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Project Management Challenges

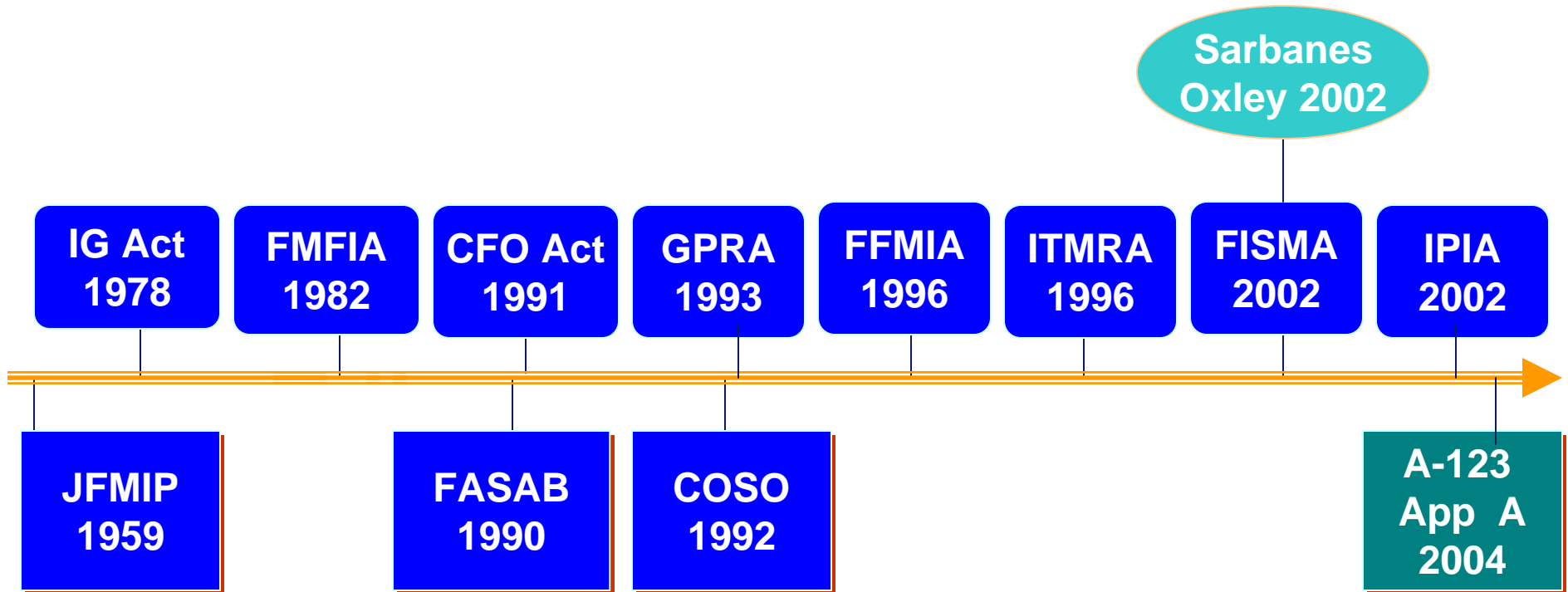
First Year Implementation of
OMB Circular A-123 Appendix A

PMI

October 24, 2006



Evolution of Internal Controls in the Federal Government



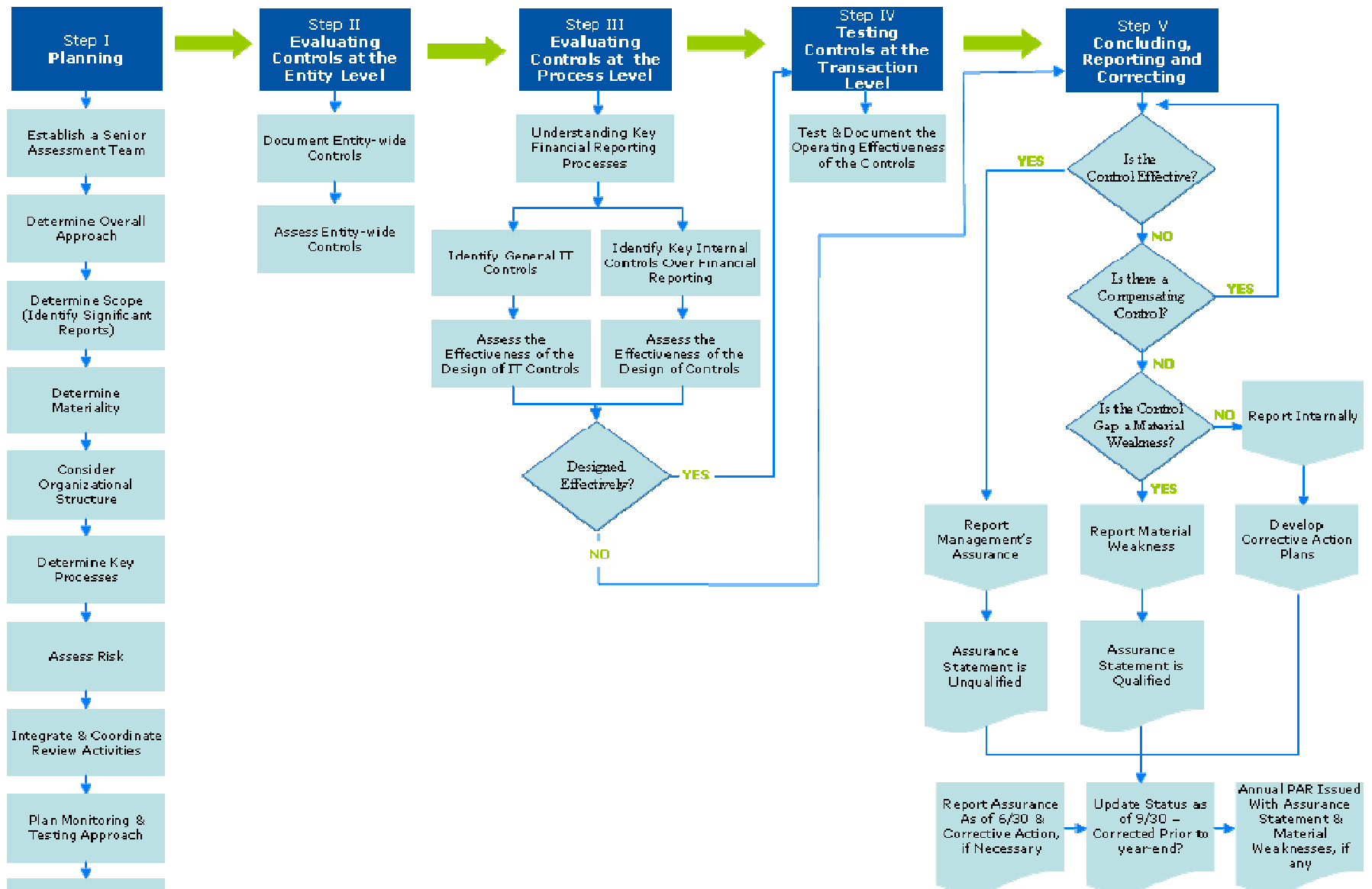
Federal Managers Financial Integrity Act of 1982

- The Federal Managers Financial Integrity Act of 1982 requires “ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative control of each executive agency”.
- “Internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that --
 - (i) obligations and costs are in compliance with applicable law
 - (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
 - (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.”
- “The head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed....., prepare a statement --
 - (A) that the agency's systems of internal accounting and administrative control fully comply with the requirements.....; or
 - (B) that such systems do not fully comply with such requirements.”

OMB Circular A-123

- Implementing guidance for FMFIA
- Defines management's responsibility for internal control
- Provides internal control standards (COSO)
- Specifies requirements for assessing the effectiveness of internal controls
- Requires assurances from agency head in PAR on effectiveness of internal controls
- Requires reporting of material weaknesses and corrective actions
- New Appendix A -- FedSOX

A-123 Appendix A Implementation Approach



Project Management Challenges

- **Need a practical PMO issue resolution protocol ?**
- **How to facilitate proper documentation ?**
- **How to identify the right people to participate in A-123 implementation ?**
- **Deciding which technology to use to capture information ?**

Planning and Scoping Challenges

- **A risk-based approach to scoping the effort?**
- **Conducting knowledge sharing sessions?**
- **Establishing expectations for process owners?**
- **Documenting key decisions?**
- **Maintaining ongoing communication with the OIG and independent auditor?**

Control Documentation Challenges

- **Selecting automated and preventive controls?**
- **Identifying key business process controls?**
- **Having process owners sign off on documentation?**
- **Considering documentation from other sources (auditor cycle memos, SAS 70 reports, and FISMA and GPRA results)?**

Control Testing Challenges

- **Isolating and testing test key internal controls?**
- **Articulate testing protocols?**
- **Determining proper sampling methods and size?**
- **Validating documentation and testing results with the right people?**
- **Identifying and validating mitigating controls?**

Reporting Challenges

- **Defining the process in evaluating deficiencies?**
- **Determining the reporting standards?**
- **Specifying roles for performing remediation activities?**

Program Sustainment Challenges

- **Implementing an ongoing remediation and monitoring process?**
- **Coordinating related internal control assessments?**
- **Providing training on A-123 compliance?**
- **Rationalizing controls?**

Issues for Discussion

- How to ensure active and continuous SAT involvement?
- How to avoid “Ready, Fire, Aim” mentality?
- How to instill “proper tone at the top”?
- How to sell a pure Top-Down Approach?
- How to leverage technology to support documentation and testing?
- How to involve the entire organization, not just financial managers?
- How to get buy-in from process owners?
- How to sell remediation as control weaknesses are identified?
- How to build Institutional Knowledge along the way?