January 9, 2009

M-09-06

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS, CHIEF FINANCIAL OFFICERS, AND INSPECTORS GENERAL

FROM: Clay Johnson III
Deputy Director for Management

RE: Implementation Guidance for the Federal Financial Management Improvement Act

The enclosed guidance outlines the critical factors that auditors and Heads of agencies need to consider when determining substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, Title VIII (31 U.S.C. 3512 note). This guidance rescinds and replaces the Revised Implementation Guidance for the Federal Financial Management Improvement Act issued on January 4, 2001, and applies to those executive departments and agencies required to be audited and listed in Appendix A of OMB Audit Bulletin (No. 07-04 and subsequent issuances).

FFMIA requires all Chief Financial Officer (CFO) Act agencies to implement financial management systems that comply with three essential requirements: Federal financial management systems requirements, Federal accounting standards, and U.S. Standard General Ledger at the transaction level. The law further requires that the Head of the agency annually assess and the agency auditor report whether the agency’s financial management systems comply with the law’s essential requirements.

The guidance has been updated to reflect revisions to OMB Circular A-127, Financial Management Systems. Specifically, the revised Circular introduces a simplified approach to determine FFMIA substantial compliance by targeting the most significant agency financial statement audit risks. The updates were made after consideration of input from agency CFO and Office of Inspectors General representatives. It is effective as of October 1, 2009 and should be used for financial reports and audits for fiscal year 2010 and thereafter. Early implementation is encouraged, if applicable.

If you have questions or comments, please contact the Office of Federal Financial Management, (202) 395-3993.

This memorandum is also available at http://www.whitehouse.gov/OMB/financial.

Attachment