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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

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Director

SUBJECT: Appendix D to Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*

In support of the Administration's commitment to making the Government more efficient, effective, and creative, the Office of Management and Budget (OMB) re-examined existing financial systems policy to ensure we meet the purposes of the Federal Financial Management Improvement Act (FFMIA) of 1996. One of the purposes of FFMIA was to provide for the establishment of uniform financial systems, standards, and reporting. Initial efforts to implement the FFMIA resulted in burdensome compliance frameworks that contributed to outcomes that did not make sense. Specifically, financial system modernization projects all too often cost more than they should, took longer than necessary to deploy, and delivered solutions that did not meet our business needs.

Building on recent policies—including OMB Memoranda M-10-26, *Immediate Review of Financial Systems IT Projects*, and M-13-08, *Improving Financial Systems through Shared Services*—Appendix D to Circular No. A-123 defines new requirements for determining compliance with the FFMIA. The goal of this Appendix is to transform our compliance framework so that it will contribute to efforts to reduce the cost, risk, and complexity of financial system modernizations. The objective of this approach will be to provide additional flexibility for Federal agencies to initiate smaller-scale financial modernizations as long as relevant financial management outcomes (e.g., clean audits, proper controls, timely reporting) are maintained. The Appendix:

- Replaces “check the box” compliance approaches with an outcome-based approach to assess FFMIA compliance and establishes a series of financial management goals that are common to all Federal agencies;
- Removes unnecessary financial management system requirements that drive complexity and cost and focuses on requirements that emphasize the Federal Government’s business and information needs;
- Eliminates the lengthy and resource-intensive financial system software test and certification program and the requirement that financial management system requirements be met through

- a single technology product and emphasizes the deployment of newer, cost-effective technology through shared service approaches; and
- Solidifies the Department of Treasury's (Treasury) role in achieving Government-wide financial systems policy goals by adding responsibilities to develop and maintain, in coordination with OMB and Federal agencies, Federal Financial Management System Requirements and to publish the requirements in the *Treasury Financial Manual*.

The interim final version of Appendix D to OMB Circular No. A-123 is effective October 1, 2013. OMB plans to continue to work closely with Treasury, the Chief Financial Officers Council and the President's Council of Inspectors General on Integrity and Efficiency to provide further implementation guidance.

APPENDIX D: COMPLIANCE WITH THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

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1. Purpose

To provide guidance in determining compliance with the FFMIA for agencies subject to the Chief Financial Officers Act of 1990 (CFO Act).

2. Rescission

Appendix D rescinds all previously issued versions of Circular No. A-127, *Financial Management Systems*, dated December 19, 1984; July 23, 1993; June 10, 1999; December 1, 2004; and January 9, 2009.

3. Authorities

Appendix D is issued pursuant to the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 3512, 3513); the Federal Managers' Financial Integrity Act of 1982, Pub. L. 97-255 (31 U.S.C. 3512(c), (d)) (FMFIA); the Chief Financial Officers Act of 1990, Pub. L. 101-576 (CFO Act); 31 U.S.C. Chapter 11; the Federal Financial Management Improvement Act of 1996, Pub. L. 104-208 (31 U.S.C. 3512 note) (FFMIA); the Clinger-Cohen Act (also known as the Information Technology Management Reform Act of 1996) (Pub. L. 104-106, Div. E); and the Federal Information Security Management Act of 2002, Pub. L. 104-347 (44 U.S.C. 3541 et seq.) (FISMA).

4. Applicability/Scope

- A. The policies contained in Appendix D apply to the 24 CFO Act agencies. Component agencies are not required to be assessed separately, but should be included in the agency-wide assessment. Agencies not governed by the CFO Act are encouraged to follow the guidance.
- B. The financial management systems identified in Appendix D must adhere to the policies and procedures contained in OMB Circular No. A-123, *Management's Responsibility for Internal Control* (Circular A-123).
- C. The policies contained in OMB Circular No. A-130, *Management of Federal Information Resources* (hereinafter Circular A-130), govern agency management of information systems and technology investments, including financial management systems. The policies contained in Circular A-130 apply to all agency information resources, including financial management systems as defined in Appendix D.
- D. The financial management systems identified in Appendix D must adhere to the policies and procedures contained in OMB Circular No. A-136, *Financial Reporting Requirements* (Circular A-136).
- E. Transactions are posted to the financial system in accordance with the standard general ledger accounting requirements the Department of Treasury (Treasury) published in the United States Standard General Ledger (USSGL) supplement to the *Treasury Financial Manual (TFM)*.

5. Definitions

For the purposes of Appendix D, and viewing the definitions in Section 806 of the FFMIA in light of current accounting information system practices, the following definitions apply:

A *financial management system* includes an agency's overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions. It includes hardware, applications and system software, personnel, procedures, data, and reporting functions. The financial management system can be fully integrated with other management information systems (i.e., mixed systems) where transactions automatically flow into an accounting general ledger. The financial management system could also include manual processes to post transactions from other management systems into the accounting general ledger.

The *financial system* is an information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary or detailed transactions resulting from budgetary and proprietary financial activity. The financial system encompasses processes and records that:

- Identify and record all valid transactions;

- Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting;
- Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements; and
- Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.

A *mixed system* is a hybrid of financial and non-financial portions of the overall financial management system. The following are examples of mixed systems: payment and invoice systems, procurement systems, receivable systems, loan systems, grants systems, payroll systems, budget formulation systems, billing systems, property management systems, travel systems, or other mission operational systems that impact a financial system.

6. Policy

The Federal Government's financial management system policy is to make the best use of financial management systems to initiate, record, process, and report transactions to support agency missions in making business decisions and to provide transparency to the public. These systems shall help agencies ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

To comply with this policy, each agency shall acquire, implement, and maintain financial management systems following the policies prescribed in Circular A-130, as well as associated financial management system guidance. For example, agencies must:

- Meet information technology needs through cost-effective intra-agency and inter-agency sharing; and
- Maximize the use of commercial, off-the-shelf technology.

In addition, OMB Memorandum M-13-08, *Improving Financial Systems Through Shared Services* (March 25, 2013) and subsequent guidance provides further direction for leveraging shared service solutions for future modernization of financial or mixed systems.

7. FFMIA Compliance

- A. FFMIA requires that each agency, as identified in Section 4.A, shall establish and maintain financial management systems that substantially comply with the following three FFMIA Section 803(a) requirements: Federal Financial Management System Requirements, applicable Federal accounting standards, and the USSGL at the transaction level.

i. Federal Financial Management System Requirements

Federal Financial Management System Requirements consist of three parts:
(a) reliable financial reporting, (b) effective and efficient operations, and
(c) compliance with applicable laws and regulations.

- A. Financial reporting objectives include reliable, timely, and accurate financial information for managing day-to-day operations and reporting on an agency's financial condition. Reliable financial reporting also includes maintaining internal control over financial reporting and financial system security.
- B. Effective and efficient operations objectives include maintaining cost effective financial operations and ensuring resources are safeguarded against waste, loss, and misuse.
- C. Compliance objectives ensure financial transactions are consistent with laws, regulations, and policies.

OMB and Treasury will develop, issue, and maintain the Federal Financial Management System Requirements to support these areas and publish them in the *TFM*.

ii. Federal Accounting Standards

Agency financial management systems shall maintain accounting data to permit reporting in accordance with Generally Accepted Accounting Principles (GAAP). The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accountants (AICPA) as the source of GAAP for Federal reporting entities. The GAAP Hierarchy consists of the sources of accounting principles and the framework for selecting the principles used in the preparation of general-purpose financial statements of Federal reporting entities. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows¹:

- A. Officially established accounting principles consist of FASAB Statements of Federal Financial Accounting Standards (Standards) and Interpretations. FASAB Standards and Interpretations will be periodically incorporated in a publication by the FASAB.

¹ If an accounting transaction or event is not specified by a pronouncement in category A, then the Federal entity should determine if the accounting treatment is specified by an accounting principle of one of the remaining categories (B through D) in descending order of importance. The Federal entity should consider accounting principles for similar transactions or events within categories A through D before considering other accounting literature. However, a Federal entity should not follow the accounting treatment specified in accounting principles for similar transactions or events where those accounting principles either (1) specifically prohibit the application of the accounting treatment to the particular transaction or event, or (2) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

- B. FASAB Technical Bulletins and, if specifically made applicable to Federal reporting entities by the AICPA and cleared by the FASAB (i.e., FASAB does not object to the pronouncement's issuance), AICPA Industry Audit and Accounting Guides.
- C. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
- D. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the Federal Government.

Requirements in OMB Circular No. 136, *Financial Reporting Requirements* that are not specified by a pronouncement described in categories A through C above are considered to be at level D of the Federal GAAP Hierarchy because they constitute “practices that are widely recognized and prevalent in the Federal Government.”

iii. The U.S. Government Standard General Ledger at the Transaction Level²

Financial events shall be recorded applying the requirements of the USSGL guidance in the *TFM*. Application of the USSGL at the transaction level means that each time an approved transaction is recorded in the financial management system, it will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance.

- B. Each audit required by 31 U.S.C. 3521(e) must report whether the agency financial management systems comply with the requirements of Section 803(a). Further, the head of an agency subject to the CFO Act must annually determine whether its financial management systems comply with the requirements of Section 803(a). Management's determination shall be based upon the performance of the three requirements of Section 803(a) and the consideration of the results of that performance. Management should use the performance results from various sources, including the report on its annual financial statements, reports on the effectiveness of internal controls, and other performance results or evaluations, as appropriate.

The FFMIA Compliance Determination Framework (Attachment 1) was developed to assist agencies in determining whether they are in compliance with the Section 803(a) requirements of FFMIA. The Framework is a risk and evidence-based assessment model that leverages existing audit tests, evaluations, and reviews that auditors, agency management, and others already perform. This work may include the external audit report and internal reports prepared by the agency in providing any assurances over the financial statements. The major elements of the framework are as follows:

- There are a series of financial management goals common to all Federal agencies and agreed upon by the financial management community. For example, one goal

² Individual transactions may be recorded in the financial system in detail or in summary as long as the transaction is traceable to the transaction source.

is to “provide timely and reliable Federal financial management information of appropriate form and content for continuing use by stakeholders external to the agency, including the President, the Congress, and the public.”

- One or more compliance indicator(s) is associated with each financial management goal. The indicators specify the recommended evidence agencies should consider when determining whether it meets each goal. For example, one compliance indicator for the above-referenced goal is the agency’s audit opinion on its financial statements.³ Each compliance indicator corresponds to one or more of the Section 803(a) requirements. The authoritative references include the applicable USSGL and FASAB sources.
- Each compliance indicator has recommended risk (or performance) levels agencies should consider when evaluating whether it meets the goal. For example, an agency with an unqualified opinion on its financial statements and no material weaknesses would be at low risk for not being in compliance with FFMIA, while an agency that has material weaknesses, even with an unqualified opinion, would likely be at high risk for not being in compliance.

Agency compliance indicators may consist of a mix of risk levels (i.e., some indicators may be at low risk while others at a medium or high level of risk). In making the compliance determination, each agency head will need to assess the relative importance or weight of the financial management goals for the agency and apply judgment when making the final compliance determination. An agency does not have to be at low risk for each compliance indicator to be in compliance with FFMIA. Still, lower risk should decrease the likelihood that an agency is not in compliance, while higher risk should increase the likelihood that an agency is not in compliance.

- C. For agencies that use shared service organizations, the service organizations are required to provide customer agencies with a *Report on Controls at a Service Organization Relevant to User Entities’ Internal Control over Financial Reporting* (also known as a SOC 1). The SOC 1 is an important tool for agency management and auditors as they evaluate the effect of the controls at the service organization on the user entities’ controls for financial reporting. Agency and auditor testing of a service provider’s controls could take the form of input/output controls, performance monitoring, or process controls.

8. Responsibilities

Agencies shall perform the financial management system responsibilities prescribed by the legislation listed in Section 3 (“Authorities”) and the regulations listed in Section 4 (“Applicability/Scope”) of this Appendix. The responsibilities include, but are not limited to, the following:

³ Evidence of meeting the Government-wide financial management goals may include the results of management assessments of internal control, audits, compliance reviews, and other information that is considered relevant and appropriate.

A. Office of Management and Budget

- Issue policy on the establishment of Federal Government financial management systems.
- Issue policy on the assessment of financial management system compliance with Section 3 (“Authorities”) of this Appendix.
- Monitor the establishment and operation of Federal Government financial management systems and their compliance with Section 3 (“Authorities”) of this Appendix.
- Establish a governance structure that provides clear roles and responsibilities of key stakeholders, such as Treasury, agencies, and other boards to ensure the intended outcomes of the FFMIA are achieved.
- Provide additional guidance and criteria for how ongoing and future financial systems modernization projects will be evaluated or evaluate any proposed changes to the financial management system requirements.

B. CFO Act Agencies

- Develop and maintain financial management systems, in accordance with Circular A-130 and Circular A-123, which comply with Section 6 (“Policy”) of this Appendix.
- Determine annually whether financial management systems of the agency comply with Section 6 (“Policy”) of this Appendix.
- Establish, if needed, a remediation plan identifying resources, remedies, and target dates to bring the agency’s financial management systems into compliance.
- Report, if needed, compliance with the Federal Financial Management System Requirements, Federal accounting standards, and USSGL at the transaction level through the reporting structure established by Section VI of Circular A-123.

C. Department of the Treasury

- Develop and maintain the Federal Financial Management System Requirements that agencies’ financial management systems must support to be in compliance with Section 6 (“Policy”) of this Appendix.
- Establish and co-chair, with OMB, a Change Advisory Board to evaluate and approve, as necessary, any proposed changes to the Federal Financial Management System Requirements.

- Coordinate approved changes to the Federal Financial Management System Requirements with OMB and agencies to minimize the cost and organizational impact of the changes.
- Support OMB with other financial management system responsibilities.

9. Compliance with Section 508 of the Rehabilitation Act

Each agency must ensure that the electronic and information technology developed, procured, maintained, or used pursuant to this Appendix is accessible to individuals with disabilities as required by Section 508 of the Rehabilitation Act.

10. Information Contact

All questions or inquiries should be referred to the Office of Federal Financial Management at (202) 395-3993.

11. Review Date

Appendix D shall be reviewed three years from its issuance date to ascertain its effectiveness and revise as needed.

12. Effective Date

The interim final version of Appendix D to OMB Circular No. A-123 is effective October 1, 2013.

13. Revision Summary

Section	Revision to Circular	Purpose of Revision
Section 1. Purpose	Changed Circular No. A-127 to Circular No. A-123, Appendix D	To provide a single source of guidance for OMB's policies for internal controls, including those over financial management systems, and the Federal Managers' Financial Integrity Act of 1982
Section 3. Authorities	Added the Budget and Accounting Procedures Act of 1950	To align the Department of the Treasury's responsibilities for maintaining consolidated financial management systems with agency financial management systems
Section 4. Applicability/Scope	Revised references	To update references and make them current

Section	Revision to Circular	Purpose of Revision
Section 5. Definitions	Revised various definitions	To update definitions to provide agencies with more options for designing and operating their financial management systems, including eliminating the term <i>core financial system</i> and using the statutory term <i>financial system</i>
Section 6. Policy	Removed requirements to implement financial systems certified by the Financial Systems Integration Office	To update and remove references to discontinued core financial systems testing and product certification functions
Section 7. Service Provider Requirements	Removed requirements for selecting a service provider	To narrow the scope of this Appendix to meeting FFMIA compliance requirements
Section 7. FFMIA Compliance	Revised the guidance for FFMIA compliance determinations	To clarify the definition of FFMIA compliance and align compliance determinations with the revised financial management system requirements, to be published in the <i>Treasury Financial Manual</i>
Section 8. Assignment of Responsibilities	Removed responsibilities for the Financial Systems Integration Office and General Services Administration	To align responsibilities with the elimination of the financial system certification program

New Section	New Requirement
Section 8.C Department of the Treasury	Added responsibilities for the Department of the Treasury to develop, in coordination with OMB and Federal agencies, the Federal Financial Management System Requirements

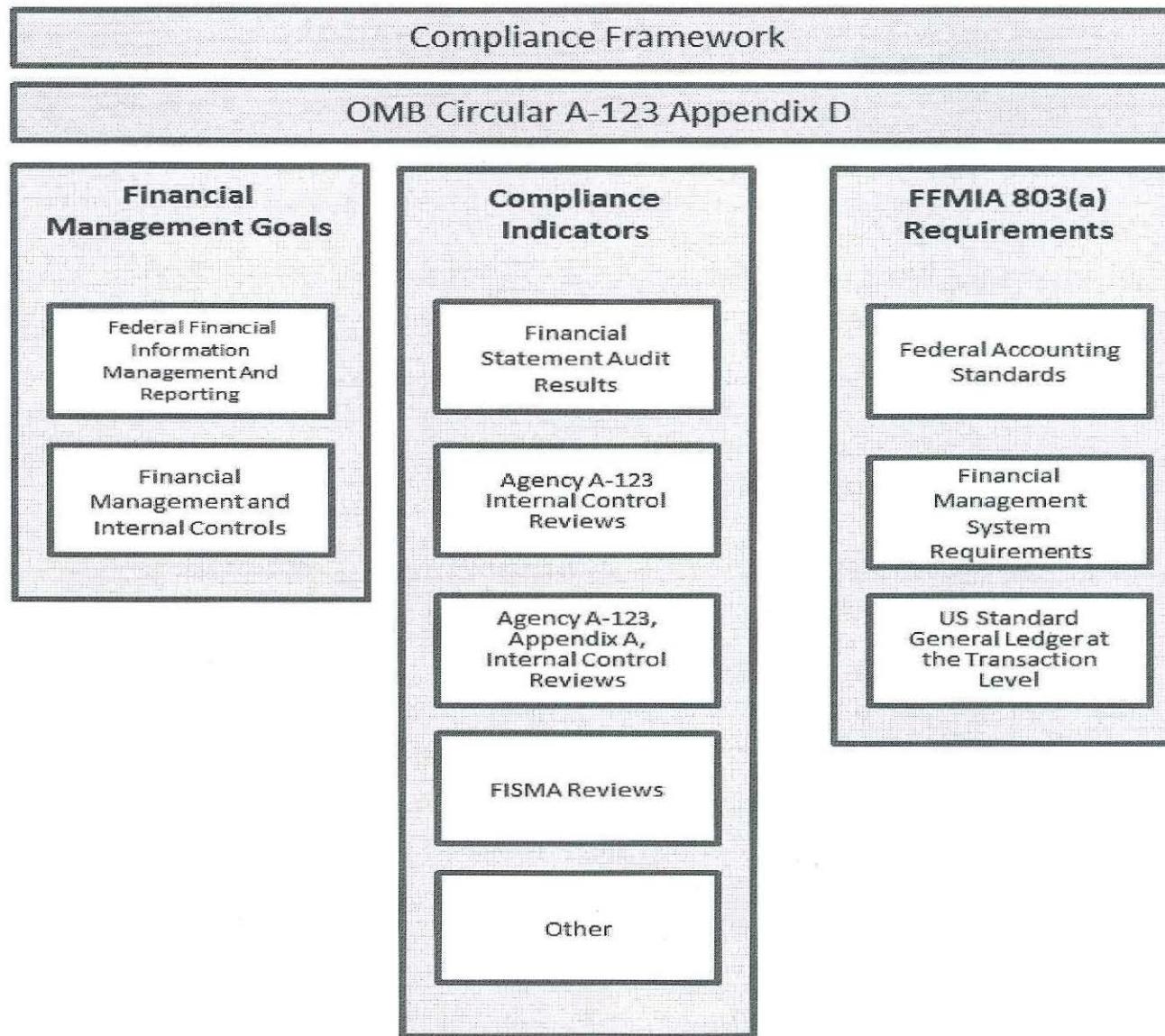
Attachment 1- FFMIA Compliance Determination Framework

Organization and Content

The compliance model information contained in this Attachment is organized as follows:

- **Federal Financial Management Categories:** Categories are groupings of related goals. The two categories are (1) financial information management and reporting and (2) financial management and internal controls.
- **Federal Financial Management Goals:** Goals articulate clear statements of what the agency wants to achieve to advance its mission and address relevant problems, needs, and challenges. The first two digits of a goal's reference ID correspond to the first two digits of each requirement's ID from the "Federal Financial Management System Requirements" contained in the *Treasury Financial Manual*. For example, requirement 1.1.1.1, "provide GL account classifications," corresponds to goal 1.1, "consistently, completely, and accurately record and account for Federal funds, assets, liabilities, revenues, expenditures, and costs." Further, each requirement has a reference to the associated financial management regulatory guidance that promulgates the three requirements of Section 803 (a) of the FFMIA. Achievement of goals should be assessed to determine whether an agency is in compliance with FFMIA.
- **Federal Financial Management Compliance Indicators:** Compliance indicators are quantifiable or otherwise observable characteristics used to measure progress towards goals and demonstrate how well or at what level a goal has been achieved. Indicators are a subset of the information already being produced by agencies and auditors.
- **Risk Levels:** Risk levels identify the degree of risk that the agency is not in compliance with FFMIA.

The figure below provides an overview of the compliance model framework for determining FFMIA compliance.



Intended Use

Each CFO Act agency shall determine whether its financial management systems comply with the three requirements of Section 803(a) of the FFMIA. The FFMIA Compliance Determination Framework includes performance results based on annual financial statements, the “Federal Financial Management System Requirements” contained in the *Treasury Financial Manual*, and other information considered relevant and appropriate. The FFMIA Compliance Determination Framework goals and compliance indicators are intended to be used during the ongoing operation of Federal financial management systems.

- Agency Heads should use the goals and compliance indicators to assist in determining FFMIA compliance. If a goal is not met, then the Agency Head should evaluate the associated financial management system requirements and the effectiveness of related internal controls to help identify the root cause(s) of failure to meet the goal. Financial management system requirements are defined in the “Federal Financial Management System Requirements” document contained in the *Treasury Financial Manual*.
- Meeting key compliance indicators associated with the goals puts an agency at lower risk of not being in compliance with FFMIA. Table 1, FFMIA Compliance Determination Framework, provides an overview of the risk levels associated with the compliance indicators. For example, receiving a qualified, disclaimer, or adverse opinion on the financial statements puts the agency at high risk of not being in substantial compliance with any one of the three Section 803(a) requirements, while receiving an unqualified opinion without material weaknesses most likely puts the agency at low risk.
- Agency Heads should use the table to inform their determination of compliance with FFMIA.
 - While the compliance indicators are the key ones to be considered in the determination of compliance, they are not meant to provide a complete list of what can be considered in assessing achievement of each goal. In other words, a low risk rating for compliance indicator 1.2.a does not necessarily provide full assurance that goal 1.2 has been achieved.
 - It is anticipated that an agency’s compliance indicators will fall into a mix of risk levels; for example, compliance indicator 1.1.a may be at the low risk level, while 1.2.a might be at the medium risk level.
 - Agency Heads will need to assess the relative importance of the various compliance indicators and risk levels for their agencies and apply their judgment in making the determination of substantial compliance with the three Section 803(a) requirements of FFMIA.
- Auditors will use judgment in determining what internal control weaknesses rise to the level of a material weakness and in making their determination of FFMIA compliance.

- Auditors may use these goals and compliance indicators to help determine FFMIA compliance. For example, auditors performing the financial statement audits may use the results of other types of audits (e.g., other financial, performance, compliance), as appropriate, in their determination of FFMIA compliance.
- OMB audit guidance provides auditors with information on determining FFMIA compliance, which should be combined with any auditor assessments of agency goal achievement.

Table 1, FFMIA Compliance Determination Framework

GOAL	COMPLIANCE INDICATOR	RISK (OR PERFORMANCE) LEVEL		
		LOW RISK	MEDIUM RISK	HIGH RISK
1. Federal Financial Information Management And Reporting				
1.1. Consistently, completely, and accurately record and account for Federal funds, assets, liabilities, revenues, expenditures, and costs	1.1.a Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, ¹ or auditor-reported material weaknesses, or significant deficiencies ² related to accounting for and recording Federal funds, assets, liabilities, revenues, expenditures, and costs	<ul style="list-style-type: none"> • Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant 	<ul style="list-style-type: none"> • Agency-reported reportable conditions or non-conformances OR • Auditor-reported significant deficiencies 	<ul style="list-style-type: none"> • Agency- or auditor-reported material weaknesses
1.2 Provide timely and reliable Federal financial management information ³ of appropriate form and content to agency program managers for managing current Government programs and	1.2.a Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances related to internal reporting of financial management information used for managing current Government programs and activities	<ul style="list-style-type: none"> • Agency-reported-control deficiencies that individually or collectively are not considered significant 	<ul style="list-style-type: none"> • Agency-reported reportable conditions or non-conformances 	<ul style="list-style-type: none"> • Agency-reported material weaknesses

¹ As used in this model, “agency-reported material weaknesses or reportable conditions or non-conformances” refers to terminology for agencies defined in OMB Circular No. A-123.

² As used in this model, “auditor-reported material weaknesses or significant deficiencies” refers to terminology for auditors defined in OMB Bulletin No. 07-04 and subsequent guidance.

³ As used in this model, “financial management information” is generated from both agency administrative operations (for example, obligations/disbursements for office furniture, facilities, utilities, or personnel) and agency program operations (for example, disbursements for benefits/services to the public or collections of tax revenue).

GOAL	COMPLIANCE INDICATOR	RISK (OR PERFORMANCE) LEVEL		
		LOW RISK	MEDIUM RISK	HIGH RISK
activities				
1.3 Provide timely and reliable Federal financial management information of appropriate form and content for continuing use by stakeholders external to the agency, including the President, the Congress, and the public	1.3.a Audit opinion on agency financial statements	• Unqualified	• Not applicable	• Qualified, Disclaimer, or Adverse
	1.3.b Unaudited interim agency financial statements submitted to OMB within 21 calendar days after the end of the first three quarters of the fiscal year	• On time	• Not on time for current quarter	• Not on time for current and prior quarters
	1.3.c Agency financial reports submitted to OMB, the Government Accountability Office, and the Congress by November 15	• On time	• Not on time for current year	• Not on time for current and prior years
1.4 Provide timely and reliable Federal financial management information of appropriate form and content that can be linked to strategic goals and performance information ⁴	1.4.a Agency costs, as presented in the Statement of Net Costs, in accordance with OMB Circular No. A-136, are clearly linked to agency strategic goals and are free from agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies	• Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant	• Agency-reported reportable conditions or non-conformances OR • Auditor-reported significant deficiencies	• Agency- or auditor-reported material weaknesses
	1.4.b Financial and performance	• Agency-reported	• Agency-reported	• Agency-reported

⁴ This goal is meant to present OMB's long-term intention for linking financial management information to strategic goals and performance information. The compliance indicators to assess progress on achieving this goal vary widely across agencies, are evolving, and should be viewed as interim ones to help move agencies towards accomplishment of the goal over time.

GOAL	COMPLIANCE INDICATOR	RISK (OR PERFORMANCE) LEVEL		
		LOW RISK	MEDIUM RISK	HIGH RISK
	information, as presented in the performance section of the Agency Financial Report or Performance & Accountability Report, is free from agency-reported material weaknesses, reportable conditions, or non-conformances	control deficiencies that individually or collectively are not considered significant	reportable conditions or non-conformances	material weaknesses
2. Financial Management and Internal Controls				
2.1 Provide internal control to restrict Federal obligations and outlays to those authorized by law and within the amount available	2.1.a Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to restricting agency obligations and outlays to those authorized by law and within the amount available	• Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant	• Agency-reported reportable conditions or non-conformances OR • Auditor-reported significant deficiencies	• Agency- or auditor-reported material weaknesses
	2.1.b Antideficiency Act (ADA) Violation Report required to be submitted	• None required within last 2 fiscal years preceding the current fiscal year	• Required within last 2 fiscal years preceding the current fiscal year	• Required for current fiscal year

GOAL	COMPLIANCE INDICATOR	RISK (OR PERFORMANCE) LEVEL		
		LOW RISK	MEDIUM RISK	HIGH RISK
2.2 Perform Federal financial management operations effectively within resources available	2.2.a Current / prior year's instances of non-compliance with laws and regulations related to prompt payments or debts owed to the Federal Government	• No reported instances	• Instances reported in current year	• Instances reported in current and prior years
2.3 Minimize waste, loss, unauthorized use, or misappropriation of Federal funds, property and other assets within resources available	2.3.a Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to minimizing waste, loss, unauthorized use, or misappropriation of Federal funds, property and other assets	• Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant	• Agency-reported reportable conditions or non-conformances OR • Auditor-reported significant deficiencies	• Agency- or auditor-reported material weaknesses

GOAL	COMPLIANCE INDICATOR	RISK (OR PERFORMANCE) LEVEL		
		LOW RISK	MEDIUM RISK	HIGH RISK
2.4 Minimize Federal financial management system security risks to an acceptable level	2.4.a FISMA or other (for example, National Institute of Standards and Technology-related) significant deficiencies ⁵ impacting financial management systems in the agency Security Certification and Accreditation of Federal Information Systems	<ul style="list-style-type: none"> • Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant 	<ul style="list-style-type: none"> • Agency-reported control deficiencies OR • Auditor-reported control deficiencies 	<ul style="list-style-type: none"> • Agency-reported non-conformances, reportable conditions, or material weaknesses OR • Auditor-reported significant deficiencies or material weaknesses

⁵ OMB Memorandum 12-20 defines a significant deficiency as “a weakness in an agency’s overall information systems security program or management control structure, or within one or more information systems that significantly restricts the capability of the agency to carry out its mission or compromises the security of its information, information systems, personnel, or other resources, operations, or assets. In this context, the risk is great enough that the agency head and other agencies must be notified and immediate or near-immediate corrective action must be taken.”