



**Certificate of Excellence
In Accountability Reporting®
(CEAR) Program**

**GUIDELINES©
for Fiscal Year 2009
Performance and
Accountability Reports
(including the Pilot Program)**

Prepared initially as a public service by KPMG LLP

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**CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING (CEAR)
PROGRAM**

**GUIDELINES
FOR FISCAL YEAR 2008**

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CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING (CEAR) PROGRAM

GUIDELINES FOR FISCAL YEAR 2009 PERFORMANCE AND ACCOUNTABILITY REPORTS (INCLUDING THE PILOT PROGRAM)

Congress and the Executive branch created the Performance and Accountability Report (PAR) to satisfy the reporting requirements of the Reports Consolidation Act, Government Performance and Results Act, Chief Financial Officers Act, Federal Managers' Financial Integrity Act, Accountability for Tax Dollars Act, Improper Payments Information Act, and other financial management statutes.

The PAR has several purposes. First, it is an effective and easy way for oversight organizations and others to determine the extent to which an agency is fulfilling its mission and managing its resources, plus able to produce reliable information to support the budgeting and decision-making processes. Second, it enables agencies to present, in a comprehensive and integrated manner, the services it is providing to the public, the results it is achieving, what these achievements cost, and how it is managing its resources.

As a result, PARS are issued by each Federal agency subject to the Chief Financial Officers Act or Accountability for Tax Dollars Act, many components of these agencies, and other independent agencies. OMB, desiring that the information be even more meaningful and transparent to the public, initiated a Pilot Program in FY 2007. The Pilot Program allows an agency to replace the PAR with an Agency Financial Report (AFR), Annual Performance Report (APR), and Summary of Performance and Financial Information (previously called the Citizens' Report). OMB is continuing the Pilot Program for FY 2009 performance and accountability reporting.

These Guidelines provide guidance for the preparation and the review of PARs, AFRs, and Summaries of Performance and Financial Information.

THE CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING PROGRAM

The Certificate of Excellence in Accountability Reporting (CEAR) Program was established by the Association of Government Accountants in 1996, in conjunction with the Chief Financial Officers Council, to further performance and accountability reporting. The program focused initially on the Accountability Reports prepared in conformance with the Government Management Reform Act. With the passage of the Reports Consolidation Act and the resulting incorporation of the program performance information required by the Government Performance and Results Act into the Accountability Reports, the CEAR Program was expanded to focus on the integration of both financial and program performance into the PAR.

The CEAR Program has a multiple purpose. The first is to review individual PARs and Pilot Program reports and provide recommendations for improving their quality. This goal is particularly important considering the limited resources available within the government to review the reports for the purposes of improving quality and usefulness and providing suggestions for improvement. A second purpose is to evaluate the Reports

and publicly recognize the excellent reports by issuing a Certificate of Excellence in Accountability Reporting to the agencies preparing those reports. This recognition is for both the agency and for the many individuals who participate in its preparation. A third purpose is training. Persons participating in the CEAR program greatly expand their understanding of the organization and content of other agencies' PARs and carry this knowledge back to their own agencies to improve their own PARs.

The standards for excellence in performance and accountability reporting are evolving. Hence, the CEAR Program is updated annually to reflect legislation pertaining to performance and accountability reporting, amendments to or new OMB directives, accounting standards becoming effective, etc. and the resulting reporting requirements. It is also updated to reflect reporting practices initiated by one agency that would seem useful for other agencies to adopt.

The Guidelines have separate sections to guide the preparation and review of the PAR, AFR, and Summary of Performance and Financial Information. The Summary is required to be prepared by all CFO Act agencies and all agencies participating in the Pilot Program. The issuance of the required Annual Performance Report (APR) as part of and simultaneous with the Congressional Budget Justification is likely to limit its accessibility. Other than a determination of the APR's accessibility to the general public, that component of the Pilot Program will not be included in the CEAR program.

Finally, while the reviews initially focused on the reports' adherence to reporting requirements and readability, the reviews now also consider such quality aspects as the completeness and candor with which the reports discuss the challenges and problems associated with the agency, the nature of the goals and measures with which the agency presents performance, and the succinctness of the document.

THE STRUCTURE OF THE EVALUATION

The CEAR evaluation process has two major components: the Guidelines and the Review Team.

The Guidelines - The first component is the CEAR Guidelines.[©] The Guidelines have been prepared for two purposes. They help an agency prepare a PAR or AFR and the Summary of Performance and Financial Information. The Guidelines identify each of the numerous items Congress or the Office of Management and Budget require for the reports, with the specific authority identified.¹ They also identify other content that can improve a Report's usefulness and usability. The latter items have been culled from past practices and thus do not carry an authoritative reference.² Second, the Guidelines can

¹ Components of Chief Financial Officers (CFO) Act agencies and independent agencies other than CFO Act agencies are not subject to many of the legislative and administrative reporting requirements applicable to CFO Act agencies. Also, they tend to be smaller and operate a limited number of programs. Hence the reports of other than CFO Act agencies might not and need not include all of the materials required to be reported by a CFO Act agency. Comprehensive coverage for each of the areas to be included in a report would be the primary criterion.

² Agencies are requested to submit, with their PAR, a copy of the Guidelines on which has been entered for each item, the page number in the PAR—not simply an "x" or the word "yes"—on which the information is presented. Completing and submitting a copy of the Guidelines in this manner helps the agency ensure it has included each of the appropriate items of information in the Report in a manner consistent with excellence. Identifying the page number on which the item is addressed helps the reviewers readily locate the

be used to assist persons reviewing PARs, AFRs, and Summaries of Performance and Financial Information.

The Guidelines are divided into four sections, each of which is composed of one or more parts:

Section I is concerned with Performance and Accountability Reports.

- **Part A** addresses the Report's **overall organization and presentation**.
- **Part B** addresses the **Agency Head (Secretary) Message** and its content.
- **Part C** addresses the **Management's Discussion and Analysis (MD&A)** and how it fulfills what should be the primary purpose of the PAR. That would be to provide a complete, yet concise, clear, inviting, and informative overview of how the agency is doing, what it has accomplished, and how it is managing its programs and resources. In many ways, the MD&A represents the most important part of the Report, and thus the portion of the review that receives the most attention.
- **Part D** addresses the **Performance Section**, which would be the annual program performance information required by the Government Performance and Results Act.
- **Part E** addresses the **Financial Section**, which is composed of a letter from the agency's Chief Financial Officer, the auditors' report, and the financial statements and notes. The portion of Part E related to the financial statements has been included primarily for the preparers of the financial statements. Although some reviewers will still evaluate the manner in which the financial information is presented in the financial statements, the CEAR Program relies primarily on the organization auditing the financial statements to assure adherence with the applicable standards and criteria.
- **Part F** addresses the **Other Accompanying Information** which contains a summary by the agency's Inspector General of the agency's most serious management and performance challenges, summary tables of material weaknesses in internal controls and system non-conformances and non-compliances, Improper Payments Information Act reporting details, and possibly other information.

Section II is for the Pilot Program **Agency Financial Reports**. It addresses the aspects of an AFR that are different from a PAR. Thus it should be used by AFR preparers or reviewers in combination with Section I, Parts B, C, E, and F.

Section III provides guidance for the preparation and/or review of the **Summary of Performance and Financial Information** that is required to be issued by all CFO Act agencies and all non-CFO Act agencies that participate in the pilot and prepare an AFR and APR rather than a PAR.

Section IV provides sections in which reviewers can provide their overall impressions with and recommendations for the PAR or AFR and Summary of Performance and Financial Information. Space is provided for the reviewer to mark whether a part (for the

required items. Accordingly, agencies should insert the page number for the item only if the item is explicitly included on that page. Otherwise the words "no" or "not applicable" should be inserted.

PARs) or the entire report (for the Pilot Program reports) are consistent with expectations or need improvement; identify noteworthy features that could be considered a creative application of the Guidelines or materials not addressed by the Guidelines that might be of interest for possible reference by preparers of other agencies' reports; and draft recommendations to address weak or deficient practices.

Section V of the Guidelines, titled **Request for Preliminary Vote**, provides an opportunity for reviewers to furnish their preliminary views on whether the Report(s) should receive a Certificate of Excellence and, if applicable, the major reasons that preclude the Report(s) from receiving a Certificate of Excellence.

Attached to this introduction is a list of the significant changes in this year's Guidelines.

The Review Team - The second component of the evaluation is a five-person team that evaluates each Report submitted by an agency. The team members possess considerable knowledge and experience in Federal government financial management and/or performance measurement and the reporting of results. While they may not have an in-depth knowledge of the agency, they have a general knowledge of Federal government operations, the subjects covered by the Report and, at least collectively, a familiarity with the agency submitting the Report, its mission, and its programs.

The review team members use the Guidelines to review the Report individually, identify and prepare written recommendations for matters in which they believe the Report could be improved, and decide, on their own, whether the Report is at the level of excellence that merits a Certificate of Excellence. They then meet as a group, review a compendium of all the recommendations, reach agreement on which recommendations for improvement should be sent to the agency, and vote on whether the Certificate of Excellence should be awarded.

THE EVALUATION PROCESS

The purpose of the CEAR Program is to help agencies improve their reports. It is not a compliance program. The Review Guidelines are formatted to enable reviewers to consider the overall quality and character of the report rather than dwell on the presence or absence of the individual elements. This has been done by not asking reviewers to answer, "Yes," "No," "Not Applicable," or "Don't Know" for each item.

Instead, reviewers are asked to read the report and use the Guidelines primarily as a reminder of the expected content for a report.³ In doing so, they should note matters for which the presentation can be improved because the information is unclear, inconsistent, incomplete, too verbose, etc.⁴ **For each such instance, the reviewer should prepare a recommendation.**

Crafting Recommendations for Improvement – Recommendations can and should be provided to:

³ Persons reviewing reports issued by components of CFO Act agencies and independent agencies other than CFO Act agencies should consider that these agencies are not subject to many of the legislative and administrative reporting requirements of CFO Act agencies. (See footnote 1.)

⁴ Reviewers need not refer to other documents when reviewing a PAR, AFR or Summary of Performance and Financial Information. They will be expected, however, to consider related information in other parts of the Report they are reviewing--and be alert to inconsistencies.

- Improve the presentation of the information
- Eliminate reporting or disclosure deficiencies
- Make the report more useful to the user
- Address editorial matters
- Improve the Summary of Performance and Financial Information

The third category, “Make the report more useful to the user” is intended to reflect the notion that truly excellent reports are not only comprehensive. They are candid, particularly in regard to conditions and situations that are already widely known; they present negative as well as positive information; and they do not leave readers with unanswered questions.

Identifying the category for which a recommendation is provided is helpful.

More important, the recommendations should identify:

- the deficient condition
- the page number of the condition
- the specific change recommended, and
- the reason why the change would be an improvement.

It is difficult to incorporate recommendations that do not include the above elements into the combined recommendations sent to the agency.

Considering Agency Responsiveness - The most recent comment letter and recommendations and the agency's response will be given to reviewers for agencies that have previously submitted their PAR or Pilot Program report for review. **The reviewers are to refer to the letters and ascertain whether and how the agency has changed the current year's Report** (or that the matter to which the comment pertained is not part of the current year's report). A recommendation that is made because the prior year's recommendation was not addressed should indicate that it is a repeat of the prior year's recommendation. As indicated, performance and accountability reporting and the CEAR Program are evolving. It is important that agencies attempt to continuously improve their reporting. An agency that identifies the modification in the Report for each of the CEAR Program's recommendations demonstrates a commitment to continuous improvement. Simply justifying matters identified for suggested improvement could be appropriate in some instances, but is likely to be viewed in most instances as a reluctance to make changes that could improve the report.

Preliminary Decision Regarding Certificate of Excellence - Reviewers should make a preliminary decision as to whether the Certificate of Excellence should be awarded. In making the decision, the reviewer should consider the extent to and manner in which the report does or does not fulfill the Guidelines criteria. To help with this

process, a section has been included (Section IV) with which the reviewer can summarize his or her overall impression with each section.

Under the CEAR Program, “excellent” means complying with the technical, statutory, and regulatory requirements for the Reports. It means producing an informative, reader-friendly document that achieves the goal of complete and fair reporting. It demonstrates coordination among the Chief Financial Officer, Program Managers, Inspector General, and other agency leaders in preparing an integrated Report.⁵ It means a pro-active approach to the adoption of new accounting and reporting requirements, e.g., early adoption of OMB requirements and Statements of Federal Financial Accounting Standards.

As a final guide, reviewers should consider the following. Excellent reports:

- use results-oriented performance measures to report accurately and candidly on the agency’s performance against its planned goals and use of resources,
- are integrated and flow well,
- are concise, readable and inviting to the intended audience, and
- reflect an effort and desire to continuously improve the agency’s performance and accountability reporting, i.e., there are minimum editorial problems and the agency is responsive to the prior year’s recommendations for improvement.

There are, however, two mandatory requirements that are necessary for receiving the CEAR. **The report must have been issued by the date prescribed by OMB. The auditors’ opinion on the financial statements must be unqualified as of that date.**

The reviewer should then complete Section V of the Guidelines. The preliminary vote for or against awarding the Certificate of Excellence should be marked. Reasons why a Certificate of Excellence should not be awarded, if that is the case, should be noted. This last item is very important. Agencies not receiving the Certificate of Excellence will want to know, in addition to the recommendations for improvement, the major reasons why they were unsuccessful.

The completed Sections IV and V should be submitted to AGA electronically.

⁵ Although the existence of coordination would not be ascertainable from a review, certain aspects indicate a lack of coordination. Examples are separate pagination schemes and/or type layouts for the different sections; lack of recognition in one section of problems identified in other sections; redundancy; lengthy and defensive responses to the IG's summary of management and performance challenges.

VETTING AND COMMUNICATING THE RESULTS

The last step is vetting and communicating the results. AGA will combine the recommendations and outstanding features of the report into a single document and send the document to the team members. The review team will meet to 1) review the combined recommendations and decide which ones should be transmitted to the agency and/or require modification, 2) make the actual decision as to whether to award the Certificate of Excellence, and 3) determine any language that may be advantageous to include in the transmittal letter to the agency. AGA's staff will prepare the final version of the recommendations and a draft letter transmitting the team's decision, and circulate the letter and final recommendations for approval. Following approval, AGA will send the approved letter and recommendations to the agency.

CONCLUSION

Each agency's PAR (or alternative reports under the Pilot Program) is potentially the Federal government's most important vehicle for explaining what the agency's dollars are buying and how its programs are being managed. The reports should show how financial and performance management are closely integrated by agency leaders. Unlike annual "performance budgets," the reports should be free from advocacy. The CEAR program reviews, with their detailed critiques and recommendations, have proven to be a major factor in the steady improvement of these reports.

Thus the program is a win-win-win situation. The agencies receive information with which they can continuously improve their PARs. They also have an opportunity to publicly recognize the individuals within the agency who prepare the PAR, and acknowledge their dedication and hard work. The reviewers obtain an opportunity to perform an in-depth analysis of other agencies' PARs and learn how to make their own agencies' reports better. And the readers of the PARs have the assurance that the agencies have prepared highly informative, highly readable, complete documents.

**ADDITIONAL OR MODIFIED GUIDELINES ITEMS
FISCAL YEAR 2009**

**PERFORMANCE AND ACCOUNTABILITY REPORTS
(INCLUDING THE PILOT PROGRAM)**

1. A Guideline has been added to reflect the requirement that a Section 508 of the Rehabilitation Act of 1973 compliant version of the report should be available from the entity's website. (See Guidelines Sections I.A.6 and II.6)
2. The Guideline stating that the agency head message and the Management's Discussion and Analysis in an AFR should be limited to 30 pages has been deleted to reflect the dropping of the requirement from OMB Circular A-136.
3. A Guideline has been added to reflect additional suggested guidance for the MD&A's financial statement analysis. (See Guidelines Section I.C.9)
4. A Guideline has been added to state that the Federal Managers' Financial Integrity Act assurance statement should not list the exact same finding as both a FMFIA §2 and a §4 finding. (See Guidelines Section I.C.12.a.iv)
5. A Guideline has been added to stress that significant deficiencies found pursuant to the Federal Information Security Management Act reviews should be included as material weaknesses for Federal Managers' Financial Integrity Act reporting and, if related to financial management systems, as a lack of substantial compliance with the Federal Financial Management Improvement Act. (See Guidelines Section 1.C.12.c)
6. The Guideline pertaining to conflicts between management's assurance on systems and controls and the auditors' report has been expanded to emphasize that if management does not agree with the auditor, management should describe what will be done to address the problem that gave rise to the disagreement. (See Guidelines Section I.C.12.d.i)
7. The emphasis on seeking indications of progress in the Guideline pertaining to correcting material weaknesses and maintaining effective controls has been shifted to whether the agency is on target to achieve its corrective action plans or slippage is evident. (See Guidelines Section I.C.13)
8. The Guideline concerning forward-looking information has been expanded to emphasize that the focus of this section should be on matters external to the agency, and not just matters of an internal or managerial nature. (See Guidelines Section 1.C.14.a).
9. A Guideline has been added regarding including a brief discussion of material activities associated with the American Recovery and Reinvestment Act. (See Guidelines Section I.C.15)

10. Guideline and footnote references to the President's Management Agenda and PART have been deleted.
11. The Guidelines pertaining to the requirements for the Performance Section have been modified based on revisions to OMB Circular A-11. (See Guidelines Section I.D.)
12. A Guideline has been added to reflect the requirement that the Performance Section include references to agency web sites containing current performance data (See Guidelines Section I.D.4).
13. A Guideline has been added to reflect the requirement that when the Performance Section presents a conclusion that, based on actual performance, a goal cannot be reached in the future, the basis for the conclusion should be explained and the agency's course of action identified. (See Guidelines Section I.D.7)
14. The Guidelines pertaining to Other Assets and Other Liabilities have been moved to the section addressing the Balance Sheet. (See Guidelines Sections I.E.III.B.8 and I.E.III.B.16)
15. A Guideline has been added to reflect that agencies with fiduciary activities should disclose that fiduciary cash and other assets are not assets of the Federal government; and the fiduciary activities are no longer recognized in the financial statements, but instead are disclosed in notes to the financial statements. (See Guidelines Section I.E.III.H.2)
16. The Guideline concerning the stewardship property, plant, and equipment footnote disclosure has been expanded to reflect that physical quantity information is to be disclosed in the footnotes rather than reported as required supplemental information. (See Guidelines Section I.E.III.H.14.a)
17. The Guideline addressing the disclosure of dedicated collections has been modified to reflect the requirements of Statement of Federal Financial Accounting Standards No. 31. *Accounting for Fiduciary Activities*. (See Guidelines Section I.E.III.H.32)
18. The Guideline pertaining to the required supplemental information for stewardship property, plant, and equipment has been deleted to reflect that all of the stewardship property, plant, and equipment information should now be disclosed in the footnotes.
19. The Guidelines addressing the Improper Payments Information Act reporting details has been expanded to reflect:
 - a. a new requirement to highlight in the risk assessment description any changes to the risk assessment or its results since the prior report, and to limit repetition of information presented in the last report. (Guidelines Section I.F.5.a);
 - b. a new requirement to highlight in the statistical sampling process description any changes to the statistical sampling process since the prior report, and to limit repetition of information presented in the last report. (Guidelines Section I.F.5.b); and

- c. that corrective actions for reducing each type of root cause of error (i. e., administrative and documentation errors, authentication and medical necessity errors, verification and local administration errors), including key milestones, should be described. (Guidelines Section I.F.5.c)
20. The Guideline concerning the reporting of Performance Goals, Objectives, and Results in the AFR's MD&A has been modified to reflect guidance for performance reporting incorporated in OMB Circular A-136. (See Guidelines Section II.21)
21. The two sets of Guidelines for a Citizens' Report have been replaced by one set of Guidelines that summarizes the new requirements for the Summary of Performance and Financial Information required for all CFO Act agencies and all non-CFO Act agencies participating in the Pilot Program and preparing an AFR and APR. (See Guidelines Section III)

CERTIFICATE OF EXCELLENCE IN
ACCOUNTABILITY REPORTING

GUIDELINES

SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART A - OVERALL

1. The report should be the final printed report available for distribution to the public (although in some instances, the reviewers will be provided with a camera-ready version of the report).
2. The report should be titled Performance and Accountability Report. (Reports Consolidation Act of 2000, section 3516 (b))
3. The cover of the report should contain the name of the agency, the title, and the fiscal year.
4. The report should have been issued to OMB no later than November 16, 2009. (OMB Circular A-136, Section I.5)
5. The report should be available on the Internet with the website location clearly identifiable on the entity's homepage. (OMB Circular A-136, Section I.5)
6. A Section 508 of the Rehabilitation Act of 1973 compliant version of the report should be available from the entity's website. (OMB Circular A-136, Section I.5)
7. The Internet address at which the electronic copy can be accessed should be clearly displayed in the report, e. g., the inside front cover, title page, or Table of Contents.
 - a. The address should be the specific address at which the report is located, either in a single file and/or multiple files.⁶
8. The Internet address for the agency's home page should be displayed on the cover or within the report.
9. Internet links should be included in the text to enable readers to access additional information.
10. A table of contents should be included.

⁶ The specific address at which the PAR is located might also provide the entity's Summary of Performance and Financial Information or copies of prior years' PARs.

11. The table of contents should clearly identify, by page number, the location of all the information required to be included in the PAR.
 - a. The location of the management assurances required under the Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, and OMB Circular A-123 *Management's Responsibility for Internal Control* should be separately identified.
 - b. The location of the Inspector General's summary of the most serious management and performance challenges should be separately identified.
12. The page numbers in the PAR should be sequential.
13. The report should be logically organized with a structure easy to navigate and that facilitates understanding.
14. The report should be an integrated report that comes across as a single coordinated document, rather than a compilation of sections prepared by different parts of the agency.⁷
15. Formats for presenting similar information should be consistent.
16. The report's writing quality should be high, i. e. it can be easily read and understood by persons who do not always possess expertise in the matters in which the entity is involved, it is direct, and it is concise in the information it conveys.⁸
17. The report should avoid including materials that are not needed for presenting performance and accountability.
18. The use of technical language, jargon, and acronyms should be limited.
19. The report should be candid and credible, i. e., major problems, challenges, and issues with which the agency is involved should be addressed, particularly those that are already public knowledge.
20. Differences between the Inspector General's or auditor's identification of weaknesses, challenges, or other issues and management's views of the same should be acknowledged and addressed such that the readers understand the reasons for the difference(s).
21. Vignettes, success stories, and examples should be used to illustrate abstract, complex information and improve readability. (OMB Memorandum M-08-20, dtd. June 5, 2008)
 - a. They should be contiguous to and complement the text they illustrate.

⁷ See footnote 5 for indications of an absence of integration.

⁸ Although these are subjective aspects, elements to look for, in addition to those cited in the Guidelines, are the use of headings and captions, the use of pictures and other graphics to support text, the judicious use of color, the size and type of print, the quality of the printing, and a limited use of acronyms.

22. Photographs and graphics should be used to increase visual appeal. (OMB Memorandum M-08-20, dtd. June 5, 2008)
 - a. They should be contiguous to and complement the text they illustrate.
23. The report should contain a glossary of acronyms.
24. Phone and fax numbers and e-mail addresses for requesting additional copies of the report are helpful.
25. Comments for improving the report and the inclusion of a postal and e-mail address for submitting the comments reflects an interest in improving reporting..
26. An agency that previously submitted its PAR for review should have provided a document that includes a clear and logical description of changes made in response to each comment contained in the letter provided by AGA for that report.

CERTIFICATE OF EXCELLENCE IN
ACCOUNTABILITY REPORTING

GUIDELINES

SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART B – AGENCY HEAD MESSAGE

1. The Agency Head Message should be dated. (OMB Circular A-136, Section II.1.2)
2. The Agency Head Message should be brief. (OMB Circular A-136, Section II.1.2)
3. The Agency Head Message should include the agency's mission, goals, and accomplishments upholding the mission. (OMB Circular A-136, Section II.1.2)
4. The Agency Head Message should include an assessment of whether financial and performance information in the report is reliable and complete, identifying material internal control weaknesses and actions the agency is taking to resolve them (or reference a more detailed discussion of the topic elsewhere in the report). (OMB Circular A-136, Section II.1.2)
5. The Agency Head Message should be well-rounded and candid, i. e., discuss the significant challenges, areas of limited or low performance, and issues with which the agency is involved and how these are being addressed; and not just the accomplishments.
6. The Agency Head Message should address the auditors' report, including the reports on internal control and compliance with laws and regulations.
7. The Agency Head Message should be consistent with information in other parts of the report, e.g., the discussion of management controls, performance information, the forward-looking information for existing demands, risks, etc., and the Inspector General's summary of most serious challenges.

CERTIFICATE OF EXCELLENCE IN
ACCOUNTABILITY REPORTING

GUIDELINES

SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART C - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)⁹

1. The MD&A should be concise and readable to a non-technical audience, focus on the most important matters, and provide a balanced analytical assessment of program and financial performance that includes both positive and negative information. (OMB Circular A-136, Section II.2.1)

2. The MD&A should serve as a brief overview of the entire PAR and include most important matters that could:
 - a. lead to significant actions or proposals by the entity's top management;
 - b. be significant to the management, budgeting, and oversight functions of Congress and the Administration; and
 - c. significantly affect the judgment of citizens about the efficiency and effectiveness of the Federal government.

(OMB Circular A-136, Section II.2.2)

3. The MD&A should reflect a joint effort of the CFO, the Performance Improvement Officer (PIO) office, and program offices.
 - a. The MD&A should communicate insights about the entity, increase the understandability of the financial information, and provide information about the entity, its operations, service levels, successes, challenges, and future.

(OMB Circular A-136, Section II.2.3)

4. The MD&A should present the agency's mission and related organizational structure consistent with the entity's strategic plan. (OMB Circular A-136, Section II.2.5)
 - a. The manner in which the latter documents can be obtained or accessed should be identified.

⁹ Preparers should also refer to Statement of Federal Financial Accounting Concepts No. 3 *Management's Discussion and Analysis*, as well as Statement of Federal Financial Accounting Standard No. 15 *Management's Discussion and Analysis*, for a narrative discussion of what can be included in an effective Management's Discussion and Analysis.

5. The MD&A should summarize the key performance measures reported in the Performance Section. This would include, in no specific order,
- a. highlights of the “most important” performance goals and results (positive and negative), consistent with the goals in the entity’s strategic and performance plans or performance budgets, including trend data. These performance highlights should:
 - i. provide a clear, objective picture of the entity’s program results compared to its goals and objectives¹⁰;
 - ii. indicate the extent to which the programs are achieving their intended goals and objectives, and explain performance trends;
 - iii. discuss the strategies and resources used to achieve the performance goals;
 - iv. evaluate the significance of factors that may have affected the reported performance; and
 - v. include an explanation of plans and timelines to improve performance where targets were not met.
 - b. a summary of the procedures management has designed and followed to provide reasonable assurance that the reported performance information is reliable and relevant; and
 - c. a discussion, to the extent relevant, of important limitations and difficulties associated with performance measurement and reporting.

(OMB Circular A-136, Section II.2.6)

6. The MD&A should provide information to help the reader assess the relative efficiency and cost-effectiveness of agency programs/operations.¹¹
- a. Measures that provide information about the efficiency and cost-effectiveness of the programs should be included.
 - b. The major goals and objectives (from the strategic plan) for which measures and results are reported should be related to the cost categories (i. e., responsibility segments) in the entity’s Statement of Net Cost.¹²

(OMB Circular A-136, Section II.2.6)

¹⁰ The summary should include, if they are material to the entity’s mission, the results of services performed through allocation transfers for which the financial statements do not include the amounts received.

¹¹ Efficiency is defined as the relationship of outputs (the services provided) to inputs (the costs incurred to provide the services). Cost-effectiveness is defined as the relationship of outcomes (the degree to which a predetermined objective is met) to inputs.

7. The performance information appearing throughout the report should be consistent. Measures related to reported achievements of success should be consistent with reports of the successes.
8. The MD&A should help readers understand the entity's financial results, position, and condition conveyed in the principal financial statements. The analysis should:
 - a. assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities;
 - b. provide management's understanding of the relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;
 - c. provide management's understanding of major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays;¹³and
 - d. provide management's understanding of the entity's stewardship information.

(OMB Circular A-136, Section II.2.7)

9. Other useful information for the financial statement analysis may include:
 - a. explanations of variances that exceed 10% and that are material to the entity;
 - b. significant issues qualitative in nature and relating to financial management; and
 - c. overall financial condition and financial management issues occurring since the previous reporting period that impact the entity's current financial status.

(OMB Circular A-136, Section II.2.7)

10. Charts and graphs should be used to present the significant balances and major changes from prior years. (OMB Memorandum M-08-20, dtd. June 5, 2008)
11. The financial amounts in the MD&A should be consistent with amounts in the financial statements.

¹² In other words, the Management's Discussion and Analysis should identify the costs incurred (which is different from budget appropriations or obligations) for each strategic goal. These amounts should be consistent with the costs presented in the Statement of Net Cost that have been subject to audit.

¹³ The explanation of major changes in amounts of assets, liabilities, costs, revenues, and obligations should present the underlying reasons for the changes, rather than simply identify the account balances that changed.

12. The agency should provide its assurances related to the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA)¹⁴ in a separate section titled "Management Assurances."
- a. The FMFIA assurance statement should:
- i. provide management's assessment of the effectiveness of the entity's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with laws and regulations; and whether the entity's financial management systems conform to financial systems requirements;¹⁵
 - ii. include, as a subset of the overall FMFIA assurance statement, e. g., a separate paragraph, a separate assessment of the effectiveness of internal control over financial reporting that reports the status of internal control over financial reporting;¹⁶
 - iii. be accompanied by a summary of material weaknesses and non-conformances, and a summary of corrective actions to resolve the material weaknesses and non-conformances that describe the material weaknesses, the status of corrective actions, and the target completion dates.¹⁷
 - iv. not list the exact same finding as both a FMFIA §2 and a §4 finding.
- b. The FFMIA compliance assessment should provide management's assessment of the compliance of the entity's financial management systems with Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board, and the U. S. Standard General Ledger at the transaction level.¹⁸

¹⁴ Agencies subject to the Accountability of Tax Dollars Act are not subject to the requirements of the Federal Financial Management Improvement Act.

¹⁵ The exact same finding should not be listed as both a Section 2 material weakness and a Section 4 non-compliance.

¹⁶ Agencies for which the separate assurance on internal control over financial reporting contains a scope limitation should provide a qualified statement or statement of no assurance as to the effectiveness of the internal controls over financial reporting.

¹⁷ The report should distinguish between 1) material weaknesses pertaining to the Federal Managers' Financial Integrity Act and non-compliances with the Federal Financial Management Improvement Act, and 2) if included in the summaries, auditor-determined material weaknesses and/or significant deficiencies.

¹⁸ As stated in footnote 14, agencies subject to the Accountability of Tax Dollars Act are not subject to the requirements of the Federal Financial Management Improvement Act.

12. cont
- c. Significant deficiencies found pursuant to the Federal Information Security Management Act reviews should be included as material weaknesses for Federal Managers' Financial Integrity Act reporting and, if related to financial management systems, as a lack of substantial compliance with the Federal Financial Management Improvement Act.
 - d. The FMFIA assurance statement and the FFMIA compliance assessment should not directly conflict with the auditors' reports on internal control and compliance with laws and regulations.
 - i. If management does not agree with the auditor, management can explain why it does not agree, but must describe what will be done to address the problem that gave rise to the disagreement.
 - d. The assurance statement should be signed by the agency head.

(OMB Circular A-136, Section II.2.8, with the exception of 12c which is required by OMB Bulletin 07-04, paragraphs 2.5 and 7.20)
13. The summaries of material weaknesses and non-conformances should indicate whether the entity is on target to achieve the corrective action plans or slippage has occurred; and if the latter, the reasons for the slippage and how the slippage shall be offset.
14. The MD&A should include forward-looking information about the possible effects of the most important existing and anticipated performance and financial demands, events, conditions, and trends.¹⁹
- a. The information should encompass important matters external to the agency, not just those of an internal or managerial concern, and the actions planned or taken to address the matters.

(OMB Circular A-136, Section II.2.4)
15. The MD&A should briefly discuss activities associated with the American Recovery and Reinvestment Act, if material, with a reference to the agency's Recovery website for detail. (OMB Circular A-136, Section II.2.9)
16. The MD&A can include other can include summaries of other information, initiatives, and issues, including the entity's progress implementing key Administration management initiatives. (OMB Circular A-136, Section II.2.9)
17. The MD&A should include a statement articulating the limitations of the principal financial statements, i.e.,
- a. They have been prepared to report the entity's financial position and results of operations pursuant to the requirements of 31 U.S.C. 3515(b).

¹⁹ The forward-looking information may be presented in a separate section of the MD&A or incorporated in other sections.

17. cont
- b. While the statements have been prepared from the entity's books and records in accordance with U. S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources.
 - c. The statements should be read with the realization that they are for a component of the U. S. Government, a sovereign entity.

(OMB Circular A-136, Section II.2.10)

CERTIFICATE OF EXCELLENCE IN
ACCOUNTABILITY REPORTING

GUIDELINES

SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART D - PERFORMANCE SECTION^{20,21}

1. The report should include:
 - a. the agency head's assessment of the reliability and completeness of the performance data included in the report;²²
 - b. comparisons of actual performance with the projected (target) levels of performance as set out in the annual performance budget (or annual performance plan for fiscal years prior to FY 2009)
 - c. a table/chart showing historical performance trends for the strategic goals set forth in the agency's annual performance plan or performance budget for at least four fiscal years prior to the year covered by the report;
 - d. for performance goals not met, an explanation of why the goal was not met, and the plans and schedules for achieving the goal;²³
 - e. for performance trends that are declining or have significant variation, an analysis and discussion;
 - f. for performance goals where actual performance information is missing, incomplete, preliminary, or estimated, an indication of the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available;

²⁰ The Performance Section enables agencies to provide in an integrated PAR the annual performance report information required by the Government Performance and Results Act. The better PARs, however, will demonstrate integration by more than simply reporting performance results. They will disclose the funds budgeted and/or expended for each strategic goal and for various aspects of performance; they will report the results of cost-benefit analysis; and they will identify opportunities for improving the efficiency with which resources are used to achieve program results.

²¹ Components of CFO Act agencies tend to be smaller than CFO Act agencies and have a limited number of programs. They also are not subject to many of the legislative and administrative reporting requirements, applicable to CFO Act agencies. Accordingly, they might conclude that it is more effective to present in the MD&A the complete performance information CFO Act agencies present in the Performance Section, and thereby eliminate the need for a separate presentation of highlights of the most important performance goals and results in the MD&A.

²² The agency head most likely provided assurance of the completeness and reliability of the performance (and financial) data in the agency head message. Accordingly, although the Performance Section should contain an assessment of the completeness and reliability of the performance data, it is not likely to be signed by the agency head.

²³ If the difference between a performance goal's target and actual results are more than slight, the explanation should show an understanding of why the target was not met and the consequences. If the difference is slight, a generic explanation such as "The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance." is more appropriate.

1. cont
- g. a summary of findings of program evaluations completed during the year covered by the report, or a statement that no evaluations were completed;
 - i. the evaluations identified should have been performed with sufficient scope, quality, and independence.²⁴ (OMB Circular A-136, Section II.3.5); and
 - ii. the summaries should be matched with the strategic goals for which the evaluations were conducted.
- h. the plans to address issues designated by the Government Accountability Office as High-Risk, including:
- i. a description of the high-risk issue the plan is addressing;
 - ii. measurable goals that demonstrate whether the plan is successful; and
 - iii. specific milestones the agency will accomplish to achieve the goal, the agency official responsible for the milestone, and the expected achievement date

(OMB Circular A-136, Section II.3.3)

2. The report should state the actual performance for every performance goal in the annual performance budget, even if the goal was discontinued after the applicable fiscal year. (OMB Circular A-136, Section II.3.3.1)
3. The presentation of previously omitted prior year data should include a comparison between actual and target performance. (OMB Circular A-136, Section II.3.3.1)
4. The Performance Section should include references to agency web sites containing current performance data. (OMB Circular A-136, Section 3.3.1)
5. The number of performance goals for which the results are missing, incomplete, preliminary, and/or estimated is limited, unless adequately explained.
6. The reporting system avoids obscuring performance shortfalls by defining success as meeting less than 100% of the performance target.
7. When a conclusion is presented that, based on actual performance, a goal cannot be reached in the future, the basis for the conclusion should be explained and the agency's course of action identified (OMB Circular A-136, Section II.3.3.3)
8. Explanations should be provided for performance goals exceeded by a significant amount.

²⁴ It might be difficult for a reviewer to determine whether an agency's evaluations meet this requirement.

9. Changes made to performance goals in the prior year's performance budget that primarily stemmed from the assessment of actual performance in the prior year's PAR should be identified.

(OMB Circular A-136, Section II.3.3.5)
10. The report should acknowledge significant contributions made by non-Federal parties in its preparation. (OMB Circular A-136, Section II.3.5)
11. The report should include relevant budget information for the fiscal year covered by the report. (OMB Circular A-136, Section II.3.5)
 - a. The report should also present the costs incurred for each of the strategic goals and, if possible, the strategic outcomes, performance goals, etc. presented in the agency's PAR.
12. The performance information should be reliable (as indicated by an absence of contradictory statements in other sections of the report, such as the agency head's assurance statement, reported FMFIA weaknesses, and the Inspector General's summary of management challenges, as well as the extent to which reported results are estimates).
13. There is a reasonable number of strategic goals.
14. The performance goals and measures are limited to those focusing on the agency's most important results.
15. The performance goals are statements of desired outcomes and articulate in clear and simple terms the benefits to the community.
16. The performance goals and measures (i.e., inputs, outputs, outcomes) are appropriate to the nature of the programs.
17. The performance goals are expressed in terms of performance results and are appropriate for reporting the agency's accomplishments.
18. The relationship between the entity's outputs and outcomes and strategic goals is explained or pictorially displayed.
19. Symbols, color coding, and/ or similar techniques are used to increase the readability of performance charts. (OMB Memorandum M-08-20, dtd. June 5, 2008)
20. Pie charts are used to summarize performance results across all measures (OMB Memorandum M-08-20, dtd. June 5, 2008)
21. The manner in which the performance measures demonstrate achievement of the performance goals is apparent or otherwise explained.
22. The manner in which the agency's activities enable the outputs and outcomes to occur is apparent or otherwise explained.

CERTIFICATE OF EXCELLENCE IN
ACCOUNTABILITY REPORTING

GUIDELINES

SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART E - FINANCIAL SECTION

I-CHIEF FINANCIAL OFFICER'S LETTER

1. The PAR should include a signed letter from the agency's Chief Financial Officer that briefly summarizes:
 - a. planned time frames for correcting audit weaknesses and noncompliance²⁵;
 - b. major impediments to correcting audit weaknesses and noncompliance;
 - c. progress made in correcting previously reported problems; and(OMB Circular A-136, Section II.1.2)
2. The letter should present other important financial management information such as the agency's significant financial management accomplishments; the status of the agency's financial management systems in terms of their ability to provide the services and information needed for conducting the agency's programs and any significant changes underway to improve this ability; etc.
3. The letter should identify the results of the audit.
4. The letter should be dated.

²⁵ The absence of specificity in the Circular as to whether "audit weaknesses" are to be limited to material weaknesses or to also encompass significant deficiencies, which are the terms used in the auditors' reports, might result in some CFO letters addressing only the former and some addressing both the former and the latter. The latter is encouraged, although not required.

II.-AUDITORS' REPORTS

1. If the Report includes a memorandum from the Inspector General transmitting the auditor's reports, the transmittal letter should:
 - a. identify the audit requirements and objectives;
 - b. state the audit results, referencing:
 - i. the opinion on the financial statements;
 - ii. whether material weaknesses in internal control were identified;
 - iii. whether non-compliances in laws and regulations were identified; and
 - iv. other significant matters identified by the auditors.
 - c. indicate the degree of responsibility the IG is taking for the auditor's work, i.e.:
 - i. no assurance (IG did not review auditor's work);
 - ii. negative assurance on compliance with GAGAS (IG reviewed auditor's work); or
 - iii. concurrence (IG performed sufficient work to take responsibility for auditors' reports and conclusions).

(GAO/PCIE Financial Audit Manual 650.09 & 650C)

2. The auditors' reports should be dated November 16, 2009 or prior thereto.
3. The auditors' report on the financial statements may be:
 - a. combined with the auditors' reports on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements, in which case there should be an introduction summarizing key findings in the audit of the financial statement and the related internal control and compliance work; or
 - b. separate from the reports on internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements, in which case there should be a reference to those reports.

(OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para 7.1)

4. The auditors' report(s) should state that the audit was conducted in accordance with Government Auditing Standards and the provisions of the OMB Bulletin. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para 7.2)

5. The auditors' report on the financial statements should include:
- a. an unqualified auditors' opinion regarding presentation of the reporting entity's principal statements in conformity with generally accepted accounting principles. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.3)²⁶
 - b. in instances where the Principal Statements are materially affected by a departure from generally accepted accounting principles, a qualified or adverse opinion with explanatory paragraphs that describe the departures from generally accepted accounting principles; and if practicable, the effect of the departure(s) on the amounts reported in the financial statements, either directly in the auditors' report or by reference in the auditors' report to an explanatory note prepared by management. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.4)
 - c. if there is a disclaimer of opinion, the reasons why the auditor was unable to conduct the audit in accordance with government auditing standards and the OMB Audit Bulletin. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.5)
 - d. when there is a change in accounting principles, an explanatory paragraph identifying the nature of the change and referring the reader to the footnote that discusses the change in detail. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.6)
 - e. when there is a restatement of previously-issued financial statements,
 - i. and the specific amount of the restatement(s) and the related effect(s) are unknown, the audit report includes:
 - a statement disclosing that a material misstatement(s) or potential material misstatement(s) affect a previously issued financial statement(s), but the specific amount(s) of the misstatements and the related effect(s) are unknown;
 - a reference to the note(s) to the financial statement that discusses the restatement or potential restatement;
 - a description of the nature and cause(s) of the misstatement(s) or likely misstatement(s) and an estimate of the magnitude of the misstatement(s) or potential misstatement(s) and the related effect(s) of such on a previously-issued financial statement(s), if not already provided in the notes to the financial statement; and

²⁶ For agencies whose financial statements receive other than an unqualified opinion, recommendations will be provided, but a Certificate cannot be awarded.

5. cont – a statement disclosing that a restatement(s) to previously-issued financial statement(s) will or may occur.

(OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.7)

- ii. and the specific amount of the restatement(s) and the related effect(s) are known, the audit report includes:

- a statement that a previously-issued financial statement(s) has been restated;
- a statement that the previously-issued financial statement(s) was materially misstated and that the previously issued auditors' report (including report date) is withdrawn and replaced by the auditors' report on the restated financial statement(s);
- a reference to the note(s) to the restated financial statement that discusses the restatement;
- a description of the nature and cause(s) of the misstatement(s) that led to the need for the restatement and the specific amount(s) of the material misstatement(s) and the related effect(s) on the previously-issued financial statement(s)²⁷, and the impact on the financial statements as a whole, if not already provided in the notes to the financial statement; and
- If applicable, a reference to the report on internal control containing a discussion of any significant internal control deficiency identified by the auditor as having failed to prevent or detect the misstatement and what action management has taken to address the deficiency.

(OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.8)

- f. the appropriate statements required by the AICPA's Codification of Statements on Auditing Standards AU Section 558 regarding the MD&A, other required supplementary information, and required supplementary stewardship information, if presented.²⁸ (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.9)

- g. in those instances where the auditor reports on other accompanying information included in the PAR, the appropriate statements required by the AICPA's Codification of Statements on Auditing Standards AU Section 551. (OMB Bulletin 07-04 Audit Requirements for Federal Financial Statements, para. 7.10)

²⁷ This would include the year(s) restated and the specific financial statement(s) affected and line items restated.

²⁸ Reviewers should be aware that when the Management's Discussion and Analysis does not include, at a minimum, a high level discussion of performance information, the auditors' report should identify that there has been an omission of supplementary information required by generally accepted accounting principles.

6. The report on internal control should include:
 - a. a statement that with respect to financial reporting, the auditor obtained an understanding of the design effectiveness of internal controls, determined whether they were placed in operation, assessed control risk, and performed tests of the internal controls. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.12)
 - b. a statement that either the objective was 1) not to provide an opinion on internal control and therefore does not express an opinion, or to provide an opinion on internal control and references the opinion. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.14)
 - c. in those instances where the auditor provides an opinion on internal control,
 - i. a title that includes the word independent;
 - ii. an identification of the subject matter (internal control over financial reporting) and the responsible party;
 - iii. a statement that the responsible party is responsible for maintaining effective internal control over financial reporting;
 - iv. a statement that the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants or the Public Company Accounting Oversight Board;
 - v. a statement that the auditor believes the examination provides a reasonable basis for his or her opinion;
 - vi. a paragraph stating that, because of inherent limitations of any system of internal control, misstatements may occur and not be detected; and that any evaluation of internal control over financial reporting in future periods is subject to the risk that internal control may become inadequate;
 - vii. the auditors' opinion on whether the agency has maintained, in all material respects, effective internal control over financial reporting as of the specified date based on the control criteria;
 - viii. a statement restricting the use of the report to the specified parties; and
 - d. in those instances where the auditor's opinion is based on management's assertion;
 - i. an identification of the written assertion about the effectiveness of internal control over financial reporting;

6. cont
- ii. a statement that the assertion is the responsibility of management; and
 - iii. a statement that the auditors' responsibility is to express an opinion on the effectiveness of the agency's internal control based on his or her examination.
- (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, footnote 14)
- e. an identification of significant deficiencies and material weaknesses identified during the audit. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.15)
 - f. an identification of material weaknesses disclosed by the audit that were not identified in the entity's FMFIA report. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.16)
7. The report on compliance should include:
- a. a report of noncompliance with laws, regulations, and provisions of contracts or grant agreements disclosed by the audit, with a listing of the laws and regulations that tests disclosed reportable instances of non-compliance. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.17)
 - b. with respect to laws, regulations, and provisions of contracts or grant agreements tested for which the audit disclosed no reportable instances of noncompliance, a statement that the audit disclosed no reportable instances of non-compliance. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.18)
 - c. a statement that either the objective was not to provide an opinion on compliance with laws and regulations and therefore the auditor does not express an opinion, or the objective was to provide an opinion and a reference to the separate audit opinion. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.19)
8. The report on compliance should also reflect instances in which the entity's financial management systems did not substantially comply with the Federal financial management system requirements, Federal accounting standards, or the United States Standard General Ledger at the transaction level requirements of the Federal Financial Management Improvement Act; or state that the audit disclosed no instances in which the entity's financial management systems did not substantially comply.²⁹
- a. The report on compliance with the Federal Financial Management Improvement Act should include significant deficiencies identified by the Federal Information Security Management Act.

²⁹ This requirement applies only to agencies subject to the Chief Financial Officers Act requirement to prepare financial statements.

8. b. When tests disclosed that the entity's systems did not substantially comply with one or more of the three aforementioned requirements, the report should identify:
- i. the entity or organization responsible for the system(s) found not in compliance;
 - ii. the nature and extent of the non-compliance, the primary reasons or causes thereof, and relevant comments from management or employees responsible for the non-compliance; and
 - iii. the recommended remedial actions and time frames for implementing the actions. ³⁰

(OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, paras. 7.20)

9. The auditors' report should contain the status of known but uncorrected material findings and recommendations from prior audits that affect the current audit objectives. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.24)³¹
10. The auditors' report should contain the reporting entity's comments on the auditors' findings and recommendations, including the status of corrective actions taken or planned on current and prior findings, or a statement that corrective actions are not necessary. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, para. 7.25)³²
11. The auditors' report should refer to the issuance of a separate management letter communicating other deficiencies in internal control that are not required to be included in the report, if such a report has been issued. (OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, Section 10)
12. The final report(s) should be signed by the auditor. (OMB Circular A-136, Section II.1.2)
13. The auditors' reports should be easy to read, with the opinions clearly stated.

³⁰ The information could alternatively be presented in an accompanying schedule that is referenced in the auditors' report on compliance.

³¹ The status of known but uncorrected material findings and recommendations from prior audits that affect the current audit objectives might be reported in the section of the PAR pertaining to management controls and/or audit follow-up. In those instances, the auditor might forgo duplicating this information in the auditors' report and refer to the pages in the PAR where the information is reported by management.

³² The reporting entity's comments on the auditors' findings and recommendations, including corrective actions taken or planned and the status of corrective actions taken on prior audit findings, might be reported in the section of the PAR pertaining to management controls and/or audit follow-up. In those instances, the auditor might forgo duplicating this information in the auditors' report and simply refer to the pages in the PAR where the information is reported by management.

III.A-FINANCIAL STATEMENTS (GENERAL)

NOTE: Section III of Part E is provided as a service to preparers of a PAR. Reviewers should nonetheless consider the matters in bold face in assessing adherence to requirements and excellence.

1. The basic financial statements should be included. (OMB Circular A-136, Section II.4.2, Question 2) ³³
 - a. Balance Sheet.
 - b. Statement of Net Cost.
 - c. Statement of Changes in Net Position.
 - d. Statement of Budgetary Resources.
 - e. Statement of Custodial Activity, when applicable.³⁴
 - f. Statement of Social Insurance, where applicable.³⁵
2. The purpose and content of the financial statements should be described in laymen's terms (OMB Memorandum M-08-20, dtd. June 5, 2008)
3. The statements and footnotes should be formatted in an easy-to-read manner, i.e., line items should be understandable, subtotal underlines should be used to enhance readability, footnote tables should be clear.
4. Comparative financial statements should be presented, except for the Statement of Social Insurance, which has different requirements for the presentation of comparative data. Footnotes should contain the information necessary for full disclosure of both years.(OMB Circular A-136, Section II.4.1 and Section II.4.2, Question 3)
 - a. Information presented in the RSSI and RSI should be presented on a comparative basis when the information would be meaningful to the report's users. (OMB Circular A-136, Section II.4.2, Question 3)

³³ PARs presented by agencies subject to the Corporation Control Act might submit financial statements prepared in accordance with standards issued by the Financial Accounting Standards Board, rather than the Federal Accounting Standards Advisory Board.

³⁴ The Statement of Custodial Activity is required only for entities that collect non-exchange revenues for the General Fund of the Treasury, a trust fund, or other recipient entities. It would also be prepared by entities that collect rents, royalties, or bonuses on Outer Continental Shelf and other petroleum and mineral rights that are accounted for as a custodial activity. Organizations that collect immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amounts of the collections and the amounts distributed to others in accompanying footnotes.

³⁵ The Statement of Social Insurance is required for entities that operate Social Insurance programs. This would include Social Security, Medicare, Railroad Retirement benefits, Black Lung benefits, Unemployment Insurance.

5. The financial statements, except for the Statement of Budgetary Resources, shall reflect consolidated totals net of intra-entity transactions.
 - a. The Statement of Budgetary Resources shall be presented on a combined basis, i. e., inclusive of intra-entity transactions.
 - b. Financial statements that use a multi-column format to present information on an entity's major components or lines of business as well as the consolidated total shall be titled consolidating statements and include on the face of the consolidating statements a column of the eliminations needed to arrive at the consolidated amounts.

(OMB Circular A-136, Section II.4.1)

6. The financial statements should report assets, liabilities, and net position by lines displayed in the illustrative Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position, although:
 - a. lines may be added or removed to best present the information for the entity's programs;
 - b. different words may be used;
 - c. illustrative lines may be combined, provided the composition of the combination is provided as sub-categories on the face of the statements or in the footnotes; and
 - d. illustrative lines may be disaggregated, provided the total is provided on the face of the statements or in the footnotes.

(OMB Circular A-136, Section II.4.1)

7. Schedule totals presented in footnotes in support of amounts presented in the financial statements should agree with the amounts presented in the body of the financial statements. (OMB Circular A-136, Section II.4.1)

Amounts should be rounded to the nearest whole, thousand, or million dollars.

- a. The chosen rounding level should be used consistently throughout the statements and footnotes.
- b. Individual rounded amounts should add up to the rounded totals or a reference should be included that minor discrepancies are due to rounding.

(OMB Circular A-136, Section II.4.1)

8. Line numbers should not appear on the financial statements. (OMB Circular A-136, Section II.4.1)
9. Footnotes should be sequentially numbered. (OMB Circular A-136, Section II.4.1)

III.B-FINANCIAL STATEMENTS (BALANCE SHEET)

1. Entity assets should be combined with non-entity assets. (OMB Circular A-136, Section II.4.3.3)
2. Intragovernmental assets should be reported separately from assets with non-Federal entities. (OMB Circular A-136, Sections II.4.3.3)
3. Investments in Federal securities should be reported separately from investments in non-Federal securities. (OMB Circular A-136, Section II.4.3.3)
4. Gross receivables should be reduced to net realizable value by an allowance for doubtful accounts. (OMB Circular A-136, Section II.4.3.3)
5. Interest receivable should be reported as a component of the appropriate asset account. (OMB Circular A-136, Section II.4.3.3)
6. The cost of acquisitions, betterments, or reconstruction of multi-use heritage assets should be reported as general property, plant, and equipment. (OMB Circular A-136, Section II.4.3.3)
7. A note that discloses information about heritage assets and stewardship land should be referenced, but no dollar amount should be shown on the Balance Sheet. (OMB Circular A-136, Section II.4.3.3)
8. Assets that are immaterial to the agency and that do not warrant separate reporting should be reported as Other Assets (with the amount and nature of categories of other assets disclosed in the notes to the financial statements). (OMB Circular A-136, Section II.4.3.3)
9. Liabilities covered by budgetary resources should be combined with liabilities not covered by budgetary resources. (OMB Circular A-136, Section II.4.3.4)
10. Intragovernmental liabilities should be reported separately from liabilities to non-Federal entities. (OMB Circular A-136, Sections II.4.3.4)
11. Interest payable should be reported as a component of the appropriate liability account. (OMB Circular A-136, Section II.4.3.4)
12. Negative total loan guarantee liabilities should be reported as an asset, rather than as a liability. (OMB Circular A-136, Section II.4.3.4)
13. If seized monetary instruments are reported, a corresponding liability should also be reported. (OMB Circular A-136, Section II.4.3.3)
14. Entities responsible for administering pensions, other retirement benefits, and/or other post-employment benefits should separately report those amounts on the balance sheet as Federal Employee and Veterans' Benefits. (OMB Circular A-136, Section II.4.3.4)

15. The liability for cleanup costs may be displayed separately or included with Other Liabilities, depending on the materiality of the amount. (OMB Circular A-136, Section II.4.3.4)
16. Liabilities that are immaterial to the agency and do not warrant separate reporting should be reported as Other Liabilities (with the amount and nature of categories of other liabilities disclosed in the notes to the financial statements). (OMB Circular A-136, Section II.4.3.4)
17. The liability for capital leases should be reported as a component of Other Liabilities, with the components and other information about the lease disclosed in a separate footnote. (OMB Circular A-136, Section II.4.3.4)
18. The liability for insurance programs, except social insurance and loan guarantee programs, should be reported as a component of Other Liabilities. (OMB Circular A-136, Section II.4.3.4)
19. Liabilities for claims or other contingencies for which the conditions of an actual liability have been met, i. e., the future outflow of resources is probable and measurable, should be reported. (OMB Circular A-136, Section II.4. 3.4)
20. Unexpended appropriations reported on the Balance Sheet should equal unexpended appropriations reported on the Statement of Changes in Net Position.
 - a. Unexpended appropriations attributable to earmarked funds, if material, should be shown separately on the face of the Balance Sheet and be equal to the unexpended appropriations shown in the earmarked funds note disclosure.

(OMB Circular A-136, Section II.4. 3.5)
21. Cumulative results of operations reported on the Balance Sheet should equal cumulative results of operations reported on the Statement of Changes in Net Position. (OMB Circular A-136, Section II.4. 3.5)

Cumulative results of operations attributable to earmarked funds, if material, should be shown separately on the face of the Balance Sheet and be equal to the cumulative results of operations shown in the earmarked funds note disclosure.

(OMB Circular A-136, Section II.4. 3.5)

III.C-FINANCIAL STATEMENTS (STATEMENT OF NET COST)

1. The Statement of Net Cost should show the net cost of operations of the reporting entity, as a whole, by major program, which should relate to the major goal(s) and output(s) described in the entity's strategic and performance plans, required by GPRA. (OMB Circular A-136, Section II.4.4.1)
2. The information in the Statement of Net Cost may be supplemented by schedules in the Notes to the Financial Statements that display the full costs and related exchange revenues for the entity's suborganizations and/or programs as defined by the entity. (OMB Circular A-136, Section II.4.4.1)
3. The reporting entity should report the full cost of each program's outputs, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and other reporting entities.

- a. The costs of program outputs should include the following costs of services provided by other entities, whether or not the providing entity is fully reimbursed: 1) employees' pension, postretirement health, and life insurance benefits, 2) other post-employment benefits for retired, terminated, and inactive employees (including unemployment and workers compensation under the Federal Employees Compensation Act), and 3) losses in litigation proceedings.

(OMB Circular A-136, Section II. 4.4.3)

4. Costs that are related to the production of outputs should be reported separately from costs not related to the production of outputs.
 - a. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets, or acquiring stewardship land should be reported separately from other non-production costs.

(OMB Circular A-136, Section II. 4.4.3)

5. The full amount of exchange revenue is to be reported on the Statement of Net Cost or a supplementary schedule, regardless of whether the entity is permitted to retain the revenues in whole or in part.
 - a. Earned revenues should be deducted from the full cost of outputs or outcomes to determine the net cost unless it is not practical or reasonably possible to do so.

(OMB Circular A-136, Section II. 4.4.4)

6. High level general management and administrative support costs that cannot be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to segments and their outputs; and non-production costs that cannot be assigned to a particular program should be reported separately as “costs not assigned to other programs.” (OMB Circular A-136, Section II. 4.4.6)³⁶
7. Exchange revenues that are insignificant or cannot be attributed to specific programs and outputs should be reported separately and deducted from the costs of the entity as a whole. (OMB Circular A-136, Section II. 4.4.7)

³⁶ OMB Circular A-136 section II.4.4.1 states that management and administrative support costs and exchange revenues may, as an alternative, be allocated to the reported programs.

III.D-FINANCIAL STATEMENTS (STATEMENT OF CHANGES IN NET POSITION)

1. The Statement of Changes in Net Position should report the earmarked non-exchange revenue and other financing sources, appropriations, net cost of operations, and cumulative results of operations and unexpended appropriations attributable to earmarked funds separate from other non-exchange revenue and other financing sources, appropriations, net cost of operations, and cumulative results of operations and unexpended appropriations attributable to earmarked funds.
 - a. A columnar presentation should be used. Agencies that use a linear presentation should display the Statement in a columnar presentation in the footnotes.
 - b. Eliminations reported on the Statement should include eliminations between the earmarked funds and all other funds, as well as eliminations within earmarked and all other funds.

(OMB Circular A-136, Section II.4.5.3)

2. Beginning balances should agree with net position on the prior year's Balance Sheet. (OMB Circular A-136, Section II.4.5.4)
3. Corrections of errors should be presented by correcting the individual amounts in the financial statements of the period affected; or if the error occurred in a period earlier than the period for which the financial statements are presented, then as a prior period adjustment to the beginning balance of cumulative results of operations for the cumulative amount of the error(s).
 - a. The nature of the error and the effect of its correction on relevant balances should be disclosed in the footnotes.
 - b. Prior period financial statements should be restated only for corrections of errors that would have caused any statements presented to be materially restated.

(OMB Circular A-136, Section II.4.5.4)

4. The cumulative effect of changes in accounting principles that would have resulted in a change to prior period financial statements should be made to the beginning balance of cumulative results of operations for the period in which the change was made.
 - a. Prior period financial statements presented for comparative purposes should be presented as previously reported.
 - b. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed.

(OMB Circular A-136, Section II.4.5.4)

5. The amount reported as Appropriations Used in the Cumulative Results of Operations section should agree with the amount reported as Appropriations Used in the Unexpended Appropriations section. (OMB Circular A-136, Section II.4.5.5)
6. The amount reported as net cost of operations should agree with the amount reported as net cost of operations on the Statement of Net Cost. (OMB Circular A-136, Section II.4.5.7)
7. Net position-end of period should be consistent with net position reported on the current year's Balance Sheet. (OMB Circular A-136, Section II.4.5.9)

III.E-FINANCIAL STATEMENTS (STATEMENT OF BUDGETARY RESOURCES)

1. Non-budgetary credit financing accounts, if any, should be displayed in a separate column. (OMB Circular A-136, Section II.4.6.3)
2. The amount reported as total status of budgetary resources should agree with the amount reported as total budgetary resources available to the entity as of the reporting date. (OMB Circular A-136, Section II.4.6.6)

III.F-FINANCIAL STATEMENTS (STATEMENT OF CUSTODIAL ACTIVITY)

1. A statement of custodial activity should be prepared if the entity collects material amounts of non-exchange revenues for the general fund, a trust fund, or other recipient entities. (OMB Circular A-136, Section II.4.7.1)
2. The components of cash collections should be reported by type, or other appropriate identifier. (OMB Circular A-136, Section II.4.7.3)
3. The amounts of refunds that are material in relation to the gross collections should be reported separately or disclosed in a footnote. (OMB Circular A-136, Section II.4.7.3)
4. Accrual adjustments should be separately reported. (OMB Circular A-136, Section II.4.7.3)
5. The disposition of collections, including amounts transferred to others, amounts yet to be transferred, amounts of refunds and other payments, and amounts retained by the collecting entity, should be reported. (OMB Circular A-136, Section II.4.7.4)
6. The total of the Sources of Collections should equal the total of the Disposition of Collections. The net custodial activity should equal zero. (OMB Circular A-136, Section II.4.7.5)

III.G-FINANCIAL STATEMENTS
(STATEMENT OF SOCIAL INSURANCE)

1. The Statement of Social Insurance should present the actuarial present value for the projection period of all future contributions and tax income (excluding interest) received from or on behalf of current and future participants; estimated future scheduled expenditures paid to or on behalf of current and future participants; and estimated future excess of contributions and tax income (excluding interest) over future scheduled expenditures. (OMB Circular A-136, Section II.4.8.1)
2. The Statement of Social Insurance should provide such information for the current year and separate estimates for each of the preceding four years. (OMB Circular A-136, Section II.4.8.1)

III.H- FOOTNOTES

1. The Significant Accounting Policies should summarize the accounting principles and methods of applying the principles that enable the assets, liabilities, net cost of operations, changes in net position, and budgetary resources to be presented fairly. The disclosure should
 - a. encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources.
 - b. describe changes in generally accepted accounting principles that impact the financial statements.
 - c. explain concepts, such as Fund Balance with Treasury, that are unique to Federal financial statements.
 - d. disclose any significant changes in the entity's composition or the manner in which it aggregates information for financial reporting purposes.³⁷

(OMB Circular A-136, Section II.4.9.1)

2. Each entity acting as a fiduciary should disclose that fiduciary cash and other assets are not assets of the Federal government, the fiduciary activities are not reported in the entity's financial statements, but are reported on schedules in the notes to the financial statements (OMB Circular A-136, Section II.4.9.1)
3. Each entity involved in an allocation transfer of budget authority to another entity should disclose in the Significant Accounting Policies that there are amounts reported in its Statements of Net Cost, Changes in Net Position, and Budgetary Resources of activities that were performed by other (child) Federal entities and/or it performed activities whose costs were reported in other (parent) entity's financial statements.
 - a. The names of the other agencies involved in the allocation transfers should be disclosed.

(OMB Circular A-136, Section II.4.9.1)

4. The accounting policy disclosures should be informative, especially to readers without a Federal government or accounting background.

³⁷ The impact of the significant changes in the entity's composition or the manner in which the entity aggregates information for financial reporting purposes should be reflected in a restatement of the financial statements for all prior periods.

5. The amounts of non-entity assets should be disclosed by type of asset. (OMB Circular A-136, Section II.4.9.2)
 - a. The intragovernmental non-entity assets should be disclosed separately from other non-entity assets.
 - b. Information should be presented, when necessary, to provide an understanding of the nature of the non-entity assets.
6. Fund Balances with Treasury
 - a. The disclosure of undisbursed Fund Balances with Treasury should be summarized by type of fund. (OMB Circular A-136, Section II.4.9.3A)
 - b. The portions of the fund balance that are unobligated and available; unobligated and unavailable; obligated but not yet disbursed; and in unavailable receipt accounts, clearing accounts, etc. that do not have budgetary authority or are in non-entity Fund Balance with Treasury that is recognized on the balance sheet should be disclosed. (OMB Circular A-136, Section II.4.9.3B)
 - c. Discrepancies between the fund balance reflected in the entity's general ledger and the balance in the Treasury accounts should be explained.
(OMB Circular A-136, Section II.4.9.3)
7. The components of cash and other monetary assets shall be disclosed. Also disclosed should be:
 - a. restrictions on the use or conversion of cash denominated in foreign currencies; and
 - b. the significant effects, if any, of changes in the exchange rate on the entity's financial position that occur after the reporting date.
 - c. Cash held by earmarked funds (as disclosed in the Earmarked Funds footnote)
(OMB Circular A-136, Section II.4.9.4)

8. The components of investments; and the cost, amortization method, amortized amount, interest receivable, net investment, other adjustments, and market value for each component, should be disclosed.
 - a. If the entity holds investments in Treasury securities for earmarked funds, the Investments footnote should disclose that:
 - i. the U. S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds; instead the cash generated from earmarked funds is used by the U. S. Treasury for general government purposes.
 - ii. Treasury securities are issued to the earmarked funds as evidence of earmarked receipts.
 - iii. Treasury securities held by the earmarked fund(s) are an asset of the fund(s) and a liability of the U. S. Treasury, and will be eliminated by consolidation in the U. S. Government-wide financial statements.
 - iv. When the earmarked fund(s) redeems its (their) Treasury securities to make expenditures, the U. S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

(OMB Circular A-136, Section II.4.9.5)

9. The gross accounts receivable, the method used to estimate an allowance for uncollectable amounts, and the net amount due should be disclosed. (OMB Circular A-136, Section II.4.9.6)
10. The gross taxes receivable, allowance for uncollectable taxes, and net taxes receivable should be disclosed. (OMB Circular A-136, Section II.4.9.7)
11. Agencies reporting direct loans or loan guarantees should:
 - a. disclose:
 - i. the names of the direct loan and loan guarantee programs operated by the entity;
 - ii. that direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990, as amended;
 - iii. whether pre-1992 loans and loan guarantees are reported on a present value basis or under the allowance for loss method;
 - iv. that the loans receivable, net, or the value of assets related to direct loans, is not the same as the proceeds that they might receive from the sale of the loans;

11. cont .
- v. the characteristics of the loan programs, including any commitments to guarantee, management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on non-performing loans;
 - vi. the events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates should be disclosed;
 - vii. if modifications were made, the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification should be disclosed; and
 - viii. if foreclosed properties are held, changes in accounting methods if any, restrictions on the use/disposal of the property, number of properties held and the average holding period by type or category, and the number of properties for which foreclosure proceedings were in process at the end of the period should be disclosed.

(OMB Circular A-136, Section II.4.9.8.A)

- b. for each pre-1992 direct loan program, the gross receivables, interest receivable, foreclosed property, either the present value allowance or the allowance for loan losses, and the value of assets related to the direct loans should be disclosed. (OMB Circular A-136, Section II.4.9.8.B)
- c. for each post-1991 direct loan program, the gross receivables, interest receivable, foreclosed property, allowance for subsidy cost (present value), and value of assets related to the direct loans should be disclosed. (OMB Circular A-136, Section II.4.9.8.C)
- d. the total amount of direct loans disbursed for each program should be disclosed. (OMB Circular A-136, Section II.4.9.8.D)
- e. the total subsidy expense and its components, i.e., for new loans, the interest differential costs, default costs, fees and other collections, and other disclosed; for previously disbursed loans, modifications, interest rate reestimates, and technical reestimates should be disclosed. (OMB Circular A-136, Section II.4.9.8.E)
- f. the budget subsidy rates estimate for the current year's cohorts should be disclosed in total and for the following components: interest differential, default costs, fees and other collections, and other. (OMB Circular A-136, Section II.4.9.8.F)
- g. a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the balance sheet should be disclosed. (OMB Circular A-136, Section II.4.9.8.G)

11.

cont h. for each pre-1992 guaranteed loan program, the gross receivables from defaulted loans assumed for direct collections, related interest receivable, foreclosed property, either the present value allowance or the allowance for loan losses, and the value of assets related to the defaulted guaranteed loans should be disclosed. (OMB Circular A-136, Section II.4.9.8.H)

i. For each post-1991 guaranteed loan program, the gross receivables from defaulted loans assumed for direct collections, related interest receivable, foreclosed property, allowance for subsidy cost (present value), and the value of assets related to the defaulted guaranteed loans should be disclosed. (OMB Circular A-136, Section II.4.9.8.I)

j. For each guaranteed loan program, the liabilities for losses on pre-1992 loan guarantees, post-1991 loan guarantees, and the total loan guarantees should be disclosed. (OMB Circular A-136, Section II.4.9.K)

k. The total subsidy expense and its components, i.e., for new loan guarantees, the interest supplement costs, default costs, fees and other collections, and other should be disclosed; for previously disbursed loans, modifications, interest rate reestimates, and technical reestimates should be disclosed. (OMB Circular A-136, Section II.4.9.8.L)

l. The budget subsidy rates estimate for the current year's cohorts should be disclosed in total and for the following components: interest supplement, default costs, fees and other collections, and other. (OMB Circular A-136, Section II.4.9.8.M)

m. A reconciliation of the beginning and ending balances of the subsidy cost allowances for outstanding post-1991 guaranteed loans reported on the balance sheet should be displayed. (OMB Circular A-136, Section II.4.9.8.N)

n. The portions of salaries and other administrative expenses incurred in support of the direct and guaranteed loan programs should be disclosed (OMB Circular A-136, Section II.4.9.8.O)

12. The following should be disclosed for each category of inventory and related property.

a. Inventories--general composition; basis for determining values; changes from the prior year's accounting methods, if any; balances for each of the following categories: held for current sale, held in reserve for future sale, excess, obsolete, and unserviceable, held for repair; difference between carrying amount before identification as excess, obsolete, or unserviceable, and the expected net realizable value; restrictions on sale of the inventory; decision criteria for identifying category of inventory; and changes in the decision criteria.

12.
 - b. Operating Materials and Supplies--general composition; basis for determining values; changes from the prior year's accounting methods, if any; balances for each of the following categories: held for use, held in reserve for future use, excess, obsolete, and unserviceable; difference between carrying amount before identification as excess, obsolete, or unserviceable, and the expected net realizable value; restrictions on use; decision criteria for identifying category of operating materials and supplies; and changes in the decision criteria.
 - c. Stockpile Materials--general composition; basis for determining values; changes from the prior year's accounting methods, if any; restrictions on use; balances for each of the following categories: stockpile materials and stockpile materials held for sale; decision criteria for identifying category of stockpile materials; and changes in the decision criteria.
 - d. Seized Property—explanation of what constitutes a seizure and general description of seized property, including non-valued seized property that cannot be sold due to legal restrictions; valuation method; changes from the prior year's accounting methods, if any; analysis of change, including the dollar value and number of properties at the beginning of the year, seized during the year, disposed of during the year, on hand at the end of the year, presented by type of property and method of disposition if material.
 - e. Forfeited Property—composition of forfeited property, including non-valued forfeited property that cannot be sold due to legal restrictions; valuation method; restrictions on use or disposition; changes from the prior year's accounting methods, if any; analysis of change, including the dollar value and number of properties at the beginning of the year, forfeited during the year, disposed of during the year, on hand at the end of the year, presented by type of property where material.
 - f. Goods Held Under Price Support and Stabilization Programs—basis for determining value; changes from the prior year's accounting methods, if any; restrictions on use, disposal, or sale; analysis of change in dollar value and volume, including those on hand at the beginning of the year, acquired during the year, disposed of during the year by method of disposition, on hand at the end of the year, on hand at the end of the year and estimated to be donated or transferred during the coming period, and that may be received as a result of collateral; and the dollar value and volume of purchase agreement commitments.

(OMB Circular A-136, Section II.4.9.9)

13. The major classes of general property, plant, and equipment should be identified; and for each class, the cost, accumulated depreciation, book value, estimated useful lives, depreciation method, capitalization threshold and any changes in the threshold during the year, and restrictions on the use or convertibility of the general property, plant, or equipment should be disclosed. (OMB Circular A-136, Section II.4.9.10)

14. Agencies with stewardship property, plant, and equipment should disclose how the stewardship property, plant, and equipment relates to the entity's mission and describe the entity's stewardship policies.
 - a. The note should also describe the major categories of the heritage assets and stewardship land; identify the physical units added and withdrawn during the reporting period and on hand at the end of the reporting period and describe the acquisition and withdrawal methods.

(OMB Circular A-136, Section II.4.9.11)

15. The major components of other assets should be disclosed with enough information to enable the nature of the other assets to be understood. (OMB Circular A-136, Section II.4.9.12)
16. The amounts of liabilities not covered by budgetary resources should be disclosed by type of liability.
 - a. The intragovernmental liabilities not covered by budgetary resources should be disclosed separately from other liabilities not covered by budgetary resources.

(OMB Circular A-136, Section II.4.9.13)

17. The components of debt should be identified; and for each component, the beginning balance, net borrowing, ending balance, and names of agencies other than Treasury or the Federal Financing Bank to whom the debt is owed should be disclosed.
 - a. The intragovernmental debt should be disclosed separately from the debt held by the public.

(OMB Circular A-136, Section II.4.9.14)

18. Entities responsible for administering pensions, other retirement benefits, and other post-employment benefits should disclose the assumptions used to calculate the liabilities and the individual components of expenses for the period, e.g., normal cost, interest on the liability for the period, prior and past service cost from plan amendments, if any, gains or losses due to changes in medical inflation rate assumptions, and other actuarial gains or losses during the period. (OMB Circular A-136, Section II.4.9.15)
19. Entities with environmental and disposal liabilities should disclose the sources of the cleanup requirements, the method for assigning estimated cleanup costs to the current period, the unrecognized portion of the cleanup costs, the material changes in the total estimated cleanup costs due to changes in laws, technology, or plans and the portion of the change in estimate that relates to prior period operations; and the nature of the estimates and possible changes due to inflation, deflation, technology, or applicable laws and regulations. (OMB Circular A-136, Section II.4.9.16)

20. The components of other liabilities should be disclosed with enough information to enable the nature of the other liabilities to be understood.

a. The current portion of other liabilities should be separately disclosed.

(OMB Circular A-136, Section II.4.9.17)

21. Leases

a. If the entity is a lessee, there should be

i. a summary of the assets under capital lease, by major asset category, and the related total accumulated amortization;

ii. disclosure of the funding commitments, including lease terms, renewal options, escalation clauses, contingent rental restrictions, and the amortization period;

iii. disclosure of future capital leases payments due for each of the next five years and all years after five years less the deduction for imputed interest and executory costs;

iv. disclosure of operating lease arrangements and future operating lease payments due for each of the next five years and all years after five years.

v. disclosure of the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources.

t b. If the entity is a lessor, there should be

i. disclosure of the commitment of the entity's assets, including the major asset category and lease terms; and

ii. future leases payments receivable for each of the next five years and all years after five years.

(OMB Circular A-136, Section II.4.9.18)

22. The components of the liability for future life insurance benefits, the amounts of the liability, and the projected and other potential uses for the liability should be disclosed. (OMB Circular A-136, Section II.4.9.19)

23. Commitments and Contingencies

a. Contingencies for which conditions of liability recognition are not met should be disclosed.

i. The disclosure should include the nature of the contingency and an estimate of the possible liability or range of the possible liability or a statement that an estimate cannot be made.

- b. Estimated obligations related to canceled appropriations which the entity is contractually committed to pay should be disclosed.
- c. Amounts for contractual arrangements which may require future financial obligations should be disclosed.

(OMB Circular A-136, Section II.4.9.20)

24. Entities with program responsibility for earmarked funds should disclose for each individually reported earmarked fund.³⁸
- a. condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable, other liabilities, cumulative results of operations, and net position;
 - b. condensed information on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and changes in net position;
 - c. a description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use the revenues and other financing sources;
 - d. the sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows; and
 - e. any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of its accumulated balance.

(OMB Circular A-136, Section II.4.9.21)

25. The total cumulative results of operations of all earmarked funds shown in the note disclosure should agree with the cumulative results of operations of earmarked funds reported in the entity's Balance Sheet and Statement of Changes in Net Position.

(OMB Circular A-136, Section II.4.9.21)

26. The note disclosure should reflect eliminations for transfers with the reporting entity's earmarked funds. (OMB Circular A-136, Section II.4.9.21)

³⁸ Entities with numerous individual earmarked funds may disclose for only selected funds individually and aggregate the information for the remaining earmarked funds

27. Notes Related to the Statement of Net Cost

- a. Entities with intragovernmental costs and exchange revenues should disclose:
 - i. intragovernmental costs separately from costs with the public.
 - ii. intragovernmental earned revenues separately from earned revenues with the public.
 - iii. the definition criteria used for this classification, including an explanation that intragovernmental expenses relate to the source of the goods or services, not the classification of the related revenue.

(OMB Circular A-136, Section II.4.9.22)

- b. Entities with a complex organizational structure and operations, or whose Statement of Net Cost displays highly aggregated program information, should include supporting schedules to present detailed cost and revenue information to support the summary information in the Statement of Net Cost. (OMB Circular A-136, Section II.4.9.23)
- c. Costs associated with acquiring, constructing, improving, reconstructing, or renovating heritage assets, or acquiring stewardship land, should be disclosed a) depending on the materiality of the amount and the need to distinguish such amount from other costs relating to outputs or outcomes, and b) the amount is not separately reported on the Statement of Net Cost. (OMB Circular A-136, Section II.4.9.24)
- d. The fair value or information related to the types and quantities of heritage assets and stewardship land transferred from other Federal entities or acquired through donation or devise should be disclosed. (OMB Circular A-136, Section II.4.9.25)
- e. Pricing policies and expected losses by entities that provide goods or services to the public or other governmental entities should be disclosed. (OMB Circular A-136, Section II.4.9.26)

28. Notes Related to the Statement of Changes in Net Position

- a. The cost for cleanup liability that is recognized upon implementation of a standard requiring such recognition should be disclosed as a prior period adjustment. (OMB Circular A-136, Section II.4.9.27)

29. Notes Related to the Statement of Budgetary Resources

- a. The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B, and exempt from apportionment should be disclosed. (OMB Circular A-136, Section II.4.9.28)
- b. The amounts of available borrowing and contract authority at the end of the period should be disclosed. (OMB Circular A-136, Section II.4.9.29)
- c. The repayment requirements, financing sources for repayment, and other terms of borrowing authority used should be disclosed. (OMB Circular A-136, Section II.4.9.30)
- d. The adjustments during the year to budgetary resources available at the beginning of the year should be disclosed along with an explanation thereof. (OMB Circular A-136, Section II.4.9.31)
- e. The existence, purpose, and availability of permanent indefinite appropriations should be disclosed. (OMB Circular A-136, Section II.4.9.32)
- f. Information about legal arrangements affecting the use of unobligated balances should be disclosed. (OMB Circular A-136, Section II.4.9.33)
- g. Material differences between amounts reported in the Statement of Budgetary Resources for FY 2008 and the actual amounts reported in the FY 2008 actual column in the Budget of the United States Government for FY 2010 should be identified and explained.
 - i. The disclosure should identify that the President's budget for FY 2011 has not yet been published, when it is expected to be published, and where it will be available.
 - ii. A schedule should be used to display the material differences for comparable line items related to budgetary resources, obligations, and distributed offsetting receipts and outlays between the Statement of Budgetary Resources and the President's budget.
 - iii. Explanations of the reasons for the differences should be provided.

(OMB Circular A-136, Section II.4.9.34)

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- h. The amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. (OMB Circular A-136, Section II.4.9.35)
 - i. The amount of contributed capital received during the year should be disclosed. (OMB Circular A-136, Section II.4.9.36)

30. Notes Related to the Statement of Custodial Activity
- a. Entities that collect immaterial amounts of custodial revenues can disclose in a footnote the sources and amounts of the collections and amounts distributed to others. (OMB Circular A-136, Section II.4.9.37)
 - b. For entities preparing a statement of custodial activity for nonexchange revenue, the basis of accounting, the factors affecting the collectibility and timing of taxes and other nonexchange revenues, and cash collections and refunds by tax year and type of tax should be disclosed. (OMB Circular A-136, Section II.4.9.38)

31. Notes Related to the Statement of Social Insurance

- a. Entities that issue a Statement of Social Insurance should disclose:
 - i. the underlying significant assumptions;
 - ii. the accumulated excess of all past cash receipts, including interest on investments, over all past cash disbursements within the program; and
 - iii. that the actuarial net present value of the excess of future scheduled expenditures paid to or on behalf of current participants, that is, of the "closed group" of participants, over future contributions and tax income from them or paid on their behalf is calculated by subtracting the actuarial present value of future contributions and tax income paid by and for current participants from the actuarial present value of the future scheduled expenditures to them or on their behalf.

(OMB Circular A-136, Section II.4.9.39)

32. Entities collecting and managing cash and other assets in which non-Federal individuals or entities have an ownership interest that the Federal government, as a fiduciary, must uphold should disclose for each major fiduciary activity and all other fiduciary activities combined:

- a. the fiduciary relationship, e.g., the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners;
- b. schedule of fiduciary activity, displaying the beginning balance of net assets; the inflows from the fiduciary activities by category; the outflows by category; the change in net assets; and the ending balance of net assets;
- 3. c. a schedule of fiduciary net assets, displaying the current and prior period ending balances of cash and any other assets by category; and liabilities by category; and
- d. a description of the composition of non-monetary assets, the method(s) of their valuation, and the changes, if any, from prior period accounting methods.

(OMB Circular A-136, Section II.4.9.40)

33. If the financial statements have been restated by a known amount due to material errors, the following information should be disclosed in a separate note, titled Re-statements:
- a. nature of the error and the reason for the restatement;
 - b. year(s) being restated;
 - c. the affected financial statements;
 - d. amounts being restated;
 - e. impact of the restatement on the financial statements as a whole; and
 - f. actions management took after discovering the error;

(OMB Circular A-136, Section II.4.9.41)

34. If the specific amount of the restatement is unknown, the entity should disclose:
- a. that a material misstatement(s) or potential material misstatement(s) affects a previously issued financial statement(s), but the specific amount(s) of the misstatement(s) and the related effect(s) of such are not known;
 - b. the nature and cause(s) of the misstatement(s) or potential misstatement(s);
 - c. an estimate of the magnitude of the misstatement(s) or potential misstatement(s) and the related effect(s) of such on the previously issued financial statement(s) that are known and a statement that the specific amount(s) and the related effect(s) of such cannot be determined without further investigation; and
 - d. that a restatement(s) to a previously issued financial statement(s) will or may occur.

(OMB Circular A-136, Section II.4.9.41)

35. Reconciliation of Net Cost of Operations to Budget
- a. The footnotes should include a reconciliation that explains the relationship between the obligations incurred reported on the Statement of Budgetary Resources and the net costs reported on the Statement of Net Cost.
 - b. The reconciliation should be disclosed for the current and prior years.
 - c. The reconciliation should reference adjustments to the obligations incurred and include imputed financing, transfers of assets, and donations of assets not included in budget receipts.

- d. The reconciliation should disclose how the total obligations and nonbudgetary resources are affected by resources that do not fund the net cost of operations, costs included in net cost of operations that do not require resources, and financing sources yet to be provided.

(OMB Circular A-136, Section II.4.9.42)

36. Specific footnotes should be provided for all significant, unique line items.
37. The footnotes should be readable, understandable, informative, complete, and consistent. They should assist the reader in understanding the entity's operations and financial position.
38. The entity should use good judgment in limiting the size of footnotes related to semi-important items, and omitting footnotes related to insignificant line items.
39. The footnotes should provide answers for all important questions. The line items and reported financial elements should be explained fully.

III.J-REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

1. The full costs of the investments in non-Federal property should be reported for the current and preceding four years with descriptions of the Federal property transferred to state and local governments.
 - a. The major programs involving Federal investments, including the programs or policies under which non-cash assets are transferred to state and local governments, should be described.

(OMB Circular A-136, Section II.4.10.3)

2. The full costs of the investments in human capital programs, i.e., major education and training programs for other than Federal civilian and military personnel, should be reported for the current and preceding four years.
 - a. The major education and training programs should be described.
 - b. Outputs and outcomes with readily apparent relationships to the human capital investments should be reported.

(OMB Circular A-136, Section II.4.10.4)

3. The full costs of the investments in major research and development programs should be reported for the current and the preceding four years.
 - a. The major research and development programs should be described.
 - b. Outputs and outcomes with readily apparent relationships to the research and development investments should be reported.

(OMB Circular A-136, Section II.4.10.5)

III.K-REQUIRED SUPPLEMENTARY INFORMATION

1. There should be an identification of each major class of asset for which maintenance has been deferred.
 - a. The method of measuring the deferred maintenance for each major class should be identified.
 - b. In instances where the amounts of maintenance needed to return each major class of asset to acceptable operating condition are stratified, there should be a definition of critical and non-critical maintenance.

(OMB Circular A-136, Section II.4.11.3)

2. The condition of heritage assets and stewardship land for which the entity is responsible should be disclosed. (OMB Circular A-136, Section II.4.11.3)
3. Entities operating social insurance programs should ³⁹
 - a. disclose the following required supplementary information (unless it is disclosed in the notes that are presented as an integral part of the basic financial statements):
 - i. long-range cash flow projections;
 - ii. long-range projections of the ratio of contributors to beneficiaries, i. e., the dependency ratio (appropriate for the Old-Age, Survivors, and Disability Insurance and Hospital Insurance programs);
 - iii. sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values; and
 - iv. state-by-state solvency analysis for the Unemployment Insurance program (appropriate for the Unemployment Insurance program); and
 - b. describe the program, how it is financed and how benefits are calculated, plus provide an interpretive analysis of the trends revealed by the data.

(OMB Circular A-136, Section II.4.11.4)

4. Budget information aggregated for the Statement of Budgetary Resources should be disaggregated for each of the entity's major budget accounts.
 - a. The total of the major accounts (and aggregate of smaller accounts) should agree with the amounts reported on the Statement of Budgetary Resources.

(OMB Circular A-136, Section II.4.11.5)

³⁹ The programs defined as social insurance programs are Social Security, Medicare, Railroad Retirement benefits, Black Lung benefits, and Unemployment Insurance.

5. Entities that collect taxes and duties should provide information about the:
 - a. factors affecting the collectibility of compliance assessments recognized as taxes receivable;
 - b. claims for refunds that are not yet accrued but likely to be paid when administrative action is complete, if reasonably estimable;
 - c. amount of assessments the entity has statutory authority to collect at the end of the period, but has no future collection potential and are therefore defined as write-offs; and
 - d. amounts by which the trust funds may be over or underfunded in comparisons with requirements of law.

(OMB Circular A-136, Section II.4.11.6)

6. Risk-assumed information, i.e., the present value of unpaid expected losses net of associated premiums, for insurance and guarantee programs other than social insurance, life insurance, and loan guarantees should be reported. (OMB Circular A-136, Section II.4.11.7)

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SECTION I-PERFORMANCE AND ACCOUNTABILITY REPORT
PART F-OTHER ACCOMPANYING INFORMATION

1. If an entity discloses differences between the prices it charges in exchange transactions and the full cost or market price, it should consider disclosing revenue foregone and explaining whether and to what extent the quantity demanded was assumed to change as a result of the price differential. (OMB Circular A-136, Section II.5.2)
2. Agencies that collect taxes may report the following:
 - a. A perspective on the income tax burden.
 - b. Available information on the size of the tax gap.
 - c. Tax expenditures information related to entity programs, appropriately described, explained, and qualified.
 - d. Information on the directed flow of resources related to entity programs, appropriately described, explained, and qualified.

(OMB Circular A-136, Sections 1II.5.3 and II.5.4)

3. The report should include a statement prepared by the agency's Inspector General that summarizes what he or she considers the most serious management and performance challenges facing the agency.
 - a. The statement should be clearly identified as the Inspector General's statement.
 - b. The location of the statement should be identified in the Table of Contents.
 - c. The summary should include a brief assessment of the agency's progress addressing the challenges.
 - d. Comments by management, if provided, should follow the Inspector General's statement.

(OMB Circular A-136, Section 1II.5.5)

4. The report should include summary tables of material weaknesses as determined by the audits of the financial statements, management's evaluation of internal control as required by the Federal Managers' Financial Integrity Act and OMB Circular A-123, and management's evaluation of financial systems as required by the Federal Managers' Financial Integrity Act and Federal Financial Management Improvement Act.
 - a. Separate tables should be presented for the material weaknesses resulting from the financial audit, the evaluation of internal control over financial reporting, the evaluation of internal control over operations, the evaluation of conformance with financial system requirements, and the evaluation of compliance with Federal Financial Management Improvement Act.
 - b. The table summarizing the non-compliances with the Federal Financial Management Improvement Act should be divided according to the three concerns addressed in the Act: system requirements, accounting standards, and the U. S. Standard General Ledger at the transaction level.
 - c. The material weaknesses, non-conformances, and non-compliances should be listed using unique, short, and easily understood names.
 - d. The names should be kept constant between the five tables and from year to year.
 - e. For each weakness, non-conformance, and non-compliance, the tables should report the beginning balance, new entries, resolved entries, consolidated entries, reassessed entries, and ending balance.

(OMB Circular A-136, Section 111.5.6)

5. The report should present what the entity has accomplished and plans to accomplish to satisfy the reporting requirements of the Improper Payments Information Act and Recovery Auditing Act. This would include:
 - a. a description of the agency's risk assessment(s), performed subsequent to compiling the agency's full inventory of the risk-susceptible programs (i. e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through the risk assessments, highlighting any changes to the risk assessment or results occurring since the last report and limiting repetition of information presented in the previous report;
 - b. a description of the statistical sampling process conducted to estimate the improper payment rate for each identified program, highlighting any changes to the statistical sampling process since the last report and limiting repetition of information presented in the previous report;
 - c. a description of the corrective actions for reducing each type of root cause of error (i. e., administrative and documentation errors, authentication and medical necessity errors, verification and local administration errors), including current efforts and key milestones.;

5. cont
- d. if a grant-making agency, a discussion of what has been accomplished in the area of funds stewardship past the primary recipient (including the status on projects and the results of any reviews);
 - e. a table that reports, for each risk susceptible program regardless of whether an error measurement is being reported, the improper payment reduction outlook for the prior, current, and three future years, in terms of actual or estimated outlays and the amounts and percent of improper payments;
 - f. if no measurement can be provided, the date by which a measurement is expected should be indicated;
 - g. a discussion of the agency's recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; the actions taken to recover the improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences;
 - h. a description of the steps the agency has taken and plans to take, including the time line, to ensure that agency managers are held accountable for reducing and recovering improper payments;
 - i. a description of whether the agency has the information systems and other infrastructure needed to reduce improper payments to the targeted levels, or if the agency does not have the systems and infrastructure, a description of the resources requested in the FY 2010 budget submission to Congress to obtain the necessary information systems and infrastructure;
 - j. a description of any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments; and
 - k. additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPIA implementation.

(OMB Circular A-136, Section II.5.7)

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SECTION II-PILOT PROGRAM
AGENCY FINANCIAL REPORT

1. The report should be the final printed report available for distribution to the public (although in some instances, the reviewers will be provided with a camera-ready copy of the report..
2. The report should be titled Agency Financial Report.
3. The cover of the report should contain the name of the agency, the title, and the fiscal year.
4. The report should have been issued to OMB no later than November 16, 2009. (OMB Circular A-136, Section I.5)
5. The report should be available on the Internet, with the website location clearly identified on the entity's homepage.
6. A Section 508 of the Rehabilitation Act of 1973 compliant version of the report should be available from the entity's website. (OMB Circular A-136, Section I.5)
7. The Internet address at which the electronic copy can be accessed should be clearly displayed in the report, e. g., the inside front cover, title page, or Table of Contents.
 - a. The address should be the specific address at which the report is located, either in a single file and/or multiple files.⁴⁰
8. The Internet address for the agency's home page should be displayed on the cover or within the report.
9. Internet links should be included in the text to enable readers to access additional information. (OMB Memorandum M-08-20, dtd. June 5, 2008)
 - a. The links should be user-friendly, i. e., not require searching or multiple clicks.
10. The report should contain a foreword, preface, or similar section describing its content and including a URL to each primary component. (OMB Memorandum M-08-20, dtd. June 5, 2008)
11. A table of contents should be included.

⁴⁰ The specific address at which the Agency Financial Report is located might also provide the entity's Annual Performance Report, Summary of Performance and Financial Information, or copies of prior years' reports.

12. The table of contents should clearly identify, by page number, the location of all the information required to be included in the AFR.
 - a. The location of the management assurances required under the Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, and OMB Circular A-123 *Management's Responsibility for Internal Control* should be separately identified
 - b. The location of the Inspector General's summary of the most serious management and performance challenges should be separately identified. (OMB Memorandum M-08-20, dtd. June 5, 2008)
13. The page numbers in the AFR should be sequential.
14. A dated transmittal letter⁴¹ signed by the agency head should be located at the beginning of the report. (OMB Circular A-136, Section II.1.2)
15. The agency head message should:
 - highlight the entity's mission, goals and accomplishments upholding the mission;
 - provide an assessment of whether the financial and performance data in the report is reliable and complete, and identify material internal control weaknesses and actions the agency is taking to resolve them (or referencing a more detailed discussion of this topic elsewhere in the report); and
 - acknowledge that the agency is issuing an alternative to the Performance and Accountability Report.(OMB Circular A-136, Section II.1.2)
16. The Agency Head Message should be well-rounded and candid, i. e., discuss the significant challenges and issues with which the agency is involved and how these are being addressed, and not just the accomplishments.
17. The report should include a Management's Discussion and Analysis that is concise; easy to read, particularly to a non-technical audience; focuses on the most important matters; provides a balanced analytical assessment of key program and financial performance that includes both positive and negative information; and uses visual references to present summary information. (OMB Circular A-136, Sections II.1.2 and II.2.1)

⁴¹ The agency head transmittal letter is also referred to as the agency head message.

18. The Management's Discussion and Analysis should follow the current requirements in Circular A-136 Section II for a Management's Discussion and Analysis, (mission and organizational structure; performance goals, objectives and results; analysis of financial statements and stewardship information; analysis of systems, controls and legal compliance; forward-looking information; other management information, initiatives and issues; and limitations on financial statements) except for the requirements in Section II.2.6 *Performance Goals, Objectives, and Results*.⁴² (OMB Circular A-136, Section II.2)
 - a. The MD&A should reflect a joint effort of the CFO, the Performance Improvement Officer office, program offices, and offices responsible for performance reporting. (OMB Circular A-136, Section II.2.3)
 - b. The MD&A should communicate insights about the entity, increase the understandability of the financial information, and provide information about the entity, its operations, service levels, successes, challenges, and future. (OMB Circular A-136, Section II.2.3)
19. The MD&A should indicate that the agency has chosen to produce an alternative to the PAR called an Agency Financial Report; it will include its FY 2009 Annual Performance Report with its Congressional Budget Justification that will be posted on the agency's website, the address of which is specified; and it will produce a Summary of Financial and Performance Information.
20. The MD&A should provide the details of when and where the Annual Performance Report and the Summary of Performance and Financial Information will be available. (OMB Circular A-136, Section II.2.4)
21. The discussion of performance goals, objectives and results should include a high-level discussion of key performance measures and goals that would most likely affect the judgments and decisions of people who rely on the AFR as a key source of information; could lead to significant actions or proposals by top management; and/or significantly affect stakeholders' judgments about the entity's effectiveness. This would include:
 - a. tables/charts displaying historical performance trend data for the entity's strategic goals and selected key performance measures associated with those goals
 - b. sufficient information on how a program is progressing compared to its past achievements and shortfalls.(OMB Circular A-136, Sections II.1.2)
22. Symbols, color coding, and/ or similar techniques should be used to increase the readability of performance charts. (OMB Memorandum M-08-20, dtd. June 5, 2008)

⁴²Section 1C of these Guidelines (except Guidelines 5 and 6) can help in the review of an AFR's Management's Discussion and Analysis. .

23. The Internet address provided for the APR should enable the user to easily access the Report as a document separate from but accompanying the Congressional Budget Justification, or as a separate and clearly identified document within the Congressional Budget Justification.
24. Pie charts should be used to summarize performance results across all measures (OMB Memorandum M-08-20, dtd. June 5, 2008)
25. Tables and graphs should be used to present trend data for key measures. (OMB Memorandum M-08-20, dtd. June 5, 2008)
26. The AFR should include a Financial Section composed of:
 - a. a Chief Financial Officer letter that briefly summarizes planned time frames for correcting audit weaknesses and noncompliances; major impediments to correcting audit weaknesses and noncompliances; and progress made in correcting previously reported problems.⁴³
 - b. the auditors' report; and
 - c. financial statements and notes.(OMB Circular A-136, Section II.1.3)
(Detailed guidelines for what should be included in the Financial Section can be found in Section I-Part E of this document.)
27. The AFR should include an Other Accompanying Information section composed of:
 - a. Revenue Foregone (if applicable)
 - b. Tax Burden/Tax Gap (if applicable)
 - c. Tax Expenditures with Directed flow of Resources (if applicable)
 - d. Management Challenges
 - e. Summary of Financial Statement Audit and Management Assurances

⁴³ The absence of specificity in the Circular as to whether "audit weaknesses" are to be limited to material weaknesses or to also encompass significant deficiencies, which are the terms used in the auditors' reports, might result in some CFO letters addressing only the former and some addressing both the former and the latter. The latter is encouraged, although not required.

27. f. Improper Payments Information Act Reporting Details

cont

g. Other Agency-specific Statutorily Required Reports (if applicable)

(Detailed guidelines for what should be included in the Other Accompanying Information section can be found in Section I-Part F of this document.)

(OMB Circular A-136, Sections II.1.3 and II.5)

28. The report should contain a glossary of acronyms.
29. Phone and fax numbers and e-mail addresses for requesting additional copies of the report are helpful.
30. Comments for improving the report and the inclusion of a postal and e-mail address for submitting the comments reflects an interest in improving reporting.
31. The report should be logically organized with a structure easy to navigate and that facilitates understanding.
32. The report should be an integrated report that comes across as a single coordinated document, rather than a compilation of sections prepared by different parts of the agency. ⁴⁴
33. The report should be candid and credible, i. e., major problems, challenges, and issues with which the agency is involved should be addressed, particularly those that are already public knowledge.
34. The report should avoid including materials that are not needed for presenting performance and accountability.
35. The use of technical language, jargon, and acronyms should be limited.
36. Formats for presenting similar information should be consistent.
37. Vignettes, success stories, and examples should be used to illustrate abstract, complex information and improve readability. (OMB Memorandum M-08-20, dtd. June 5, 2008)
 - a. They should be contiguous to the text they illustrate and complement.
38. Photographs and graphics should be used to increase visual appeal. (OMB Memorandum M-08-20, dtd. June 5, 2008)

They should be contiguous to the text they illustrate and complement.

⁴⁴ See footnote 5 for indications of an absence of integration.

39. The report's writing quality should be high, i. e. it can be easily read and understood by persons who do not always possess expertise in the matters in which the entity is involved, it is direct, and it is concise in the information it conveys. ⁴⁵
40. Differences between the Inspector General's or auditor's identification of weaknesses, challenges, or other issues and management's views of the same should be acknowledged and addressed such that the readers understand the reasons for the difference(s).
41. An agency that previously submitted its PAR or AFR for review, should have provided a document that includes a clear and logical description of changes made in response to each comment contained in the letter provided by AGA for that report.

⁴⁵ Although these are subjective aspects, elements to look for, in addition to those cited in the Guidelines, are the use of headings and captions, the use of pictures and other graphics to support text, the judicious use of color, the size and type of print, the quality of the printing, and a limited use of acronyms.

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SECTION III-SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION ⁴⁶
(OMB Circular A-136, Section III)

1. The report should be the final printed report available for distribution to the public, or a print-out of the electronic version of the report.
2. The cover of the report should contain the name of the agency, the title of the report, and the fiscal year.
 - a. The title should be *[Name of agency] Summary Of Performance And Financial Information FY 2009* (OMB Circular A-136, Section III.1)
3. The report should have been published no later than February 15, 2010. (OMB Circular A-136, Section I.5)
4. The relationship between the Summary of Performance and Financial Information and the PAR or AFR and APR should be identified.
5. The information presented in the Summary Of Performance And Financial Information should be modified, as necessary, to avoid the impression that the reader is reading the PAR or AFR
6. The report should summarize the most important financial and performance information in the agency's PAR or AFR in a brief, user-friendly format that is easily understood by a reader with little technical background in those areas.
7. The report can be a 3-8 page high level summary, a 25-30 page more detailed summary , or the MD&A that has been easily extracted from the PAR or AFR and issued as an independent report. (OMB Circular A-136, Section III.1)
8. The report should include, at a minimum:
 - a. the agency mission, strategic goals, and objectives;
 - b. historical performance trend data for the entity's strategic goals and selected key performance measures associated with those goals;
 - c. a candid assessment of whether the agency met or did not meet its goals;
 - d. a summary of key management challenges, including shortcomings that the agency is addressing;

⁴⁶ A Summary of Performance and Financial Information is required from all CFO Act agencies and all non-CFO Act agencies that produce an AFR.

8. e. summarized financial statement data, based on the same underlying data as the financial statements presented in the PAR; and
- f. numerous references and internet links to additional information supporting the agency's program and financial performance (i. e., links that take the reader to the relevant sections of the agency's PAR, AFR, APR, and CBJ, in contrast to general links to the document).
9. (OMB Circular A-136, Section III.1)

If the report includes condensed financial statements and a condensed auditors' report, the condensed auditors' report should indicate that the auditor has audited and expressed an opinion on the complete financial statements; the date of the auditors' report on the complete financial statements; the type of opinion expressed; and whether, in the auditors' opinion, the information set forth in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived. (OMB Bulletin No. 07-04, Section 7-11)

10. Other items that could be included are:
- a. an "Introduction" statement that makes clear the purpose of the report;
 - b. a limited number of key, representative performance measures;
 - c. clear explanations of the public benefits associated with the performance results;
 - d. budget and cost information accompanying the performance measures;
 - e. examples of specific achievements or results that illustrate performance;
 - f. management's assurances and the results thereof;
 - g. maximize use of space using the inside front and back covers, sidebars with pictures, and graphs with appropriate scale, (i. e., not consuming an entire page); and
 - h. summaries of key financial data, using graphic displays of both amounts and percentages and tabular displays of historical data showing percentage changes from year to year.

(OMB Circular A-136, Section III.1)

SECTION IV - IMPRESSIONS AND RECOMMENDATIONS

Reviewers should provide their impressions of, noteworthy features, and recommendations for the PAR or AFR and Summary of Performance and Financial Information. This includes:

- impression as to whether each of the reports are consistent with expectations or need improvement;
- noteworthy features that could be considered a creative application of the Guidelines or a presentation of materials not addressed by the Guidelines that might be of interest for possible reference by preparers of other agencies' reports; and
- recommendations for improvement.

Impressions – Please mark below your impressions with each of the sections of the reports that you reviewed.

For Performance and Accountability Reports:

- Overall report
 - Consistent with Expectations
 - Needs Improvement
- Agency head message
 - Consistent with Expectations
 - Needs Improvement
- Management's Discussion and Analysis
 - Consistent with Expectations
 - Needs Improvement
- Performance Section
 - Consistent with Expectations
 - Needs Improvement
- Financial Section
 - Consistent with Expectations
 - Needs Improvement
- Other Accompanying Information
 - Consistent with Expectations
 - Needs Improvement

For Agency Financial Reports:

- Overall Agency Financial Report
 - Consistent with Expectations
 - Needs Improvement
- Agency head message
 - Consistent with Expectations
 - Needs Improvement
- Management's Discussion and Analysis
 - Consistent with Expectations
 - Needs Improvement
- Financial Section
 - Consistent with Expectations
 - Needs Improvement

- Other Accompanying Information
 - Consistent with Expectations
 - Needs Improvement

For Summaries of Performance and Financial Information

- Consistent with Expectations
- Needs Improvement

Noteworthy features - Please describe below (and on additional pages, if necessary) creative applications of the Guidelines or presentations of materials not addressed by the Guidelines that you believe might be of interest for possible reference by preparers of other agencies' reports.

1. _____

2. _____

3. _____

4. _____

5. _____

Recommendations for improvement - For each weak or deficient practice you have noted, please provide below (and on additional pages, if necessary), a recommendation for improvement. Included in this section should be recommendations that will 1) *improve the presentation of the information*, 2) *eliminate reporting or disclosure deficiencies*, 3) *make the report more useful to the readers*, and 4) *address editorial matters*, and 5) *improve the Summary of Performance and Financial Information*.

The recommendations should include:

- the weak or deficient practices stated in explicit terms;
- the page number, if applicable, on which the weak or deficient practices exist;
- an explicit recommendation to address each weak or deficient practice, and
- the rationales for why the recommendations represent an improvement.

An example of an effective, and therefore useful, recommendation that includes the four required elements is as follows.

For several Performance Indicators, the targets established for FY 2008 were for a lower level of performance than was achieved in prior years (e. g., Performance Indicator 19: Number of acres treated that are in condition class...; Performance Indicator 23: Number of stream/shoreline miles achieving watershed....; Performance Indicator 24 Percent of known, contaminated sites...-page 99). Presenting the reason(s) why a target has been established below prior years' performance would assure readers that targets have not been arbitrarily set at a level at which achievement will be virtually automatic.).

Refer to Section I, pages 4-6, of the Guidelines for more information.

Improve the presentation of the information

1. _____

2. _____

3. _____

4. _____

5. _____

Eliminate reporting or disclosure deficiencies

6. _____

7. _____

8. _____

9. _____

10. _____

Make the report more useful to the user

11. _____

12. _____

13. _____

14. _____

15. _____

Address editorial matters

16. _____

17. _____

18. _____

19. _____

20. _____

Summary of Performance and Financial Information

21. _____

22. _____

23. _____

24. _____

25. _____

