

Federal Financial Statements Audit Forum

OMB Requirements Update

September 19, 2000

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Today's Agenda

- **FY 1999 Agency Audit Results and Progress to Date**
- **OMB's Form and Content Bulletin**
- **OMB's Audit Bulletin**
- **Future Issues**

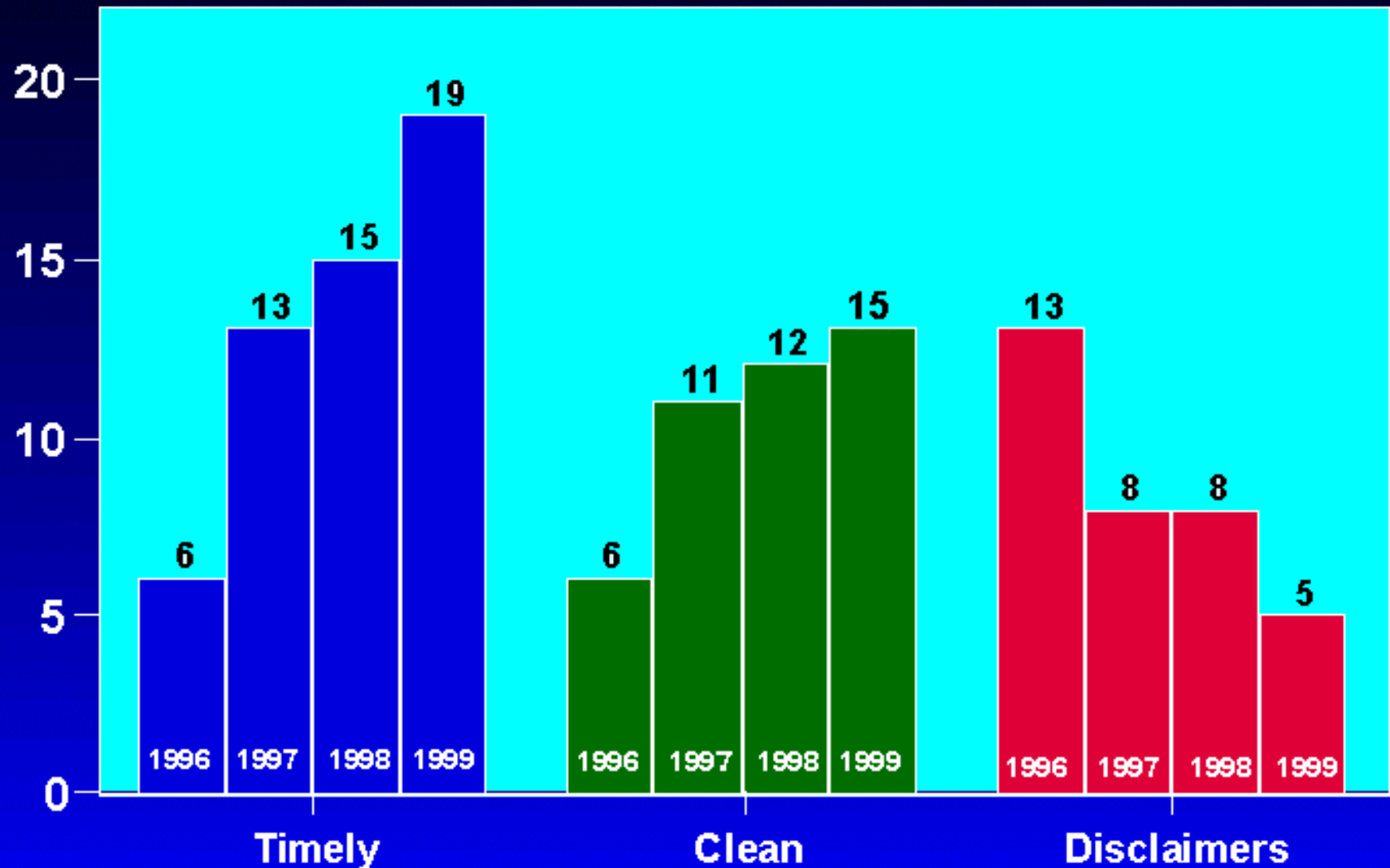
FY 1999

Agency Audit Results

- **Improved Timeliness and Audit Opinions**
- **19 on time, 22 by end of March**
- **7 agencies improved, 2 fell back**

Federal Financial Statements: Improving in Timeliness and Quality

Out of 24 CFO Act Agencies



Note: Disclaimer category also includes agencies that did not prepare agency-wide financial statements required by the Government Management Reform Act of 1994.

Progress Has Been Made

- **Prior to 1993, many agencies did not routinely prepare audited financial statements**
- **1996 first requirement for agency-wide statements for all agencies**
- **1997 first comprehensive government-wide audited financial**
- **FASAB GAAP recognition**

Future Challenges

– Short-Term

- **Sustaining clean opinions**
- **Implementing fundamental accounting controls (e.g., reconciliations)**
- **Getting border line agencies “over the top”**
- **Intragovernmental accounts**

Future Challenges

- **Long-term**
 - **Obtaining a clean opinion on the government-wide financial statements**
 - **Improving underlying financial systems (systems requirements, actg. stds., SGL)**
 - **Improving linkages with budget and performance information**

Form and Content

- **FY 2000 Amendments - - Signed 9/11/00**
- **FY 2001 Revision - - Fall 2000/Winter 2001**

Form and Content

FY 2000 Amendments

- **Comparative Financial Statements Requirement Waived**
- **Recognition of Certain Inter-entity Costs is Extended for FY2000**
- **SFFAS 15, 16, and 17 become effective - - no additional requirements beyond standards**

Form and Content FY 2001 Revision

- **Interagency advisory group formed**
- **Targeting Fall 2000/Winter 2001**
- **No new financial statements or conceptual changes**
- **Enhancing understanding and readability of existing statements**

Form and Content FY 2001 Revision

- **Better ties to budget execution information**
- **Consistency with A-34 budget execution guidance and FASAB guidance**
- **A more streamlined document**

Statement of Budgetary Resources

- **Should mirror budget execution reports**
- **SBR intended to provide assurance over budget execution information**
- **OMB noted differences in analyzing FY 1999 SBRs**
- **Goal is to minimize/explain differences**

Audit Bulletin 2000 Status

- **In OMB clearance**
- **Expect to issue in September 2000**
- **Effective for FY 2000 and beyond**

Audit Bulletin

Due Process

- **Exposure draft issued last summer for comments**
- **Intended for FY 1999**
- **Major proposed changes**
 - **Proposed expanded coverage for RSSI**
 - **Legal letters**
 - **Revised OPM Ups**
- **Other changes after draft circulated**

Audit Bulletin Revisions

General

- **Opinion-level assurance not required for RSSI**
- **Recognize FASAB standards as GAAP**
- **Update for new standards**
- **Clarifications**
- **Separate guidance to be issued on Federal Financial Management Improvement Act (FFMIA)**

Audit Bulletin Revisions

Scope

- **Deferred maintenance - deleted separate discussion**
- **Social insurance and MD&A (also applies to other RSSI)**
 - **Consider to be required supplementary information (RSI)**
 - **Apply procedures in AU 558 of AICPA Professional Standards**

Audit Bulletin Revisions

Scope (continued)

- **Internal Control**
 - **Added language to emphasize internal controls relating to intra-entity and intra-governmental transactions**
- **FFMIA**
 - **Deleted Appendix D**
 - **Reporting on each FFMIA compliance area**
 - **Separate guidance to be issued**

Audit Bulletin Revisions

Scope (continued)

- **Other Compliance**
 - Identified provisions of “General Laws” that auditor is to test
- **Accounting and Auditing Policy Committee (AAPC) guidance**
 - Consider relevant audit guidance in planning and performing the audit

Audit Bulletin Revisions

Legal Letters

Clarified guidance

Includes illustrative

- Letter of inquiry from CFO to GC
- Letter of response from GC to auditor
 - Response not expected to go beyond what is required for private sector

Schedule to show how information was considered in financial statements

- CFO to prepare - prescribed format
- Auditor to review

Audit Bulletin Revisions

Legal Letters - Timing

Agency audit - not specified (consider government-wide timing requirements to minimize need for additional letters)

Government-wide Audit	<u>Interim</u>	<u>Updated</u>
• Send mgt. request no later than	10/15	10/15
• Effective date no earlier than	12/1	2/15
• Provide response to auditor by	Not specified	
• Submit copies of legal response and CFO Schedule to GAO, OMB, and Treasury by	12/31	3/6

Audit Bulletin Revisions

Legal Letters (other)

- **Updated legal/letter and schedule need only include changes**
- **Aggregation of similar cases appropriate and desirable**
- **Suggest listing cases (groups of cases) in order of significance**

Audit Bulletin Revisions

Other

- **Amplified representation re intra-governmental transactions in illustrative management rep letter**
- **New provision for timely communication**
- **Updated and clarified OPM agreed-upon procedures**

Future Issues

- **FASAB Preliminary Views document -- Proposal to eliminate RSSI category (OMB is drafting an Alternative Views document to be included in the PV)**
- **Improper Payments -- OMB is Developing Guidance**
- **Merging Bulletins into one Circular**

?? Any Questions ??