



This document is scheduled to be published in the Federal Register on 09/27/2013 and available online at <http://federalregister.gov/a/2013-23548>, and on [FDsys.gov](http://FDsys.gov)

## OFFICE OF MANAGEMENT AND BUDGET

### **Interim Final Appendix D of OMB Circular No. A-123, “Management’s Responsibility for Internal Control”, and Suspension of Application of OMB Circular No. A-127, “Financial Management Systems”**

**DATES:** September 27, 2013.

**ACTION:** Notice.

**SUMMARY:** OMB Circular No. A-123, “Management’s Responsibility for Internal Control,” defines management’s responsibility for internal control in Federal agencies. OMB Circular No. A-127, “Financial Management Systems,” previously prescribed policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. OMB is issuing this interim final version of a new appendix, Appendix D, to Circular A-123, to provide a framework for determining compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, bringing financial systems policy into greater alignment with financial management policy in Circular A-123 and with general IT guidance contained in OMB Circular No. A-130, “Management of Federal Information Resources.” The new appendix to Circular A-123 supersedes, and makes it no longer necessary to maintain, Circular A-127. Accordingly, OMB is suspending application of Circular A-127.

**DATES:** The interim final version of Appendix D to OMB Circular No. A-123 is effective October 1, 2013. Comments on the interim final revision must be received on or before October 31, 2013.

**ADDRESSES:** Comments must be submitted electronically at [www.regulations.gov](http://www.regulations.gov). In submitting comments, please search for recent submissions, which includes the full text of the new appendix to Circular A-123, and submit comments there.

To View This Issuance: The complete text of Appendix D of Circular A-123 is available on the OMB Web site at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-23.pdf> under “Memoranda 2013.” Copies of the OMB Circulars that are discussed in this notice are available on OMB’s Web site at [http://www.whitehouse.gov/omb/circulars\\_default/](http://www.whitehouse.gov/omb/circulars_default/).

**FOR FURTHER INFORMATION CONTACT:** For further information about this interim final action, contact Michael S. Wetklow, Chief, Accountability, Performance, and Reporting Branch within OMB’s Office of Federal Financial Management ([mwetklow@omb.eop.gov](mailto:mwetklow@omb.eop.gov)).

**SUPPLEMENTARY INFORMATION:** OMB is issuing a new appendix, Appendix D, to Circular A-123. The new appendix states new requirements for determining compliance with the FFMIA. In particular, the new 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 intense financial system software test and certification program as well as 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 the Treasury's role in achieving Government-wide financial systems policy goals by adding responsibilities (1) to develop and maintain, in coordination with OMB and Federal agencies, Federal financial management system requirements and (2) to publish the requirements in the Treasury Financial Manual.

The new appendix builds on recent policies, including OMB Memorandum M-10-26 of June 28, 2010, Immediate Review of Financial Systems IT Projects ([http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda\\_2010/m-10-26.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m-10-26.pdf)), and Memorandum M-13-08 of March 25, 2013, Improving Financial Systems through Shared Services (<http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-08.pdf>).

The new appendix is effective October 1, 2013. The new appendix supersedes, and makes it unnecessary to maintain, Circular A-127. Accordingly, OMB is suspending application of Circular A-127.

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*[FR Doc. 2013-23548 Filed 09/26/2013 at 8:45 am; Publication Date: 09/27/2013]*