

SECTION 52—INFORMATION ON FINANCIAL MANAGEMENT

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Summary of Changes

Requires that budget justifications align with the President's Management Agenda, Federal E-Government initiatives, and enterprise architectures (section 52.4).

Requires that financial management plans address impediments to improving financial performance, especially items identified in the Executive Branch Management Scorecard (section 52.4).

Modifies information required for E-Grants and requires agencies to report on participation in the government-wide E-Grants initiative (section 52.4).

Eliminates requirement to report on asset management in exhibit 52A (section 52.6).

Requires agencies to prepare plans for eliminating material weaknesses and nonconformances and provides a new reporting format (exhibit 52B) for tracking progress (section 52.7).

52.1 What are the general reporting requirements?

Agencies are required to provide three reports on financial management:

- Financial management budget justification materials (including agency financial management plans);
- Report on resources for financial management activities (exhibit 52A); and
- Report on material weaknesses and nonconformances (exhibit 52B).

52.2 What other reporting requirements does this fulfill?

For the 24 agencies covered by the Chief Financial Officers Act of 1990 (CFO), the materials required in this section fulfill the following requirements:

- CFO Act: Requires each agency CFO to prepare a financial management plan to implement the Government-wide financial management five-year plan.
- The Federal Financial Management Improvement Act of 1996 (FFMIA): Requires each agency head to determine **substantial** compliance with the Act. When the agency head determines that the agency's financial management systems do not comply with FFMIA, the Act requires the agency to submit a remediation plan to bring the agency's financial management systems into substantial compliance with FFMIA with the agency's budget justifications materials. Guidance in this section outlines the information that must be provided on remediation activities to fulfill FFMIA requirements.
- OMB Circular A-127, Financial Management Systems: Requires each agency to develop, prepare, and maintain financial management systems plans.

52.3 Who must report financial management information?

CFO Act Agencies. All CFO Act agencies must submit the materials prescribed by section 52.4 with their initial budget submission. The CFO Act assigns to the CFO responsibility for preparing and revising the agency's financial management plan and developing the agency's financial management budget.

Non-CFO Act Agencies. Non-CFO Act agencies must include in their initial budget submission a brief summary of their financial management plans to ensure sound financial management practices.

52.4 What materials are required in the budget justification?

The budget justification should describe financial management operations and improvement initiatives, including desired results and performance measures. It should include plans for financial management throughout the agency and financial management performance measures. The justification should align with the agency's mission and programs and address the President's Management Agenda.

The financial management plan should include:

- *Goals and strategies.* Briefly discuss how the agency will achieve the goals and strategies for implementing government-wide financial management improvements that are associated with the President's Management Agenda. Include information on the status of financial management activities to provide a context for the agency's plans and resources request.
- *Financial performance.* Briefly discuss impediments to improving your financial performance, especially those identified in your agency's most recent Executive Branch Management Scorecard. Describe plans to overcome the impediments, such as efforts to reduce erroneous payments, eliminate material weaknesses identified by previous audits and material weaknesses and nonconformances identified under the FFMIA process, obtain and sustain clean audit opinions on financial statements, ensure timely and useful financial reporting including financial performance measurement, and meet accelerated year-end reporting.
- *Financial management systems structure.* Present an overview of current and targeted financial management systems structure and plans for achieving targeted systems structure, covering core financial management systems and financial and mixed systems critical to effective agency-wide financial management, financial reporting, or financial control (see [section 53.3](#)). Include an inventory and brief description of baseline financial and mixed systems, including an assessment of major problems. (Guidance and instructions for the systems inventory update will be available

on the Internet; a separate memorandum will be distributed to Deputy CFOs advising them of the location and posting date.) Include a synopsis of critical projects currently underway or planned to accomplish the target structure. Identify FFMIA remediation activities planned and underway and describe (either in this synopsis or by referencing other documents or budget exhibits) the resources, remedies, interim target dates, and officials responsible for bringing systems into substantial compliance with FFMIA.

- *Grants management.* Describe grants management policies and practices, including:
 - ▶ How the agency ensures policy consistency across grant programs.
 - ▶ How program-specific requirements (e.g., application forms, financial reports, and award conditions) are reviewed to ensure consistent treatment of grantees.
 - ▶ Agency efforts to coordinate policies and practices with other agencies.
 - ▶ Recommendations for changes in law to improve the effectiveness, performance, coordination, and accountability of grant programs, including program-specific statutes.
 - ▶ Efforts to ensure quality of audits performed by non-Federal auditors in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A–133. Information should be included for the prior, current, and budget years, addressing the number of audit quality control reviews, FTE for audit quality efforts, results of the audit quality efforts, actions taken or planned to improve quality of non-Federal audits, and other relevant information to assess your agency's reliance on audits under Circular A–133 in grant management.
 - ▶ Participation and efforts in the E-Grants area (which encompasses P.L. 106-107 initiatives), including systems efforts to interface with the government-wide E-Grants system for simplified grant application and management processes.

52.5 What is the report on resources for financial management activities (exhibit 52A)?

Each CFO Act agency is asked to report total budgetary resources and full-time equivalent (FTE) employment data for CY and BY and obligations for PY for each of the following categories of financial management activities:

- Accounting and reporting;
- Audits of financial statements; and
- Financial management systems.

In addition, in-house and contract data are required on resources for accounting and reporting and the audits of financial statements.

52.6 What are the line descriptions and coding for exhibit 52A?

Report obligations (PY) and budgetary resources (CY and BY) in millions of dollars and FTE employment data for the entries described below. Resource information should represent the agency's best estimate of salaries, contracts, or other major expenses to be reported. Allocation of overhead expenses is not required.

REPORT ON RESOURCES FOR FINANCIAL MANAGEMENT ACTIVITIES

Entry	Description
Line coding	Use the first three digits of the line number to identify the financial management activities to be reported (e.g., accounting and reporting) and the fourth digit to distinguish FTE (e.g., 2001) from obligation and budget authority (e.g., 2002) data.
200x In-house accounting and reporting	Include in-house resources for processing, recording, and reporting of revenues, receipts, appropriations, apportionments, allotments, obligations, outlays, expenditures, assets, liabilities, and other financial transactions; reconciliation of asset and liability accounts, such as accounts or loans receivable, with subsidiary records and with external data, such as Treasury cash records; funds control; and preparation of financial statements.
2102 Contractor Accounting and Reporting	Include resources for contracts to perform accounting and reporting activities. <i>Report PY obligations and budget authority only.</i>
300x Audits of financial statements	Include resources for performing audits of financial statements, with separate identification for contract and in-house costs, as detailed in exhibit 52A. Do not include resources for preparation of financial statements.
400x Financial management systems	Include resources for financial management systems, which consist of financial systems and financial portions of mixed systems necessary to support financial management. (See definitions of financial management systems in section 53.3.) Include in this category grants management systems as either a financial or mixed system (see section 53.3). Data reported should be consistent with information reported as the estimated percentage of total system BA associated with financial components in exhibit 53.
500x Subtotal	The sum of corresponding amounts reported on lines 200x through 400x.
600x Adjustments (–)	Include adjustments to eliminate double counting (a minus entry). For example, costs for a loan system reported under the "asset management" category may also be reported under the "financial management systems" category. If any adjustments are reported on lines 6001-6002, a hard copy list should describe the adjustments and be available to OMB upon request.
700x Total, net	Equals the total of corresponding amounts on lines 500x and 600x.
8102 Audits of financial statements, contract costs	Include resources for contracts to perform audits of financial statements. Do not include preparation costs on lines 8102 through 9402.
820x Audits of financial statements, in-house costs	Include resources to perform audits of financial statements in-house.
9102 Organization-wide financial statements, contract costs	Include resources for contracts to perform organization-wide audits of financial statements.
920x Organization-wide financial statements, in-house costs	Include resources for performing organization-wide audits of financial statements in-house.
940x Total, all reporting entities	For total FTE (line 9401), report the sum of lines 8201 and 9201. This total must be equal to line 3001. For total budget authority (line 9402), report the sum of lines 8102, 8202, 9102, and 9202. This total must equal

Entry	Description
9998	Agency contact
9999	Telephone number

line 3002.

Include the name of the individual responsible for answering the above questions.

Include telephone number of agency contact.

52.7 How do I complete exhibit 52B?

The unshaded blocks for prior years through March 31 should be filled in with the number that was presented in the most recent auditor's report or FMFIA report. The target numbers should correspond to the agency plans and should tie into the discussion in section 52.4. If a material weaknesses or nonconformance was merged with a similar issue for reporting purposes, indicate the reason(s) for that action. All agencies must complete this report even if there are no material weaknesses or nonconformances.

52.8 How do I submit exhibits 52A and 52B and when are they due?

Exhibit 52A and Exhibit 52B are due with the initial budget submission. Both should be approved by the agency CFO before submission to OMB. E-mail both exhibits using the formatted spreadsheets provided at www.cio.gov. Send the completed Exhibit 52A spreadsheet to exhibit 52A@omb.eop.gov. Send the completed Exhibit 52B spreadsheet to exhibit 52B@omb.eop.gov. Before sending the completed spreadsheets, verify that the subject line has the three-digit OMB agency code (see Appendix C) and the full agency name. Update the data on exhibit 52A to reflect final budget decisions (see section 100.1).

Report on Resources for Financial Management Activities

Department of Government (in millions of dollars)		PY	CY	BY	Report obligations for PY and budgetary resources for CY and BY.
Accounting and Reporting					
2001	No. of FTE.....		250	250	
2002	Budgetary Resources.....		15,500	16,120	
Contractor Accounting and Reporting					
2102	Obligations/Budgetary Resources.....	2,000			
Audits of Financial Statements					
3001	No. of FTE.....		35	35	Amounts reported for financial management systems on line 4002 must be consistent with the percentage of budgetary resources for financial management systems in exhibit 53.
3002	Obligations/Budgetary Resources.....	2,250	2,250	2,290	
Financial Management Systems					
4001	No. of FTE.....		728	731	
4002	Obligations/Budgetary Resources.....	86,500	87,016	96,456	If any adjustments are reported on lines 6001-6002, a list describing them should be prepared in hard copy.
Subtotal					
5001	No. of FTE.....		1,013	1,016	Do not include preparation costs on lines 8102-8202.
5002	Obligations/Budgetary Resources.....	90,750	104,766	114,866	
Adjustments					
6001	No. of FTE.....		-20	-30	
6002	Obligations/Budgetary Resources.....	-900	-1,000	-1,800	Total, all reporting entities, should equal the corresponding entries for audits of financial statements reported on lines 3001-3002.
Total, Net					
7001	No. of FTE.....		993	986	
7002	Obligations/Budgetary Resources.....	89,850	103,766	113,066	
Audits of Financial Statements					
Component Contract Audits					
8102	Obligations/Budgetary Resources.....	1,100	1,250	1,250	
Component In-House Audit Costs					
8201	No. of FTE.....		35	35	
8202	Obligations/Budgetary Resources.....	1,000	1,000	1,040	
Organization-wide (department) financial statements					
Contract Audit Costs					
9102	Obligations/Budgetary Resources.....	4,000			
In-House Audit Costs					
9201	No. of FTE.....				
9202	Budgetary Resources.....				
Total, all reporting entities					
9401	No. of FTE.....		35	35	
9402	Obligations/Budgetary Resources.....	6,100	2,250	2,290	Total, all reporting entities, should equal the corresponding entries for audits of financial statements reported on lines 3001-3002.
9998	Agency Contact.....		R.W. Rogers		
9999	Telephone Number.....		(202) 696-4712		

**Department or Agency
Report on Material Weaknesses and Nonconformances**

Issue	As of 9/30/00	Activity During FY 2001		As of 9/30/01	Activity As of 3/31/02		FY 2002 Target for 9/30/02	FY 2003 Target for 9/30/03	FY 2004 Target for 9/30/04
		New	Resolved		New	Resolved			
Auditor-Reported Material Weaknesses									
FMFIA									
Section 2 Material Weaknesses									
Section 4 Noncon- formances									
FMFIA Total									
AGENCY TOTAL									