

OMB BULLETIN 01-02 - Audit Requirements for Federal Financial Statements

MEMORANDUM TO CHIEF FINANCIAL OFFICERS (CFOs) AND INSPECTORS GENERAL (IGs) OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

FROM: Joshua Gotbaum
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SUBJECT: OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*

Attached is the subject OMB Bulletin, which is effective for fiscal years ending on or after September 30, 2000. This bulletin supersedes OMB Bulletin 98-08, as amended. Based on comments received on preliminary drafts and events that have taken place since the first draft was circulated, the following major changes are reflected in this final bulletin:

- Removed the proposed revisions to require opinion level assurance under the Attestation Standards for certain required supplementary stewardship information (RSSI). The Federal Accounting Standards Advisory Board (FASAB) is currently considering eliminating the RSSI category. Future audit requirements for the information currently considered RSSI will be influenced by the final outcome of the Board's deliberations.
- Removed the discussion of "Accounting Standards and Principles" and replaced the term "federal accounting standards" with "generally accepted accounting principles" (GAAP) in the definitions paragraph to reflect the recognition of standards issued by the FASAB as GAAP.
- Updated the audit requirements for Management's Discussion and Analysis (MD&A) and social insurance information based on new accounting standards that became effective for fiscal years beginning after September 30, 1999.
- Clarified that the auditor shall report on MD&A, RSSI, and required supplementary information (RSI) in accordance with AU Section 551.15 of the American Institute of Certified Public Accountants' *Codification*

of Statements on Auditing Standards.

- Removed implementation guidance regarding the Federal Financial Management Improvement Act of 1996 (FFMIA). An interagency task force is revising this guidance and will be issued as a separate document in the fall of 2000.
- Added a requirement for timely communication between the Inspector General and Chief Financial Officer throughout the audit.
- Added a requirement for the CFO to prepare a schedule to show how information contained in letters from legal counsel on litigation, claims, and assessments was considered by management in the preparation of the financial statements. Also, clarified the requirement to prepare legal letters, and, to promote a more uniform approach, provided an illustrative request for a legal letter, an illustrative legal counsel response, and a format for preparing management's schedule. In the coming weeks, OMB and the Department of Justice will sponsor a forum to discuss the legal letter preparation process. Invitees will include agency CFOs, IGs, and General Counsels.
- Updated and revised the agreed-upon procedures to be applied to data submitted to the Office of Personnel Management (OPM).

These and other significant revisions are more fully described in a chart accompanying the Bulletin.

For questions about this bulletin, contact George Rippey, Office of Federal Financial Management, Office of Management and Budget, phone (202) 395-3993, fax (202) 395-4915, e-mail grippey@omb.eop.gov.

Enclosure

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