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OFFICE OF MANAGEMENT AND BUDGET
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**OMB Strengthens Agency Requirements on Internal Control;
Revises Circular No. A-123**

The Office of Management and Budget (OMB) has released a revised Circular No. A-123, *Management's Responsibility for Internal Control*. To strengthen the internal control requirements over financial reporting in Federal agencies, this revised Circular A-123 provides updated internal control standards, as well as new specific requirements, for conducting management's assessment of the effectiveness of internal control over financial reporting.

"Effective internal control is the foundation of reliable financial reporting and effective and efficient program operations. This revision will help us better achieve this," said OMB Controller Linda M. Springer.

OMB Circular A-123, which implements the Federal Manager's Financial Integrity Act of 1982 and applies to all executive agencies and corporations, was last updated in 1995. The revised circular is effective beginning in fiscal year 2006.

A major enhancement of the revised circular is the new Appendix A, which prescribes a separate assurance statement on the effectiveness of the internal controls over financial reporting. Appendix A applies to the 24 CFO Act agencies, including the Department of Homeland Security.

The revised circular reflects the work of a joint committee of representatives from the Chief Financial Officers Council (CFOC) and the President's Council on Integrity and Efficiency (PCIE). OMB had convened this joint CFOC/PCIE committee to review the current federal internal control requirements and compare them to the requirements for publicly-traded companies prescribed by the Sarbanes-Oxley Act of 2002 (SOX).

OMB is planning a March release of an implementation guide for applying Circular A-123's Appendix A to major Federal agencies. The guide is intended to provide agencies with an efficient and effective step-by-step approach for assessing internal control over financial reporting.

Visit http://www.whitehouse.gov/omb/financial/offm_circulars.html to view the revised Circular A-123. For additional information, please contact OMB Communications at 202-395-7254.

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