL. If so, perform tests to determine the accuracy of the crosswalk.</p> <p>1. Trace all SGL accounts to the crosswalk.</p>		

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701 A – Example Audit Procedures for Testing Compliance with FFMIA

FFMIA example audit procedures: Description of Procedure	Done by/date	W/P ref.
2. Identify any SGL accounts that are not included in the crosswalk. Identify any agency accounts not associated with an SGL account in the crosswalk.		
3. Compare the posting rules used by the system to those included in the SGL to determine whether the posting rules used by the system conform to the SGL.		
4. Document deficiencies and the related impact in the schedule shown in section 701 B.		
<p>V. Summary</p> <p>A. Summarize the results of the work performed above and assess the agency's compliance with the federal financial management systems requirement of FFMIA.</p> <p>1. Finalize the schedule of the FFMIA noncompliances identified in the schedule prepared in step I.B.1 above.</p>		
<p>2. Read the agency's management representation letter covering the fiscal year under audit to obtain the agency management's FFMIA determination.</p> <p>a. Document the entity or organization responsible for the financial management systems that have been found not to comply.</p> <p>b. Document all facts pertaining to the:</p> <p>i. nature and extent of the noncompliance and areas where there is substantial but not full compliance;</p> <p>ii. primary reason or cause of the noncompliance;</p> <p>iii. impact of the noncompliance;</p> <p>iv. entity or organization responsible for the noncompliance; and</p> <p>v. relevant comments from any responsible officer or employee.</p> <p>c. Assess the recommended remedial actions for each instance of noncompliance and the time frames for implementing these actions. Include this assessment in the schedule in section 701 B.</p>		

Internal Control**701 A – Example Audit Procedures for Testing Compliance with FFMA**

FFMA example audit procedures: Description of Procedure	Done by/date	W/P ref.
3. After reviewing the nature and extent of deficiencies identified, conclude whether the systems deficiencies identified constitute lack of substantial compliance with FFMA. Consider the four factors in paragraph 701.07 from OMB's FFMA implementation guidance when drawing this conclusion.		
4. Prepare the FFMA section of the report. See FAM paragraphs 580.62 through .66 and sections 595 A, 595 B, and 1603, as appropriate.		

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701 B – SUMMARY SCHEDULE OF INSTANCES OF NONCOMPLIANCE WITH FFMA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Prior year's reported instances of noncompliance (Step I.B.)											
Prior year's material weaknesses and reportable conditions that affect FFMA determination (Step I.B.)											

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701 B – Summary Schedule of Instances of Noncompliance with FFMIA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Weaknesses in the agency's most recent FMFIA report that affect FFMIA determination (Step I.C.)											
Weaknesses in Recent IG and GAO reports that affect FFMIA determination (Step I.C.)											
Cycle memoranda for the current year's audit (Step I.D.)											

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701 B – Summary Schedule of Instances of Noncompliance with FFMIA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Instances in which the agency's systems did not comply with JFMIP's functional requirements (Step II.C.)											
Preparation of internal management reports (Step II.D.)											
Preparation of external agency reports (Step II.E.)											

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701 B – Summary Schedule of Instances of Noncompliance with FFMIA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Preparation of auditable financial statements (Step II.F.)											
Preparation, execution, and reporting on agency budget in accordance with OMB requirements (Step II.G.)											
Management's assessment of the validity of information used to derive performance measures (Step II.H.)											

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701 B – Summary Schedule of Instances of Noncompliance with FFMIA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Implementation and maintenance of an information security program (Step II.I.)											
Internal controls as part of financial management (Step II.J.)											
Preparation of agency financial statements in accordance with applicable accounting standards (Step III.A.)											

Internal Control

701 B – Summary Schedule of Instances of Noncompliance with FFMIA

Source of information used in identifying deficiencies in agency systems	Nature and extent of noncompliance	Substantial but not full compliance? (Y or N)	Applicable criteria (JFMIP, FASAB citation)	Responsible entity	Primary reason or cause of noncompliance	Impact of noncompliance	Agency comments on noncompliance	Corrective action in remediation plan? (Y or N)	Assessment of corrective actions and time frames	W/P reference	Comments
Compliance issues related to the implementation of applicable accounting standards (Step III.C.)											
Agency financial systems' implementation of the SGL accounts (Step IV. A.)											
Agency use of a crosswalk from its core financial management system to the SGL (Step IV. B.)											