



Solutions that Matter

OMB Circular A-123 Assessment Services

Compliance | Risk Management | IT Governance | Assurance

OMB Circular A-123

Management's Responsibility for Internal Control

Appendix A, Internal Control over Financial Reporting



Internal Control Over Financial Reporting

Sigma Technology assist agencies with Federal Managers' Financial Integrity Act of 1982 (FMFIA), to provide reasonable assurance 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.

Using Sigma Technology's Assessment methodologies, Federal agencies can successfully establish and implement a clear, organized strategy for complying with OMB A-123 Appendix A, which includes a well defined documentation process that provides verifiable results to support the Components reporting

on the adequacy of controls. Our Senior Assessment Team oversees compliance with Appendix A and establishes the requirements for the annual evaluation and report of results.



OMB Circular A-123, Appendix A

Emphasizes management's responsibility for establishing and maintaining effective internal control over financial reporting.

Appendix A strengthens requirements in three main areas:

- Documentation
- Monitoring
- Reporting

Risk Based Approach

Following Risk based approach, our Assessment Team along with agencies Governance body assist agencies with:

- Evaluating internal control at the entity level by understanding management's attitude, awareness and actions of internal control by ensuring integrity and ethical standards, commitment to competence, management philosophy, organizational structure and assignment of authority and responsibility.
- Evaluating internal control at the process, transaction, or application levels and obtaining knowledge of the organization's key processes by performing process risk assessments with regard to financial assertions of completeness, rights and obligations, valuation, existence and occurrence, presentation and disclosure, compliance with laws and regulations, and safeguarding of assets from fraud, waste, abuse and identifying existing key controls intended to mitigate identified risk.
- Assessing and testing the design and operation of internal control over financial reporting.
- Documenting the entire assessment process from the establishment of a SAT to the identification of deficiencies and development of corrective action plans.
- Issuing a Statement of Assurance (SOA) of ICOFR as a subset of the Annual Federal Managers' Financial Integrity Act Statement of Assurance.

Assistance with Management's Assurance Statement on ICOFR

Sigma Technology provides assistance in the Reporting on Internal Control to prepare an assurance statement on the ICOFR that is to be included in the agency's annual Performance and Accountability Report (PAR).

- A statement of management's responsibility for establishing and maintaining adequate ICOFR for the agency.
- A statement identifying OMB Circular A-123, Management's Responsibility for Internal Control, as the framework used by management to conduct the assessment of the effectiveness of the agency's ICOFR.
- An assessment of the effectiveness of the agency's ICOFR as of June 30, including an explicit conclusion as to whether ICOFR is effective.

ASSESSMENT OF ICOFR

Sigma Technology provides a methodology for successfully completing the assessment of ICOFR based on a top-down, risk-based approach, which is consistent with the approach outlined by OMB.

Plan for the assessment by reviewing financial reports, determining key processes, and identifying the internal controls to evaluate.

Evaluate internal control at the entity level to gain an understanding of management's attitude toward, awareness of, and organizational structure supporting internal control.

Evaluate internal control at the process and application level by reviewing documented policies, procedures, and process flows to assess the design or absence of internal control.

Test at the transaction level to determine the operating effectiveness of manual and automated internal controls.

Identify, assess, correct, and report internal control deficiencies. Among other things, this step includes (1) issuing a SOA on the assessment of the design and operating effectiveness of internal control over financial reporting, and (2) tracking the prompt and proper resolution and implementation of corrective actions for identified weaknesses.

Developing Corrective Action Plans

We assist Agencies and Management responsible for taking timely and effective action to correct deficiencies identified during assessments of internal control. Correcting deficiencies is an integral part of management accountability and is considered a priority.

Management is required to develop corrective action plans for all internal control deficiencies categorized as material weaknesses using the Corrective Action Plan (CAP).

Remediation plans for FFMIA and FMFIA may be included in the corrective action plans improving internal control over financial reporting.



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