Accenture Federal Services
Office of Management and Budget
A-123 Update
Delivering Value to the Federal Government
The update requires agencies to enhance their IC tools to document evidence of compliance with the GAO Green Book to prove that they have met all 17 IC principles.

Agencies will also need to create a Senior Management Council (SMC) or leverage an existing council to provide governance for establishing risk profiles, overseeing operation of an effective IC system and implementing an ERM.

ERM
Agencies must develop an ERM program that adheres to the new Federal ERM Policy Framework and ERM Model and integrates risk and IC throughout all management processes, including strategy, budget, programs, accounting, internal controls and audits.

Mandatory ERM requirements include:

- In FY 2016, develop an enterprise risk profile/risk inventory and an agency COO-approved risk appetite.
- In FY 2017, build on this risk profile to extend capabilities for identifying new and emerging risks, while monitoring changes to existing risks.

Agencies need to evaluate risks not only within internal processes but throughout the extended enterprise and external environment, at the same time as increasing their focus on fraud, grants, the Antideficiency Act, privacy and shared service risks.

Challenges and Opportunities
The Office of Management and Budget (OMB) introduced draft updates to Circular A-123 to implement the FMFIA Act—integrating risk management and internal control (IC) activities into a Federal Government Enterprise Risk Management (ERM) Framework to improve mission delivery.

Under the new requirements, agencies have an opportunity to move to a holistic portfolio view of risk, integrating risk and IC into both administrative and program functions. With a robust data analytics capability, a holistic portfolio view provides agencies greater visibility into uncertainties, enabling better decision-making and improved results.
Internal Control System and Assessments

Agencies should leverage SMCs to include the risks that have the most impact on mission outcomes in their Statement of Assurance (SOA), support ERM and implement Green Book standards for entity level controls, control activities and process controls. By increasing alignment of the control framework across the enterprise, agencies can eliminate duplication and improve risk mitigation effectiveness.

The update also increases documentation requirements and requires agencies to establish a reporting structure to identify deficiencies through IC assessments against Green Book compliance. Agencies must now ensure that supporting documentation substantiates the design and operating effectiveness of internal controls.

Applying a risk-based evaluation approach to internal control assessments will enable agencies to summarize deficiencies, evaluate principles and components, and conduct an overall assessment to identify material risk.

Correcting Deficiencies and Reporting

By conducting a root-cause analysis, agencies can treat more than just the symptoms arising from mitigation activities. They can tailor corrective actions to the operating environment, reduce implementation costs and mitigate the most risk.

We recommend that agencies consider using best practices, such as the Cooperative Audit Resolution and Oversight Initiatives (CAROI) when they review OIG and GAO audit reports. These practices will promote prompt Correction Action Plans (CAPs) and enable the agency to effectively respond to findings.

Agencies should comply with the new Appendix A and include the risk profile and IC assessment procedures in the SOA.

When agencies implement the revised A-123 requirements, they have a unique opportunity to move to a portfolio view of risk—and to embed risk-based decision-making throughout the enterprise.
For More Information

To discuss increased value, performance and risk resiliency in your organization, please contact:

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