




EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE CONTROLLER

August 1, 2005

MEMORANDUM FOR THE CHIEF FINANCIAL OFFICERS

FROM: Linda M. Combs   
Controller

SUBJECT: Circular A-123, Appendix A Implementation Plans

As the Federal financial management community strives to provide more timely and reliable financial information and improve financial processes, we are becoming more reliant upon a foundation of strong internal control processes.

As you know, OMB revised Circular A-123, *Management's Responsibility for Internal Control*, in December 2004. Circular A-123 included a new appendix, Appendix A, which prescribed a strengthened management process for assessing internal control over financial reporting. Appendix A also required a new management assurance statement specifically addressing the effectiveness of the internal control over financial reporting based on the results of management's assessment. The initial management assurance statement for internal control over financial reporting is required to be completed as of June 30, 2006, and reported in the Performance and Accountability Reports due November 15.

The CFO Council Financial Management Policies and Practices Committee worked closely with OMB to communicate additional implementation guidance in a detailed implementation guide. The A-123 Appendix A Implementation Guide was issued on July 22, 2005, and can be found at [www.cfoc.gov/](http://www.cfoc.gov/) on the Financial Management Policies and Practices page. This Implementation Guide provides a step-by-step process to assist agencies in complying with the requirements in Appendix A, along with examples of best practices and sample templates.

Agencies are now actively involved in planning for the implementation of the management assessment required by Appendix A of Circular A-123. To facilitate a discussion of agency implementation strategies, OMB requests CFO Act agencies submit agency-specific implementation plans, which include significant milestones with targeted and/or completed dates, by August 31 to the email address below:  
[David.Zavada.Statements@omb.eop.gov](mailto:David.Zavada.Statements@omb.eop.gov).

The plan's timeline should encompass the point at which your respective agency began planning its implementation strategy to November 15, 2006, at which time the new assurance statement on the effectiveness of the internal control over financial reporting will be reported in your agency's Performance and Accountability Report.

The implementation plans should cover, at a minimum, significant milestones and major decisions pertaining to:

- Organizational structure (e.g., establishment of Senior Assessment Team);
- Scope of financial reports;
- Materiality;
- Identification of key processes;
- Integration of internal control-related baseline activities;
- Testing plan;
- Resources to be utilized; and
- Documentation methods.

The targeted dates provided for the significant milestones will be incorporated into the quarterly Improved Financial Performance scorecard and Proud to Be document, as applicable.

If you have any questions regarding the information contained in this email, please contact Dana James at 202-395-7480 or [dmjames@omb.eop.gov](mailto:dmjames@omb.eop.gov). Thank you for your on-going efforts to improve financial management.