



**Financial Reporting Control Assessment Business Line
FISCAL YEAR 2007 – 2011 PLAN**

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Executive Summary

Mission

The mission of the Financial Reporting Control Assessment Business Line (Business Line) is to enable the Secretary of Energy to provide an annual assurance on the Department of Energy's (Department) internal controls over financial reporting. This annual reporting requirement is driven by recent changes to Office of Management and Budget (OMB) Circular A-123; specifically, the addition of Appendix A, *Internal Control over Financial Reporting*.

Vision for Near Term

The short-term vision of the Business Line is to provide the foundation for the Secretary's annual assurance on the effectiveness of the Department's internal control over financial reporting. The Business Line does this by supporting Department-wide implementation of A-123 requirements, specifically by developing corporate:

- Guidance, such as A-123 "Quick Start Guides" and related templates
- Tools, such as the A-123 Assessment and Reporting Tool (AART) and the AART Reporting Suite
- Support, such as the A-123 Help Desk and A-123 training

Additional information can be obtained from the Department's A-123 Implementation Website at <http://www.cfo.doe.gov/progliaison/doeA123/index.htm>.

Balanced Scorecard Objectives

The Balanced Scorecard (BSC) is a conceptual framework for translating an organization's near-term vision into a set of performance indicators distributed among four perspectives: Customer, Financial, Internal Business Process, and Learning and Growth. The performance of the Business Line, as well as the progress against achieving the near-term vision, will be monitored through the BSC.

- **Customers:** This perspective captures the Business Line's ability to provide quality financial reporting to the Department's internal customers. Customers generally include the Department's A-123 Senior Assessment Team (SrAT) and the Lead Program Secretarial Offices (LPSO), "Corporate Departments¹," field offices and site contractors that are conducting evaluations of internal controls over financial reporting in support of the Secretary's annual assurance. The objective of this perspective is to support customer efforts to assure the integrity of their respective financial reporting activities.
- **Financials:** This perspective captures the Business Line's ability to provide quality financial reporting to the Department's external stakeholders. Stakeholders generally

¹ Corporate Departments are the: Office of the Chief Information Office, Office of Engineering and Construction Management, and Office of Procurement and Assistance Management

include OMB, Congress and others with an interest in the Department's financial management. The objective of this perspective is to support Departmental efforts to assure the overall integrity of its financial management activities.

- **Internal Business Processes:** This perspective captures the Business Line's ability to identify emerging issues impacting the corporate A-123 Program and address them in a timely and proactive fashion. The objective of this perspective is to continually improve the management and implementation of the Department's A-123 Program.
- **Learning and Growth:** This perspective captures the Business Line's ability to be aware of and adapt to changes in the general environment impacting the Department's implementation of A-123. The objective of this perspective is to continually improve the skill sets of the PMT.

Accomplishments

Fiscal Year (FY) 2007 is the Business Line's first year of operation. Some prior year accomplishments include:

- Implementing a Department-wide A-123 assessment program
- Developing and implementing a corporate A-123 tool suite
- Delivering on commitments to the Department and OMB
- Meeting OMB reporting deadlines
- Identifying and resolving three A-123 material weaknesses
- Establishing a foundation for business improvement

Introduction

OMB revised Circular A-123 in December 2004 in response to internal control requirements for publicly traded companies in the Sarbanes-Oxley Act of 2002. Changes to the Circular were concentrated in the newly added Appendix A, which included requirements for Federal agencies to (1) develop a methodology for management to assess, document and report on internal controls over financial reporting, and (2) include in the Performance and Accountability Report² an annual assurance by the Secretary on the effectiveness of internal controls over financial reporting. The revised Circular became effective in FY 2006.

In response to the revised Circular, the Department established a corporate A-123 Program. The Department has taken a Top-Down/Bottoms-Up approach to implementing its corporate A-123 Program. Top-down oversight and governance is provided by the SrAT, which provides the A-123 governance structure and related policy. The Headquarters Office of the Chief Financial Officer (OCFO) acts as the "champion" for the A-123 initiative, while the OCFO A-123 PMT provides day-to-day corporate oversight for the Department-wide A-123 implementation. LPSOs, Corporate Departments and field offices lead their respective implementations, and provide A-123 oversight for any Departmental entities under their cognizance. Bottoms-up assessments are in turn provided by the Department's site contractors, field offices, LPSOs and Corporate Departments. These individual assessments are used as the foundation for the Department's year-end assurance reporting.

Support services contractors and outside accounting expertise are critical to the Department's implementation of A-123. As A-123 applies to the Department as a whole, and since each Departmental program generates transactions that affect the level of contract effort necessary to implement A-123 requirements, the Department has decided that programs must share in the cost of implementing A-123. Programs share in this cost through the Department's Working Capital Fund (WCF).

Planning Process

The Business Line plans its activities on a rolling annual basis. The planning process includes frequent interactions with internal customers, as well as more limited interactions with external stakeholders. It also incorporates WCF pricing policy guidelines as delineated in the *WCF Guide to Services and Procedures* (the Blue Book); the pricing policy is approved by the WCF Board of Directors. The planning process also includes identifying the anticipated availability and capability of resources. The Business Line will work towards achieving the BSC objectives and will report on progress to the WCF Board on a quarterly and annual basis.

External Regulation and Partnerships

The Business Line—through the SrAT and PMT—works with external stakeholders such as OMB to implement an appropriate A-123 Program for the Department. The Department's implementation of A-123 is reviewed by the Department's Office of Inspector General and may, at some point in the future, be subject to a formal audit opinion on internal controls over financial reporting.

² The Department obtained approval from OMB in FY 2007 to participate in a pilot program for Agency Financial Reports, previously known as the Performance and Accountability Report.

Resources and Capabilities of the Organization

The Business Line provides and maintains capabilities to support Department-wide implementation of A-123. Specifically, the PMT comprises a cadre of professional federal staff that provides corporate oversight of, and support for, Department-wide implementation of A-123. The PMT also acts on behalf of the SrAT by managing the corporate day-to-day implementation of the Department's A-123 Program. The PMT also has access to and directs support services contractors that help maintain the A-123 Program.

Needs and Capabilities of Customers

The Business Line is generally focused on the needs of the SrAT, LPSOs, Corporate Departments, field offices and site contractors. These customers have different needs and each brings a unique perspective on, and offers specific capabilities toward, implementation of A-123. The Business Line, through the PMT, acts as the liaison between these customers, facilitating the Department's top-down/bottoms-up approach to implementing A-123. The PMT also seeks to leverage the needs and capabilities of these customers by sharing lessons learned, looking for areas to better integrate A-123 with other financial management reviews, and seeking opportunities to improve business processes.

Future Competitive Advantages

The Business Line is positioned to continue to provide quality products and services in support of the Department's implementation of A-123. This includes, among other things, an increasingly well-trained cadre of PMT and contractor support staff, as well as PMT representation on the Federal Inter-Agency Internal Control Workgroup, a key working group for A-123.

Balanced Scorecard Elements

Customers: Support customer efforts to assure the integrity of their respective financial reporting activities.

Performance Goal: Provide customers with high-quality A-123 guidance, tools and support.

Performance Indicator: Customer acceptance of the A-123 guidance, tools and support.

FY 2007 Performance Results: TBD.

Financials: Support Departmental efforts to assure the overall integrity of its financial management activities.

Performance Goal: Demonstrate that the Department has effective internal control over financial reporting.

Performance Indicator: An unqualified Secretarial A-123 assurance.

FY 2007 Performance Results: TBD³.

Internal Business Processes: Continually improve the management and implementation of the Department's A-123 Program.

Performance Goal: Leverage lessons learned, best practices and insights from other agencies or others with knowledge of, and experience with, implementing the requirements of A-123.

Performance Indicator: Issue annual A-123 Best Practices report.

FY 2007 Performance Results: TBD.

Learning and Growth: Continually improve the skill sets of the A-123 Project Management Team.

Performance Goal: Pursue lessons learned, best practices and insights from other agencies or others with knowledge of, and experience with, implementing the requirements of A-123.

Performance Indicator: PMT participation in A-123 training hosted by external vendors or other agencies, and/or PMT participation in meetings of the Federal Inter-Agency Internal Control Workgroup.

FY 2007 Performance Results: TBD.

³ The Department will not be able to achieve an unqualified A-123 assurance until FY 2008, since it is currently operating under an OMB-approved multi-year implementation approach.