



Compliance shouldn't
feel this good!



A-123 INVIGORATED

a conversation with Bill Hughes

Bill Hughes **MANAGING DIRECTOR**

Bill Hughes is responsible for leading public services efforts working with federal financial managers on audit readiness, compliance and other related matters. Prior to joining MorganFranklin, Hughes served for 10 years with PricewaterhouseCoopers LLP (PwC) and focused on U.S. federal agency and both public and private technology, software, and information communication. He has extensive experience with federal and SEC Accounting and Reporting, successfully leading project teams on high-profile, complex federal and multinational commercial engagements.

Hughes earned a B.S. in accounting from Canisius College in Buffalo, New York, and is licensed as a Certified Public Accountant (CPA) in New York, Virginia, and in Washington, D.C. Hughes is also a Certified Government Financial Manager (CGFM).

A-123 INVIGORATED - A Fresh Take on A-123 Compliance

Q What are the key takeaways from MorganFranklin's perspective on A-123 compliance?

Achieving A-123 Invigorated is about reducing costs and increasing program effectiveness. I see it as a new standard for success. Let me give you a few examples.

First, agencies like the DoD and others spend a lot of time and money to become audit ready. Rather than recreate PP&E documents from 1945, agencies can use their efforts around A-123 to document and capture core processes and all the key controls. This information can really help when it comes to working with the auditors in preparation for compliance with the CFO Act.

Second, A-123 Invigorated is about learning from the past. The new standards for A-123 look a lot like Sarbanes-Oxley. One of the things we learned quickly was that you could do too much in terms of documentation. So everyone focused on doing a better job scoping, using a top-down, risk-based approach with a focus on key controls to target what's most important to an organization. The same applies for A-123. With a risk-based approach and better scoping, you will reduce the tendency to over invest in documenting the things that don't matter as much.

I'd advocate, too, that it's also best to identify the key controls and actually go out and test them. Historically agencies have not spent a lot of time on testing. But if you do spend the time to test and document key controls, in the end your auditor is more likely to rely on your work, which will save a significant amount of time. Related to this point, it also makes sense to complement your A-123 team with individuals who have experience with Sarbanes-Oxley. Don't discount that kind of value.

Third, A-123 Invigorated is unique from an IT standpoint because technology can really enhance the process. Agencies should consider the use of tools to drive the automated monitoring and testing of internal controls. Testing alone is daunting, and can be a drain on resources, not to mention morale. Automated tools hold promise as a way to drive down costs and improve the effectiveness of managing internal controls.

Taken together, from my perspective, this is what makes up A-123 Invigorated. It's about expecting more from your efforts.

TAXPAYERS BENEFIT From A-123 Invigorated

Q Who really benefits from A-123 and an approach to compliance that looks for opportunities to improve operations and execution?

A-123 was really just sort of a checklist until two years ago when the new requirements came out. Those requirements put more rigor and scrutiny around compliance, specifically financial reporting — that's Appendix A. What we need to consider is that a lot of good financial and performance data and a more clear understanding of the effectiveness of controls can come out of this effort. And to the program manager, the one responsible for executing on behalf of taxpayers, a side benefit of A-123 compliance is more timely financial data to make better decisions, and a greater sense of what's out there control-wise to help run a program more effectively. The government spends money on its mission every day. If its operations are more effective and efficient, that mission has a higher likelihood of success. In the end, A-123 Invigorated means using your investment in compliance to find opportunities to run your operations more effectively, ultimately saving taxpayers money.

More Reliability From Financial Data Means Better Decisions Related to the Mission

Q How does improved quality of financial data impact mission objectives?

In the past management faced an audit at the end of the year that required a Herculean effort. With A-123 properly implemented, information is more reliable and timely and supports decision-making on matters including capital expenditures, programmatic spending, and resource deployment. The risk in the past was using erroneous, outdated and sometimes even irrelevant data and information to make these decisions. The quality of financial data has direct mission implications. Agencies that have A-123 properly implemented could have more credibility on Capital Hill because better financial data can lead to enhanced budget requests and appropriations. A-123 compliance has real-world implications. Ultimately, establishing good internal controls means that organizations can make good management decisions and better achieve their respective missions.

CHALLENGES

Q What organizational challenges are important to overcome if you want to get more out of your investment in compliance?

A-123 compliance presents some complex challenges for organizations. Senior management support certainly facilitates the process. That is clearly evident from our experience. When A-123 compliance is important at the secretary and department level, it obviously becomes very important for the entire organization. Compliance becomes a higher priority, and that eases the road to adoption and acceptance.

Another challenge is to educate individuals on how A-123 compliance really does help, how it impacts an organization, a department, a program, and a mission. From a change management perspective, this means taking the time to educate people about what their responsibilities are and what it takes to get from point A to point B. As part of our A-123 Invigorated efforts, we work with clients to make sure the educational component is there.

One of the most difficult challenges to implement A-123 is, quite frankly, that the mandate is unfunded. There is no Congressional allowance specifically for the Office of Management and Budget (OMB) issuance. Organizations have to find the funds and are often required to do more with less. This necessitates an approach that takes this into account and generates solutions to meet and even exceed their needs. A-123 Invigorated is all about doing more, and getting more, with less.

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CHOOSE MORGANFRANKLIN - Invigorate A-123

A-123 compliance, if implemented with the right commitment and approach, can yield significant long-term benefits. But long-term success is dependent upon knowledge transfer. Working hand-in-hand with our clients, we want to embed appreciation for the value of compliance and to transfer ownership and responsibility for A-123. Ultimately this means working ourselves out of a job or a project. But when it's all said and done, we want to make our clients smarter and more comfortable owning the compliance process so that they reap the benefits year after year.

When a MorganFranklin client engages us for A-123 compliance support, they get a team totally dedicated to surpassing expectations. They get a team that is deeply experienced, not only in A-123, but in federal financial management requirements, existing and emerging automated controls monitoring tools, performance improvement and other areas. And since both Sarbanes-Oxley and A-123 have the same standard, which is COSO, we like to augment our core teams with best practices and lessons learned from Sarbanes-Oxley.

Engage MorganFranklin for A-123 Invigorated. Our strength is our people, our ability to thrive in high-stakes environments, and our decade-long reputation for surpassing expectations.



MorganFranklin is offering

OMB A-123 Invigorated Opportunity Diagnostics for a *purchase card sized price* at a significant discount from our GSA rates.

Assessments are offered in the following areas:

- Maturity of your Agency's existing OMB A-123, Appendix A Internal Control Assessment
- Opportunities to implement and leverage technology in support OMB A-123 compliance
- Opportunities to reduce the overall level of effort and cost of OMB A-123 compliance
- Opportunities to improve operational efficiency and effectiveness through your A123 compliance efforts
- Opportunity for training to maximize value from your spending on OMB A123.



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