



**Federal  
Financial  
Management  
System  
Requirements**

# **Core Financial System Requirements**

REFERENCE

LAW/GAO  
RM REF  
HJ9801  
. A2716  
no. 4  
1999

**JFMIP-SR-99-4  
February 1999**

## What is JFMIP?

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the U.S. Department of the Treasury, the General Accounting Office, the Office of Management and Budget, and the Office of Personnel Management, working in cooperation with each other and other agencies to improve financial management practices in government. The Program was given statutory authorization in the Budget and Accounting Procedures Act of 1950 (31 USC 65). Leadership and program guidance are provided by the four Principals of the JFMIP-- Comptroller General of the United States, Secretary of the Treasury, and the Directors of the Office of Management and Budget, and the Office of Personnel Management. Each Principal designates a representative to serve on the JFMIP Steering Committee, which is responsible for the general direction of the Program. The JFMIP Executive Director, and a program agency representative (who serves for 2 years) are also on the Steering Committee.

The Program promotes strategies and guides financial management improvement across government; reviews and coordinates central agencies' activities and policy promulgations; and acts as catalyst and clearinghouse for sharing and disseminating information about good financial management practices. This information sharing is done through conferences and other educational events, newsletters, meetings with interagency groups and agency personnel, and through FinanceNet, an electronic clearinghouse on the Internet.

The JFMIP has worked on interagency projects that developed a financial systems framework and financial systems requirements. For the future JFMIP plans to assist Federal agencies in improving their financial systems through its Program Management Office. The Office will work on revising the Federal government's requirements definition, testing and acquisition processes, the first target of opportunity is core financial systems. The objectives of the Office are to develop systems requirements, communicate and explain Federal and agency needs, provide agencies and vendors information to improve financial systems, ensure that products meet relevant system requirements, and simplify the procurement process.

Information on JFMIP can be found at its website at [www.financenet.gov/financenet/fed/jfmip/jfmip.htm](http://www.financenet.gov/financenet/fed/jfmip/jfmip.htm) or call (202) 512-9201.

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no. 4  
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# Foreword

This document represents the third update to the *Core Financial System Requirements* document, first issued January 1988. This most recent update reflects changes in laws and regulations, such as the Debt Collection Improvement Act, and also adds requirements for two functions, Budget Execution and Working Capital/Revolving Fund. Also, some of the existing requirements have been clarified.

These requirements remain the basis for the Federal government to test compliance of commercially based, core financial software. During Fiscal Year 1999, the JFMIP's new Program Management Office (PMO) will develop a new testing and qualification process, directly linking tests back to these requirements. Also, we will separate out the testing/qualification process from the acquisition phase of the software selection process in place in the current General Services Administration (GSA) Financial Management Systems Software (FMSS) Schedule processes.

This document should be used in conjunction with JFMIP's recently established WEB based electronic repository, called the Knowledgebase, which can be reached through the JFMIP/PMO homepage <http://www.financenet.gov/fed/jfmip/pmo.htm>. These requirements will form the major portion of the Knowledgebase. In addition, technical and vendor support requirements are included in the Knowledgebase. They are comprised of internal controls, security, year 2000, training, documentation and other requirements. The Knowledgebase will feature ongoing comment capability, for both agencies and vendors, including the ability to comment on proposed requirements prior to their establishment.

The Core Financial System Requirements document lists mandatory requirements, which must be satisfied by any software prior to it being qualified for use by Federal agencies. The Knowledgebase also lists other requirements, called value added. The value added requirements will be used to gather information from vendors about technical and functional software capabilities that agencies may find useful but which are not necessary to be satisfied to obtain qualification. The PMO testing and certification process does not include value-added requirements.

The Chief Financial Officers (CFO) Act of 1990 Act places specific responsibility for developing and maintaining effective financial systems with the Chief Financial Officers in Federal agencies. This update to the *Core Financial System Requirements*, along with the establishment of the JFMIP PMO and the Knowledgebase, demonstrate the commitment of the CFO community to continually improve Federal financial systems.

We appreciate their support, and thank the Chief Financial Officers Council Financial Systems Committee, the Office of Management and Budget, the General Accounting Office, the GSA, and other agencies who participated in reviewing and providing comments on improving the requirements document.

  
Karen Cleary Alderman  
Executive Director  
February 1999

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# Acronyms

ACH	Automated Clearing House
BPAs	Blanket purchase agreements
CFO	Chief Financial Officers Act of 1990
CMIA	Cash Management Improvement Act
COTS	Commercial off-the-shelf software
DCIA	Debt Collection Improvement Act
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FAST	Federal Account Symbols and Titles
FFMIA	Federal Financial Management Improvement Act
FFMSR	Federal Financial Management System Requirements
FMFIA	Federal Managers Financial Integrity Act
FMSS	Financial Management Systems Software Schedule
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
JFMIP	Joint Financial Management Improvement Program
GAO	General Accounting Office
GPO	Government Printing Office
GSA	General Services Administration
MAS	Multiple Award Schedule
NARA	National Archives and Records Administration
OMB	Office of Management and Budget
PMO	Program Management Office
SFFAS	Statement of Federal Financial Accounting Standards
TFM	<i>Treasury Financial Manual</i>
U.S. SGL	United States Government Standard General Ledger

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# Introduction

The United States Government is the world's largest and most complex enterprise. Effectively managing an enterprise of this size requires complete, timely, and accurate information. Financial management systems are critical tools in the overall effort to reform government. The Federal government has been working to improve financial management systems for several years through a variety of initiatives. Establishment of the U.S. Government Standard General Ledger and publication of the JFMIP *Core Financial System Requirements* are just two examples. The financial management system requirements in this document apply to all departments and agencies in the Executive Branch of the Federal government.

In 1982 Congress enacted the Federal Managers' Financial Integrity Act (FMFIA). This Act requires agency heads to establish controls that provide reasonable assurances that (1) obligations and costs comply with applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures are properly recorded and accounted for.

The CFO Act strengthened the government's efforts by assigning clearer financial management responsibilities to senior officials and by requiring new financial organizations, enhanced financial systems, audited financial statements, and improved planning.

The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General to recommend Federal accounting principles and standards. After the Board's sponsors decide to adopt recommendations, the standards are published by the GAO and the Office of Management and Budget (OMB) and then become effective. OMB revises and reissues its bulletins on the "Form and Content of Financial Statements" to be consistent with the standards.

OMB Circular A-127, "Financial Management Systems," initially issued in 1984, was revised in 1993. This Circular sets forth general policies for Federal financial management systems and relates these policies to those in OMB Circular A-130, "Management of Federal Information Resources," and OMB Circular A-123, "Management Accountability and Control."

The Government Performance and Results Act of 1993 required Agencies to manage by results. In the spring of 1994, the Chief Financial Officers Council (CFO Council) adopted the following vision for financial management:

*Enabling government to work better and cost less requires program and financial managers, working in partnership using modern management techniques and integrated financial management systems, to ensure the integrity of information, make decisions, and measure performance to achieve desirable outcomes and real cost effectiveness.*

The Federal Financial Management Improvement Act of 1996 required each agency to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger "at the transaction level."

Increasingly, integrated financial management systems are expected to support program managers, financial managers, and budget analysts at the same time. Information supplied by these systems is expected to become more timely, accurate, and consistent across government. Systems and data are being shared more and more by agencies with common needs.

This most recent update was developed by JFMIP, the CFO Council Financial Systems Committee, an interagency workgroup, and the Logistics Management Institute. Changes have been made to reflect new legislation and new policies and to clarify the document's purpose and place within a series of Federal financial management systems

requirements documents. When this document was first published in 1988, it served as a basis for the GSA Financial Management Systems Software (FMSS) schedule request for proposals and as standardized requirements for agencies' systems. The September 1995 version emphasized the financial management functions which must be supported by the system in the manner best suited to that agency and in conformance with appropriate strategies for managing agency operations and information resources. This version adds two major requirements sections, the Budget Execution Function and the Revolving Fund Function. Revolving fund is mandatory for agencies that have this program, otherwise it is considered value-added.

Information that applies to all financial management systems, such as internal controls, system security, training, documentation, and support are discussed in the JFMIP *Framework for Federal Financial Management Systems* document. The Framework document, published January 1995, facilitates the design, implementation, and operations of financial management systems to support the increased emphasis being placed on improving government operations. However, the internal controls and security considerations are interspersed throughout this document.

This document will be the basis for evaluating core financial system software for compliance with JFMIP requirements beginning after Fiscal Year 1999. At that time a new testing and qualification process will be operational, linking tests back to requirements presented in this document. The JFMIP's new Program Management Office (PMO) will design scenarios to test commercial software functionality against these requirements, test the software, qualify the software as meeting mandatory requirements, and publish the results in the Knowledgebase.

Also note that the requirements are now classified as mandatory or value-added. The mandatory financial requirements are the JFMIP core requirements that must be satisfied for new software procurements. Value-added requirements are desirable capabilities and features that are of interest to agencies but not required by all agencies to satisfy increased functionality for core financial management systems. Value-added features are not listed here, but may be found in a web-based electronic repository, called the Knowledgebase. Some examples of value-added features are software packages that have budget formulation, financial planning, working capital fund, revolving fund, electronic signatures, document imaging, and integrated workflow. For agencies that have Working Capital and Revolving Fund programs the working capital and revolving fund requirements are considered mandatory and will be tested. You can access the Knowledgebase through the JFMIP/PMO homepage <http://www.financenet.gov/fed/jfmip/pmo.htm>.

The next chapter of this document sets forth the framework for the establishment and maintenance of an integrated Federal financial management system. An overview of the Core financial system and summary of requirements is provided in the System Overview chapter. Specific requirements are presented in detail in the Functional Requirements chapters. Appendices provide source for References, a Glossary, a Summary of External Reporting Requirements, and a list of Contributors.

# Federal Financial Management Framework

The *Core Financial System Requirements* document establishes standard requirements for the “backbone” modules of an agency’s integrated financial management system. It provides common processing routines, supports common data for critical financial management functions affecting the entire agency, and maintains the required financial data integrity control over financial transactions, resource balances, and other financial management systems. This document is a part of a broad program to improve Federal financial management which involves the establishment of uniform requirements for financial information, financial systems, reporting, and financial organization.

As shown in Illustration 1, standards and system requirements assist agencies in developing effective and efficient systems and provide a common framework so that outside vendors or in-house programmers can provide software more economically. Each agency should integrate its unique requirements with these governmentwide standard requirements to provide a uniform basis for the standardization of financial management systems as required by the Chief Financial Officers Act of 1990. The responsibility for financial management improvement, implementation of integrated systems, and compliance with established standards rests with the Chief Financial Officer of each agency.

One critical prerequisite to improving Federal financial management systems is understanding what is meant by integrated financial management systems for the Federal government. In 1988, the Joint Financial Management Improvement Program began the process of defining the financial management system requirements by publishing the *Core Financial System Requirements*. Since then, additional documents have been issued to create a series of financial management system requirements documents called the Federal Financial Management System Requirements (FFMSR).

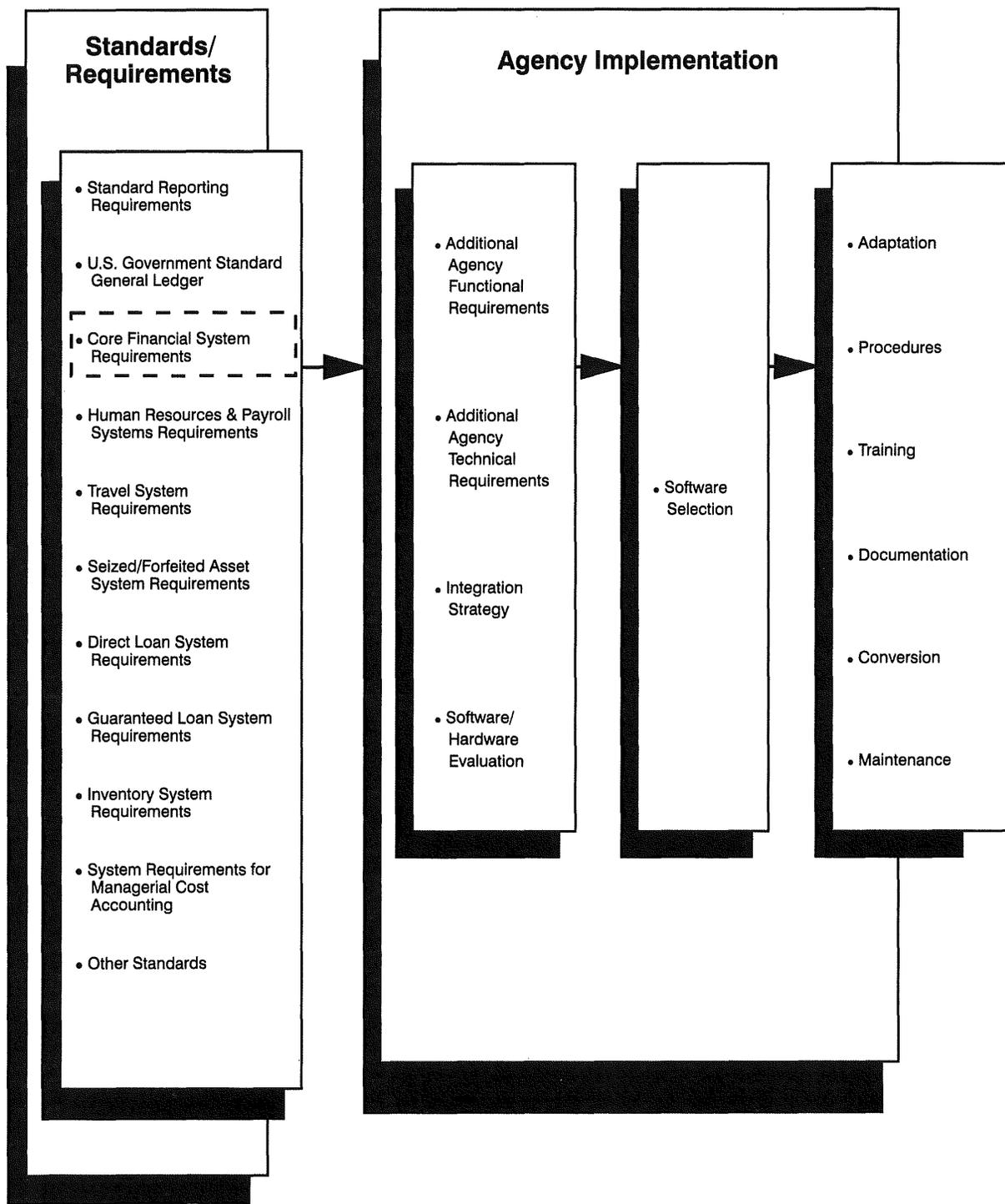
The *Framework for Federal Financial Management Systems* document describes how the various financial management systems covered in the specific requirements documents fit together and how these systems should be integrated to meet the needs of program and financial managers of the government. It includes overarching requirements, such as security, internal controls, data stewardship, and system architecture elements.

The financial management systems in the Federal government must be designed to support the vision articulated by the government’s financial management community. This vision requires financial management systems to support the partnership between program and financial managers and to assure the integrity of information for decision-making and measuring of performance. This includes the ability to:

- collect accurate, timely, complete, reliable, and consistent information;
- provide for adequate agency management reporting;
- support governmentwide and agency level policy decisions;
- support the preparation and execution of agency budgets;
- facilitate the preparation of financial statements, and other financial reports in accordance with Federal accounting and reporting standards;
- provide information to central agencies for budgeting, analysis, and governmentwide reporting, including consolidated financial statements; and
- provide a complete audit trail to facilitate audits.

In support of this vision, the Federal government must establish governmentwide financial management systems and compatible agency systems, with standardized information and electronic data exchange, to support program delivery, safeguard assets, and manage taxpayer dollars.

## Financial System Improvement Projects



  Subject of this report

Illustration 1

It is critical that financial management system plans support the agency's mission and programs, including planned changes to them, and that the financial management systems plans are incorporated into the agency's plans for information technology infrastructure and information systems as a whole. Further, system design efforts should include an analysis of how system improvements, new technology supporting financial management systems, and modifications to existing work processes can together enhance agency operations and improve program and financial management. Reassessing information and processing needs and redesigning processes, procedures, and policies are essential steps to meeting user needs.

## Integrated Financial Management Systems

Financial management systems must be designed with effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems. To be integrated, financial management systems must have (i) standard data classifications (definition and formats) established and used for recording financial events; (ii) common processes used for processing similar kinds of transactions; (iii) internal controls over data entry, transaction processing, and reporting applied consistently; and (iv) a system design that eliminates unnecessary duplication of transaction entry.

The financial management systems policy stated in OMB Circular A-127 "Financial Management Systems," requires that each agency establish and maintain a single, integrated financial management system. Without a single, integrated financial management system to ensure timely and accurate financial data, poor policy decisions are more likely due to inaccurate or untimely information; managers are less likely to be able to report accurately to the President, the Congress, and the public on government operations in a timely manner; scarce resources are more likely to be directed toward the collection of information rather than to delivery of the intended programs; and modifications to financial management systems necessary to keep pace with rapidly changing user requirements cannot be coordinated and managed properly. The basic requirements for a single, integrated financial management system are outlined in Section 7 of OMB Circular A-127.

Having a single, integrated financial management system does not necessarily mean having only one software application for each agency covering all financial management system needs. Rather, a single, integrated financial management system is a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage financial operations of the agency, and report on the agency's financial status to central agencies, Congress, and the public. Unified means that the systems are planned for and managed together, using common data elements, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agencywide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

Integration means that the user is able to have one view into the system such that, at whatever level the individual is using the system, he or she can get to the information needed efficiently and effectively through electronic means. However, integration does not mean that all information is physically located in the same database. Interfaces, where one system feeds data to another system following normal business/transaction cycles, such as salary payroll charges recorded in general ledger control accounts at the time the payroll payments are made, may be acceptable as long as the supporting detail is maintained and accessible. In such cases, interface linkages must be electronic unless the number of transactions is so small that it is not cost-beneficial to automate the interface. Easy and timely reconciliations between systems, where interface linkages are appropriate, must be maintained to ensure accuracy of the data.

To develop any integrated information system, it is critical that the senior systems analysts and systems accountants identify:

- the scope of the functions to be supported (processes),
- how data quality will be assured (data stewardship),
- the information to be processed (management information),
- how systems fit together to support the functions (systems architecture), and
- safeguards needed to ensure the integrity of operations and data (internal control).

All of these pieces must be brought together in a model such as the one shown in Illustration 2. These pieces must work together to form an effective integrated information system. A change to any part of the model will require determination of the implications on other parts of the model. For example, a new reporting requirement may require changes throughout the entire model.

### Agency Financial Management Systems Architecture

Agency financial management systems are information systems which track financial events and summarize information to support the mission of an agency, provide for adequate management reporting, support agency level policy decisions necessary to carry out fiduciary responsibilities, and support the preparation of auditable financial statements. Agency financial management systems fall into four categories: Core financial systems, other financial and mixed systems (including inventory systems), shared systems, and departmental executive information systems (systems to provide management information to all levels of managers). These systems must be linked together electronically to be effective and efficient. Summary data transfers must be provided from agency systems to central systems to permit summaries of management information and agency financial performance information on a governmentwide basis.

Subject to governmentwide policies, the physical configuration of financial management systems, including issues of centralized or decentralized activities, processing routines, data, and organizations, is best left to the determination of the agency to decide the optimal manner in which to support the agency mission.

The physical design of the system, however, should consider the agency's organizational philosophy, the technical capabilities available, and the most appropriate manner to achieve the necessary single, integrated financial management system for the agency.

The agency systems architecture shown in Illustration 3 provides a logical perspective identifying the relationships of various agency system types. Although this does not necessarily represent the physical design of the system, it does identify the system types needed to support program delivery/financing and financial event processing for effective and efficient program execution.

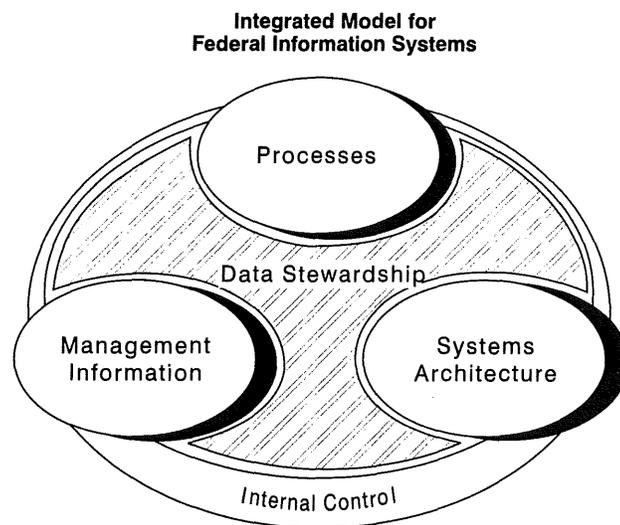


Illustration 2

## Core Financial System

As shown in Illustration 3, the Core financial system is an integral part of an agency's single, integrated financial management system. It controls and supports the key functions of an agency's financial management, including general ledger management, funds management, payment management, receipt management, cost management, and reporting. The Core financial system receives data from all other financial and mixed systems and from direct user input, and it provides data and supports processing for those systems that need it.

Financial management system development and implementation efforts shall seek cost effective and efficient solutions as required by OMB Circular A-130, "Management of Federal Information Resources." Agencies are required to use commercial-off-the-shelf (COTS) software to reduce costs, improve the efficiency and effectiveness of financial system improvement projects, and reduce the risks inherent in developing and implementing a new system; however, as stated previously, the agency has the ultimate responsibility for implementing sound financial management practices and systems, and cannot depend on a vendor or contractor to do this for them.

The General Services Administration (GSA) maintains the Financial Management System Software (FMSS) Multiple Award Schedule for vendors providing acceptable software which meets these Core financial system requirements. Currently, through Fiscal Year 1999, agencies acquiring software to meet Core financial system requirements must use the FMSS schedule unless a waiver is granted. However, starting October 1, 1999, a new process will be in place.

During Fiscal Year 1999, JFMIP will establish a Program Management Office (PMO) that will be responsible for two major functions:

### Agency Systems Architecture

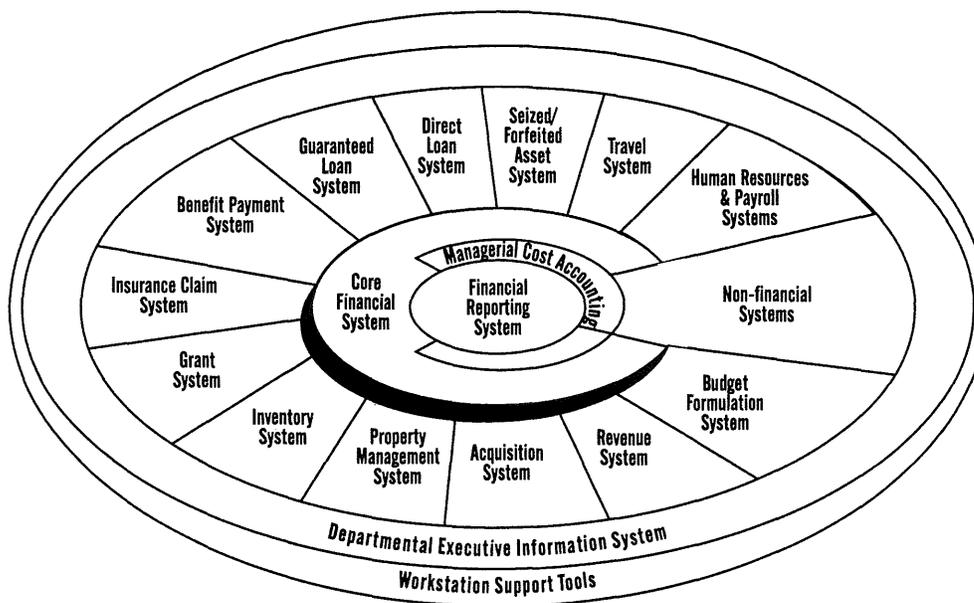


Illustration 3

- Update and communicate financial management system requirements so that COTS software vendors can understand better the Federal market requirements - the update to this document is a first step in this function; and
- test and qualify software and create an open Knowledgebase, with information available on the functional, design, and performance characteristics of certified Core financial management systems software. The availability of this “consumer report” to agencies should reduce acquisition costs and risks of implementing off-the-shelf products; they will have already been tested and certified as meeting JFMIP requirements and assessed in terms of their operational/design capability and performance;

Also, GSA is currently reengineering the current procurement schedule to support this new concept of operations. The main aspect of the procurement reengineering is to streamline the procurement process by replacing the mandatory schedule with a non-mandatory multiple award schedule (MAS) for qualified products. An aspect of the reengineering is to separate out the testing/qualification from the acquisition phase. Only that software which has been qualified as meeting Core financial management systems requirements will be available on the MAS. Part of this effort involves the PMO encouraging linkages with those other GSA schedules which include financial management systems software - both Core and non-Core; to assist agencies to tap into a single source of information.

# System Overview

This chapter provides an overview of a Core financial system. The overview has the following sections:

- Summary of Functions, which presents a high-level description of the functions supported by the Core financial system and describes how Core financial systems interact with other systems.
- Data Requirements, which discusses the types of data needed to perform the various functions of a Core financial system.

## Summary of Functions

The following is a brief description of the major functions of a Core financial system. The Functional Requirements chapter provides a detailed description of each function, including the lower level processes within each function. Illustration 4 depicts the functions within the Core financial system.

A single financial event will require processing by more than one function within the Core financial system. The Core Financial System Management function affects all financial event transaction processing because it maintains reference tables used for editing and classifying data, controls transactions, and maintains security. Likewise, the General Ledger Management function is involved either directly or indirectly with each financial event since all transactions to record financial events must be posted to the general ledger either individually or in summary. Any transactions involved in budget execution will use the Funds Management function.

An example of a financial event affecting multiple functions is a payment including additional charges not previously recorded, such as interest costs due to late payment or additional shipping charges allowed by the contract. This transaction would originate in the Payment

Management function, be edited for funds availability and update balances in the Funds Management function for the excess costs and to move the undelivered order amount to an expenditure status, update cost amounts controlled by the Cost Management function, update the general ledger balances in the General Ledger Management function, and be edited against reference data and update audit trails in the Core Financial System Management function.

### *Core Financial System Management*

The Core Financial System Management function consists of the processes necessary to maintain system processing rules consistent with established financial management policy. This function sets the framework in which all other Core financial system functions operate. The Core Financial System Management function consists of the following processes:

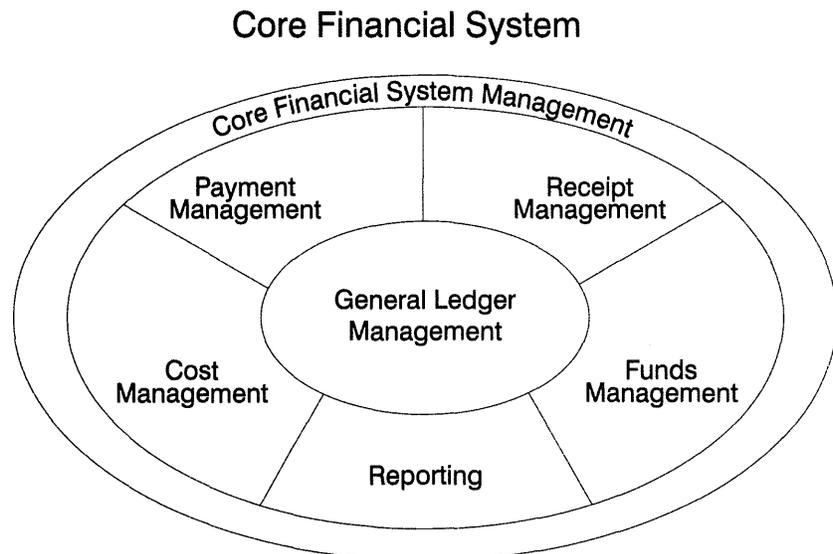


Illustration 4

- Accounting Classification Structure Management
- Standard General Ledger
- Transaction Control
- Archiving and Purging

Other processes, such as application security and other internal controls, needed to support general requirements which apply to all financial management systems also fall under this function.

### *General Ledger Management*

General Ledger Management is the central function of the Core financial system. The general ledger is the highest level of summarization and must maintain account balances by the fund structure and individual general ledger accounts established in the Core Financial System Management function. Depending on the agency's reporting requirements, some or all general ledger accounts may have balances broken out by additional elements of the accounting classification structure. All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction.

The general ledger is supported by subsidiary ledgers at various levels of detail. These subsidiary ledgers may be maintained within the Core financial system or in other systems. For example, detailed property records supporting the equipment account in the general ledger might be maintained in a system devoted to controlling and maintaining equipment. The payroll system might contain detailed employee pay records which support records of expenditure by object class and organization in the Core financial system, which in turn provide partial support for expenditure and expense accounts in the general ledger.

The General Ledger Management function consists of the following processes:

- General Ledger Posting
- Accruals, Closing, and Consolidation
- General Ledger Analysis and Reconciliation

### *Funds Management*

Each agency of the Federal government is responsible for establishing a system for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The Funds Management function of the Core financial system is an agency's primary tool for carrying out this responsibility.

OMB Circular A-34, "Instructions on Budget Execution," and, to a lesser extent, OMB Circular A-11, "Preparation and Submission of Budget Estimates," set government-wide policy for funds management with which the Core financial system must conform. In addition to supporting the government-wide policies, the Funds Management function must support agency policies on internal funds allocation methods and controls.

An agency may have many other systems in addition to the Core financial system that affect funds management. For example, procurement and travel systems prepare documents that commit and obligate funds. These and other systems that affect funds availability should access data and use processes of the Core financial system to verify that funds are available and to update balances. When possible and cost-effective, these systems should access the funds availability editing activity before allowing an obligation to be incurred, such as a contract being signed. In some cases, such as payroll, this may not be practical.

The Funds Management function consists of the following processes:

- Budget Execution
- Funds Allocation
- Funds Control

### *Payment Management*

The Payment Management function should provide appropriate control over all payments made by or on behalf of an agency. Agencies make payments to vendors in accordance with contracts; to state governments under a variety of programs; to employees for salaries and expense reimbursements; to other Federal agencies for reimbursable work performed; to individual citizens receiving Federal benefits; to recipients of Federal loans; and for many other reasons.

OMB Circular A-125, "Prompt Payment," specifies government policy for payments made to vendors against contracts, stating, in part, that agencies must make payments on time, pay interest penalties when payments are late, and take discounts only when payments are made on or before the discount date. The Cash Management Improvement Act (CMIA) specifies requirements for payments made to states. Regulations implementing CMIA are at 31 CFR Part 205. Other regulations affect payments made for travel, payroll, benefits, and other purposes.

Depending on an agency's system architecture, specific activities performed relating to payments may be supported by other systems which provide summary data to the Core financial system for control and management purposes. For example, payroll systems usually trigger the actual disbursement process to pay employees through direct deposit or by check and send only the expense and disbursement information to the Core financial system for recording by the general ledger, funds control, and cost accumulation processes. Likewise, large loan and grant programs might be supported by systems that maintain their own detailed information on payees and payments and send summary data to the Core financial system. If this situation exists, these other systems must meet the requirements listed here for payment management.

Other systems may also support activities which lead up to the payment stage, such as recording obligations and expenditures and establishing payables, but depend on the Core financial system to manage the actual payment process itself. For example, a travel system might calculate the amount to be paid on a travel voucher and send transactions to the Core financial system to record the expenses and a payable to the traveler. The Core financial system would then take over to schedule the payment for disbursement and confirm that it occurred.

The Payment Management function consists of the following processes:

- Payee Information Maintenance
- Payment Warehousing
- Payment Execution
- Payment Confirmation and Follow-up

### *Receipt Management*

The Receipt Management function supports activities associated with recording agency cash receipts, including servicing and collecting receivables. Receivables are established to account for amounts due from others as the result of performance of services by the agency, delivery of goods sold, the passage of time (e.g., interest earned), loans made to others which must be repaid, or other actions. Some receipts may be collected without the prior establishment of a receivable, as in the case of goods sold for cash.

A receivable is recognized when the agency establishes a claim to cash or other assets against other entities, either based on goods or services provided or on legal provisions, such as a payment due date (e.g., taxes not received by the date they are due). If the exact amount is unknown, a reasonable estimate is made. Receivables are accounted for as assets until funds are collected, converted into other resources, or determined to be uncollectible in whole or in part.

Depending on an agency's system architecture, servicing and collection activities for some receivables may be supported by other systems which provide data to the Core financial system. This would be particularly appropriate for receivables resulting from large programs with complex supporting data requirements, such as loan programs, grant programs, or fee-for-service programs. Servicing and collection for receivables with simpler requirements for supporting data, such as those resulting from erroneous payments, may be supported directly by the Core financial system with no support by other systems.

The Receipt Management function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. These activities must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

The Receipt Management function consists of the following processes:

- Receivable Establishment
- Receivable Management
- Collections

### *Cost Management*

The Cost Management function of the Core financial system attempts to measure the total cost of performing an activity. This is essential for providing accurate program management information, performance measures, and financial statements with verifiable disclosure of the cost of activities. The term cost refers to the financial measurement of resources used in accomplishing a specific purpose, such as performing a service, carrying out an activity, acquiring an asset, or completing a unit of work or a specific project. The level of sophistication of the Cost Management function is dependent on the operational nature (appropriation only, appropriation with reimbursable authority, revolving fund), the programs involved, and the requirements of the agency. In most instances, in an environment where the primary mission is to produce a product for sale, the costing function necessary for product costing is done in systems subsidiary to and integrated with the Core Financial System. However, in any Core system, there are certain basic functions that must be present.

The Cost Management function consists of the following processes:

- Cost Recognition
- Cost Accumulation
- Cost Distribution
- Working Capital and Revolving Fund

Once costs have been recognized, the system accumulates costs in accordance with agency requirements, then provides for the distribution of costs to cost objects.

### *Reporting*

The Core financial system must be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support budget formulation and execution functions; (3) support fiscal

management of program delivery and program decision making; (4) support internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency; and (5) monitor the financial management system.

Information maintained by the Core financial system must be provided in a variety of formats to users according to their needs. Methods of providing information include on-line inquiries, extract data files, and hard-copy reports. These requirements could be satisfied by (1) application software that is part of the Core financial system, (2) generalized reporting/inquiry software that works with a variety of applications, or (3) a combination of both, the most likely case.

The Reporting function consists of the following processes:

- Access to Information
- Financial Reporting
- System Monitoring

## Data Requirements

The Core financial system stores, accesses and updates several types of data. In this document, a grouping of related types of data is referred to as an “information store.” The term “information store” is used rather than “database” or “file” to avoid any reference to the technical or physical characteristics of the data storage medium. Actual data storage (physical databases and files) must be determined by each agency during system development and implementation based upon agency statutory requirements, technical environment, processing volumes, organizational structure, and degree of system centralization or decentralization.

The information stores defined here are logical groupings of data. Some of this data may be derived from summarizing more detailed data and, as a result, may not be stored in a permanent, physical form in some systems. In other cases, implementation of a single information store may involve several record types or files. As stated above, the physical storage characteristics are considered part of the specific system implementation strategy, which is outside the scope of this document.

The information stores used by the Core financial system are as follows:

**General Ledger.** This refers to data summarized to the level of a trial balance for each fund by fiscal year; includes control totals for all general ledger accounts.

**Funds Availability.** This refers to data supporting the funds allocation and funds control processes; tracks budgetary resources and usages (such as, but not limited to, allotments, commitments, undelivered orders, and expenditures) at the various levels within the accounting classification structure that an agency wishes to control its funds.

**Operating Data.** This refers to subsidiary ledger supporting data for general ledger accounts tracked at the lowest level of the accounting classification structure; typically used for cost data, detailed funds reporting, and similar purposes which require data by organization, program, etc.; may be used to support some or all general ledger accounts, depending on an agency’s internal management and reporting needs.

**Documents.** This refers to balances and descriptive data of individual documents, such as requisitions, purchase orders, contracts, vouchers, billings, advances, and the like.

**Posted Transactions.** This refers to data from financial transactions that have been processed, accepted and posted to the system; used to provide an audit trail of financial transactions.

**Suspended Transactions.** This refers to data from financial transactions that have been placed in a suspended status, not posted to the other information stores, due to errors in the data or due to the timing of the processing cycle for them, such as holding for overnight processing.

**Logging Data.** This refers to data used for audit trails to record activity in the system other than financial transactions, such as table changes.

**Reference Data.** This refers to data used to control actions of the system, define codes and descriptive titles, etc., such as accounting classification structure code tables, general ledger account definitions, transaction definitions, and security control tables.

**External Entities.** This refers to data concerning other entities the agency deals with, such as payees and customers, including name, address, taxpayer identification number, banking information, or other appropriate data depending on the function associated with the entity.

# Functional Requirements

The Functional Requirements chapter identifies the governmentwide requirements for a Core financial system to support the fundamental financial functions of a Federal agency. The major functions supported by a Core financial system are:

- Core Financial System Management
- General Ledger Management
- Funds Management
- Payment Management
- Receipt Management
- Cost Management
- Reporting

These functions together provide the basic information and control needed to carry out financial management functions, manage the financial operations of an agency, and report on the agency's financial status to central agencies, Congress, and the public. This includes data needed to prepare the six principal financial statements for Federal agencies in accordance with OMB Bulletin 97-01, "Form and Content of Agency Financial Statements."

# Core Financial System Management Function

The Core Financial System Management function consists of the processes necessary to maintain system processing rules consistent with established accounting policy. This function sets the framework in which all other Core financial system functions operate. The Core Financial System Management function consists of the following processes:

- Accounting Classification Structure Management
- Standard General Ledger
- Transaction Control
- Archiving and Purging

Other processes needed to support general requirements which apply to all financial management systems also fall under this function. These processes include application security and other internal controls.

Within each department or agency, the accounting classification structure, standard general ledger and subsidiary account structure, and definitions must be standardized to ensure consistency, uniformity, and efficiency in accounting treatment, classification, and reporting. Furthermore, the procedures for capturing, classifying, communicating, processing, and storing data and transactions must be uniform (or translatable among the various subsystems or system components as necessary).

## *Accounting Classification Structure Management Process*

The Accounting Classification Structure Management process provides a consistent basis for:

- Consolidating governmentwide financial information.
- Integrating planning, budgeting, and accounting.
- Capturing data at the lowest level of detail-at the point of data entry-throughout the agency in a manner that ensures that when data is rolled up to the level that is standardized, it is consistent at the standardized level,
- Comparing and combining similar programs across agencies and calculating overall program results.

OMB Circular A-127, "Financial Management Systems," requires financial management systems to reflect an agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger (SGL), provides for tracking of specific program expenditures, and covers financial and financially related information. Financial management system designs shall support agency budget, accounting, and financial management reporting processes by providing consistent financial information for budget formulation, budget execution, programmatic and financial management, performance measurement, and financial statement preparation.

The accounting classification structure is a subset of the agency financial information classification structure, which also includes financially-related personnel information, performance measurement information, and other financial information needed by the agency. It provides the means for categorizing financial information along several dimensions as needed to support financial management and reporting functions. The data elements a particular agency includes in its accounting classification structure will depend in part on the implementation strategy for the SGL (e.g., use of sub-accounts versus data elements), data aggregation requirements for preparation of financial statements under the CFOs Act, appropriation structure, and internal reporting and management needs of the agency.

To support the Accounting Classification Structure Management process, the Core financial system must:

- Provide the capability to classify accounting transactions by the following structures: fund, program, organization, project, activity, cost center, object class, and any other data elements needed to meet the data

classification and/or reporting needs of the agency. This will include relating Federal Account Symbols and Titles (FAST) structures established by Treasury in the system's fund structure for reporting purposes.

- Achieve consistency in budget and accounting classifications and synchronization between those classifications and the organizational structure. Consistency will include maintaining data relationships between budget formulation account code classifications (budget accounts published in the President's budget), budget execution and accounting classifications (appropriation fund symbols published in the Treasury annual report appendix and other Treasury publications), and the agency's organizational structure (the groups and/or individuals who have responsibility for the account coding classifications).
- Provide a fund structure that defines each entity for which separate accounting and reporting are needed to meet legal and assigned responsibilities and reporting requirements. This structure should provide for identification of appropriation or fund accounts established by OMB and Treasury through the budget process, receipt accounts, credit program and financing accounts, deposit funds, clearing accounts, and other accounts as may be deemed necessary. The fund structure must provide for additional detail below the appropriation level to support fiscal year accounting, appropriation sub-accounts used for reporting to Treasury, and financial statement preparation.
- Differentiate between the type of budgeting, accounting, and reporting treatments to be used for each fund (e.g., annual appropriation, multiyear appropriation, no-year appropriation, revolving fund, trust fund, receipt account). The account classification structure will provide additional fund structure information that supports the detailed accounting and reporting needed to fulfill legal requirements, reporting requirements, and assigned responsibilities. At a minimum, these characteristics must be supported: fund type, e.g., general fund, deposit fund, trust fund, revolving fund; borrowing source, and OMB function designations; budget status, e.g., on budget, off budget, or financing account; and the fiscal year designation, e.g., annual, multiyear, or no-year obligation authority.
- Provide a program structure with sufficient levels of detail to allow reporting for all categories on which budgetary decisions are made, whether legally binding, as in appropriation limitations, or in the nature of policy guidance, as in Presidential pass-backs, congressional markup tables, or internal agency decisions. The account classification structure must also support additional detail needed to meet external reporting requirements to OMB and Treasury and be flexible enough to meet agency-specific requirements.
- Provide the capability to establish an organization structure based on responsibility segments, such as offices, divisions, and branches. Provide for the ability to tie responsible organizational units to programs and projects.
- Identify Agency Location Codes and appropriation fund symbols for all transactions and reports involving Treasury disbursing centers, such as SF-224 "Statement of Cash Transactions," SF-215 "Deposit Ticket," and SF-5515 "Debit Voucher."
- Provide a project structure that is independent of the other classification structures to allow multiple organizations, programs, and funding sources to be associated with a project.
- Provide an object class structure consistent with the standard object class codes contained in OMB Circular A-11, "Preparation and Submission of Budget Estimates." This structure must also accommodate additional levels (higher and/or lower) needed to support agency management reporting and control needs.
- Provide a revenue source code structure to identify and classify types of revenue and receipts received by an agency so that they are represented properly on the agency's financial statements.
- Provide the capability to classify accounting transactions by other data elements needed to meet the data classification and/or reporting needs of the agency. Provide the capability to define additional data elements for use in data classification for internal reporting and/or control needs for agency-specific purposes.
- Derive the expanded accounting classification structure from abbreviated user input so that user input is minimized, data entry is made easier, and errors are controlled and reduced. Examples of methods include

entering “shorthand codes” using a keyboard function to look up additional elements, “clicking” on entries in a “lookup table” or “pop-up menu,” and scanning a bar code.

- Provide flexibility to process additions, deletions, and changes to accounting classification structure codes without extensive program or system changes. Table-driven systems, where frequently changed information is kept in tables separate from program logic and under a system administrator’s control, and data base management systems are two examples of ways to provide such flexibility.
- Provide the ability to account for budgetary resources at a lower level in the accounting classification structure than they are budgeted and controlled.

### *The Standard General Ledger Process*

The Standard General Ledger process establishes the general ledger account structure for the agency in accordance with the U.S. Government Standard General Ledger (SGL) and the transaction edit and posting rules to record financial events. The prescribed basis for Federal agency accounting is the accrual basis (31 U.S.C. 3512(e)). The SGL account and transaction definitions and the form and content requirements for financial statements were developed consistent with this concept.

The Standard General Ledger process consists of two activities: Account Definition and Transaction Definition.

**Account Definition.** OMB Circular A-127, “Financial Management Systems,” requires implementation of the SGL at the transaction level. The SGL is described in a supplement to the Treasury Financial Manual, which includes the chart of accounts, account descriptions and postings, accounting transactions, suggested data elements/subaccounts, and crosswalks to standard external reports. Each agency must implement a chart of accounts that is consistent with the SGL and meets the agency’s information needs.

To support the Account Definition activity, the Core financial system must:

- Use a chart of accounts consistent with the basic numbering structure provided in the U.S. SGL. Any expansion to the numbering system must roll up to the posting accounts provided in the U.S. SGL.
- Incorporate both proprietary and budgetary accounts in the system, and maintain the relationships between accounts as described in the U.S. SGL.
- Use account titles consistent with the account titles provided in the U.S. SGL.
- Provide subsidiary ledger support for U.S. SGL accounts. Support may be as detailed as the agency deems appropriate for asset protection, management information, and fund accounting. The system must also support reconciliation of U.S. SGL control accounts to their respective subsidiary records by accounting period.
- Support an SGL account structure for multiple appropriations (including receipt accounts) or funds and multiple fiscal years within the appropriations, including annual, multiyear, and no-year appropriations.
- Support the use of processing of information consistent with the standard transaction identification process rules from U.S. SGL.
- Provide the capability to create additional sub-accounts to the U.S. SGL for agency specific tracking and control. These sub-accounts will summarize to the U.S. SGL accounts.

**Transaction Definition.** The Transaction Definition activity defines the editing and posting rules for transactions in the Core financial system. OMB Circular A-127 requires common processes to be used for processing similar kinds of transactions throughout an integrated financial management system to enable transactions to be reported in a consistent manner. It also requires financial events to be recorded applying the requirements of the SGL at the

transaction level. Many of the SGL accounting transaction descriptions require a single accounting event to update multiple budgetary and proprietary accounts.

To support the Transaction Definition activity, the Core financial system must:

- Use standardized transactions identified by reference codes to control transaction editing, posting to the appropriate U.S. SGL accounts, and updating of other information maintained in the system, such as document balances and available funding.
- Allow standardized transactions, including system-generated transactions, to be established, modified, or deleted by authorized personnel. Provide for traceability of changes.
- Update both budgetary and proprietary accounts based on a single input transaction.
- Generate and post compound U.S. SGL debit and credit entries (at least four pairs) to the U.S. SGL as a result of a single transaction.
- Process system-generated transactions, such as automated accruals, closing entries, cost assignment transactions, recurring payments, and transactions that generate other transactions in those cases where a single transaction is not sufficient.
- Automatically liquidate, partially or in full, document balances through designated transaction codes. This capability will be used in the liquidation of commitments, undelivered orders, payables, receivables, or other items, as appropriate.
- Provide the capability to add, modify, and maintain editing and posting rules through systems tables controlled by authorized personnel.
- Perform integrity checks on batches received via interfaces. Checks should include a batch number to detect duplicate or skipped batches, and validity of header and trailer records to ensure counts and amount in trailer agree with records in the batch.

### *Transaction Control Process*

In addition to recording transactions originally entered into the Core financial system, the Core financial system must be able to process transactions originating in other systems, recording and keeping track of such transactions and related information, in order to provide the basis for central financial control. The Transaction Control process requirements are grouped under two activities: Audit Trails and Transaction Processing.

**Audit Trails.** Adequate audit trails are critical to providing support for transactions and balances maintained by the Core financial system. While audit trails are essential to auditors and system evaluators, they are also necessary for day-to-day operation of the system. For example, they allow for the detection and systematic correction of errors that arise.

To support this activity, the Core financial system must:

- Provide audit trails to trace transactions from source documents, original input, other systems, system-generated transactions, and internal assignment transactions through the system. Provide transaction details to support account balances.
- Provide audit trails to trace source documents and transactions through successive levels of summarization to the financial statements and the reverse.
- Provide audit trails to identify changes made to system parameters and tables that would affect the processing or reprocessing of any financial transactions.

- Select items for review based on user-defined criteria by type of transaction. Examples of reasons to select items are payment certification and financial statement audits.
- Provide audit trails that identify document input, change, approval, and deletions by originator.

**Transaction Processing.** The Transaction Processing activity must ensure that all transactions are handled consistently, regardless of their point of origin. It also must ensure that transactions are controlled properly to provide reasonable assurance that the recording, processing, and reporting of financial data are properly performed and that the completeness and accuracy of authorized transactions are ensured.

To support this activity, the Core financial system must:

- Post to the current and prior months concurrently until month-end closing; maintain and provide on-line queries and reports on balances separately for the current and prior months. At a minimum, balances must be maintained on-line for both the current and prior months until prior month closing.
- At year's end, post to the current year by month, as well as to the prior year, regardless of when year-end closing occurs. For example, a user should be able to post to the previous fiscal year, while also posting transactions to the current year. Balances must be maintained and accessible through on-line queries for both the current and prior fiscal years until year-end closing.
- Provide control over the correction and reprocessing of all erroneous transactions through the use of error file(s) and/or suspense accounts. Erroneous transactions must be maintained and tracked until either corrected and posted or deleted at the specific request of an authorized user.
- Provide standard record format(s) for interface of transactions from other systems to the Core financial system and subject all transactions from interfacing systems to the Core financial system edits, validations, and error correction procedures. Erroneous transactions must be maintained and tracked until either corrected and posted or deleted by an authorized user.
- Support both batch and real-time on-line data entry and use the same edit and update rules as appropriate for each mode.
- Support simultaneous data entry/access by multiple users in a variety of access modes.
- Support management controls to ensure that transactions are processed in accordance with government and agency-prescribed standards and procedures, the integrity of data in the system is maintained, and access is restricted to authorized users.
- Provide transaction edits that control, at a minimum, fund availability, account structure, and tolerance levels between related transactions, such as between an obligation and its related accrual.
- Provide controls to prevent the creation of duplicate transactions.
- User entry and query screens must support validation of codes entered on the screen and assist users in determining correct codes if an invalid code is entered. Provide for inquiry by the user to verify valid codes during the data entry process.
- Provide the capability to enter and store for future processing any transactions in the current month for processing in the subsequent month.
- Provide the ability to process intra-governmental transactions and track intro-governmental balances related to other Federal agencies.

### *Archiving and Purging Process*

The Archiving and Purging process supports data management for the Core financial system. It removes data which is no longer needed for immediate access from the system data stores used for inquiry and reporting on current information. Archiving moves data to a storage medium that has a longer access time, for example, from disk to tape. Purging deletes data altogether. Archiving and purging criteria should be jointly agreed to by the system administrator and users to balance user needs with resource limitations.

To support the Archiving and Purging process, the Core financial system must:

- Archive transactions and related information needed for audit trails in a format accessible by audit software.
- Allow closed documents to be reopened at the document control level with all associated transaction history. Prior month's control totals and balances will not be affected by a reopened document.
- Provide the authorized system administrator the flexibility to determine whether records are to be archived or purged. Of those documents that meet the criteria the system must allow selective action. The system must include the capability to establish and maintain user defined archival criteria.
- Retain system records in accordance with Federal regulations established by the National Archives and Records Administration (NARA), GAO, and others. Prevent the purging of transactions prior to the proper period in accordance with regulations governing the retention of documents and transactions.

# General Ledger Management Function

General Ledger Management is the central function of the Core financial system. The general ledger is the highest level of summarization and must maintain account balances by the fund structure and individual general ledger accounts established in the Core Financial System Management function. Depending on the agency's reporting requirements, some or all general ledger accounts may have balances broken out by additional elements of the accounting classification structure.

The general ledger is supported by subsidiary ledgers at various levels of detail. These subsidiary ledgers may be maintained within the Core financial system or in other systems. For example, detailed property records supporting the equipment account in the general ledger might be maintained in a system devoted to controlling and maintaining equipment. The payroll system might contain detailed employee pay records which support records of expenditure by object class and organization in the Core financial system, which in turn provide partial support for expenditure and expense accounts in the general ledger.

All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction. Posting of transactions whose initial point of entry is the Core financial system would normally be expected to occur for each transaction individually. Posting of transactions originated in other systems may occur either for individual transactions or for summarized transactions as long as an adequate audit trail is maintained. The Core financial system is not expected to maintain duplicates of every transaction occurring in other systems. For example, rather than posting every payroll transaction for every employee, summary transactions by organization could be passed to the Core financial system for posting.

The General Ledger Management function consists of the following processes:

- General Ledger Posting
- Accruals, Closing, and Consolidation
- General Ledger Analysis and Reconciliation

## *General Ledger Posting Process*

This process records financial transactions in the general ledger using double-entry accounting. The posting rules that specify which accounts to debit and credit for each transaction are defined in the Standard General Ledger process of the Core financial system management function.

To support the General Ledger Posting process, the Core financial system must:

- Post transactions to the SGL in accordance with the transaction definitions established by the Core financial system management function.
- Maintain historical data to produce comparative financial reports for management use.

## *Accruals, Closing and Consolidation Process*

This process creates accrual transactions and closing entries needed at the end of a period (month or year) for reporting purposes. It also controls and executes period-end system processes needed by the system to open a new reporting period, such as rolling forward account balances or reversing certain year end entries. This process supports the preparation of consolidated financial statements by identifying information needed in that process.

To support the Accruals, Closing, and Consolidation process, the Core financial system must:

- Provide for automated month-and year-end closing of SGL accounts and rollover of the SGL account balances (Note that this includes sub-accounts). Allow selected transactions, i.e., adjustments, to be processed.
- Provide the capability for multiple preliminary year-end closings before final year-end closing, while maintaining the capability to post current period data. Posting of current period data will not be affected by this process.
- Automatically generate selected recurring accrual entries and reversals in the next fiscal period.
- Allow for accruals of contracts or other items that cross fiscal years.
- Selectively generate required transactions as needed by the year-end closing procedures.
- Separately identify amounts that would be eliminated when preparing intra-agency and interagency consolidations.
- Prepare trial balances and other supporting information needed for external reports and financial statements, including consolidated statements.
- Support multiple pre-final closings to accommodate incremental adjustments and closing.
- Provide for a year-end rollover of appropriate system tables into the new fiscal year, under the control of an authorized system administrator.
- Provide the capability to process, track, and control prior fiscal year adjustment transactions.

#### *General Ledger Analysis and Reconciliation Process*

This process supports the control functions of the General Ledger. The Core financial system provides information for accountants to use in determining that amounts posted to general ledger control accounts agree with more detailed subsidiary accounts and in reconciling system balances with financial information contained in reports from Treasury and other agencies. As internal controls improve and system integration increases, the likelihood of out-of-balance conditions decreases; however, the possibility of such conditions will always exist as a result of system failures, incorrect transaction definitions, etc.

To support the General Ledger Analysis and Reconciliation process, the Core financial system must:

- Report a comparison between amounts in other components of the Core financial system and the related control accounts in the U.S. SGL and annotate out-of-balance accounts on the report.
- Provide control accounts in the general ledger to balance between the general ledger and other systems, such as property and travel management.
- Provide the capability for authorized users to correct out-of-balance conditions discovered during the reconciliation process. Maintain an audit trail of any such corrections.
- Provide for reconciliation of all open accounting period (prior month, current month, prior fiscal year, and current fiscal year) balances to their respective subsidiaries through on-line queries and reports.

# Funds Management Function

Each agency of the Federal government is responsible for establishing a system for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The Funds Management function of the Core financial system is an agency's primary tool for carrying out this responsibility.

OMB Circular A-34, "Instructions on Budget Execution," and, to a lesser extent, OMB Circular A-11, "Preparation and Submission of Budget Estimates," set government-wide policy for funds management with which the Core financial system must conform. In addition to supporting the government-wide policies, the Funds Management function must support agency policies on internal funds allocation methods and controls.

An agency may have many other systems in addition to the Core financial system that affect funds management. For example, procurement and travel systems prepare documents that commit and obligate funds. These and other systems that affect funds availability should access data and use processes of the Core financial system to verify that funds are available and to update balances. When possible and cost-effective, these systems should access the funds availability editing activity before allowing an obligation to be incurred, such as a contract being signed. In some cases, such as payroll, this may not be practical.

The Funds Management function consists of the following processes:

- Budget Execution
- Funds Allocation
- Funds Control

## *Budget Execution Process*

The Budget Execution function is the highest level of an Agency's fund control and consists of processes where the agency fund control systems will be fully supported by agency accounting systems. It also consists of processes needed to track an agency's budget authority and manage prior year's funds in the current year. The timeframe covered by an agency's fund control system will correspond to the agency's financial plans. Allotment systems should be designed so that responsibility for budget control is placed at the highest practical organizational level consistent with effective and efficient management and control.

To support the Budget Execution process, the Core financial system must:

- Provide the ability to track changes to budget authority at multiple levels of distribution.
- Provide the capability to track actual amounts (e.g., commitments and obligations) against the original and revised budgeted amounts consistent with each financial planning level.
- Provide flexibility in establishing and modifying funding distribution and spending levels at multiple organizational levels. Allow authorized personnel to reallocate funds at designated levels.
- Provide the ability to manage and control prior year funds in the current year, including the capability to identify prior year and current year de-obligations separately.
- Support tolerance levels that are user-defined and established and maintained in tables controlled by authorized personnel. The tolerance levels should be maintained in terms of percentages of the total with a not-to-exceed dollar threshold.

## *Funds Allocation Process*

This process records an agency's budgetary resources and supports the establishment of budgetary limitations at each of the levels required within the agency. The higher levels, such as appropriation, apportionment and

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allotment, have the weight of legal authority behind the limitations. Lower levels of control are generally used for internal management purposes.

To support the Funds Allocation process, the Core financial system must:

- Record funding and related budget execution documents.
- Record limitations and control the use of funds against them consistent with appropriation and authorization language, congressional intent, and administrative limitations established by agency management.
- Distribute, track, control, and report funds authorized at various funding levels, based on the SGL, accounting classification structure, and project structure.
- Allow modification of limitations in accordance with apportionment actions, reprogramming, rescissions, and other adjustments.
- Record and control funds that receive other budgetary authority in addition to appropriations, and identify the type of authority.
- Record the expiration and cancellation of appropriation authority in accordance with OMB Circular A-34 and the U.S. SGL.
- Maintain operating plans at or below the funds control level of the classification structure.
- Allow authorized personnel to reallocate funds at designated levels.
- Account for budgetary resources at a lower level in the accounting classification structure than they are budgeted.

### *Funds Control Process*

This process records transactions affecting the resource usage accounts in the budgetary section of the U.S. Government Standard General Ledger (e.g., commitments, undelivered orders, expenditures, reimbursements earned). It also provides appropriate warnings and controls to ensure that budgetary limitations are not exceeded. The Funds Control process consists of the following activities: Funds Availability Editing, Commitments, Obligations, and Analysis.

**Funds Availability Editing.** This activity verifies that sufficient funds are available at the various control levels specified in the Funds Allocation process for each transaction processed which may affect available funds balances. If sufficient funds are not available, notification is provided so that appropriate action may be taken.

To support the Funds Availability Editing activity, the Core financial system must:

- Provide for on-line notification of funds availability prior to the distribution of lower level funding and the processing of commitment, obligation, or expenditure transactions.
- Support the timely recording of funding transactions. Check commitment transactions against available funds. Include adequate controls to prevent the recording of commitments that exceed available balances. Support recording obligations or expenditures that exceed available balances and produce a report or otherwise provide a method that allows management to review the cause of this over obligation condition.
- Provide for designated authorities to establish and modify the level of funds control using elements of the classification structure, including object class, program, organization, project, and fund.
- Provide for designated authorities to establish and modify the system's response (either reject transaction or provide warning) to the failure of a funds- availability edit for each transaction type.

- Provide the capabilities and controls for authorized users to override funds- availability edits.
- Record the financial impact of all transactions that affect the availability of funds, such as commitments, liquidations, obligations, and expenditures.
- Provide automatic real-time notification to users of transactions failing the funds-availability edit and place the rejected transactions in an error file and/or suspense account for corrective action. In cases where the actual event has already occurred (such as labor hours worked or a contract already signed), the transaction should be recorded and a warning or report issued to alert the user to the need for follow-up action.
- Update all appropriate accounts to ensure that the system always maintains and reports the current status of funds for all open accounting periods.
- Determine funds availability on adjustments to obligations or expenditures based on whether the funds cited are current, expired, or cancelled.
- Check available funds for obligating documents (including amendments to obligating documents resulting in a change to dollar amounts or to the classification structure).
- Check available funds when the expenditure exceeds the obligating document due to quantity or price variances within tolerances, additional shipping charges, etc.
- Adjust available fund balances as reimbursable orders are accepted. In the case of reimbursable orders from the public, an advance must also be received before additional funding authority is recorded.
- Check available funds for commitments and obligations incurred in support of reimbursable agreements.

**Commitments.** This activity records commitment documents, such as requisitions. Commitments are an optional stage prior to the establishment of an obligation. Commitments can be a useful tool in funds management by helping users to anticipate future procurements. They should be used when helpful to an agency's management process, but are not necessary, or even appropriate, for all obligations.

To support the Commitment activity, the Core financial system must:

- Allow commitment documents to be entered into the Core financial system on-line and from multiple locations, as well as through interfaces with other systems.
- Maintain information related to each commitment document, including amendments. At a minimum, the Core financial system must capture:
  - requisition number,
  - accounting classification structures, and
  - estimated amounts.
- Provide for modifications to commitment documents, including ones that change the dollar amount or the accounting classification structure cited. Invoke funds availability editing for the changed amounts.
- Allow for commitment documents to be future-dated, stored, and posted at the appropriate date. Subject these documents to edit and validation procedures prior to posting.
- Close commitment documents under the following circumstances: (1) by the system upon issuance of an obligating document, (2) by an authorized user, and (3) as part of the year-end closing if the commitment is in an annual appropriation or in the last year of a multiyear appropriation.
- Provide the capability to support commitment accounting based on agency needs.

**Obligations.** OMB Circular A-34 defines obligations as amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Such amounts include outlays for which obligations had not been previously recorded and reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations.

To support the Obligation activity, the Core financial system must:

- Record obligations based on obligating documents and liquidate, at the user's request, the related commitments, either partially or fully.
- Record obligations for which there is no related commitment.
- Maintain information related to each obligation document, including amendments. At a minimum, the Core financial system must capture obligating document number and type; vendor number and other identification, including vendor ID, SSN, TIN, EIN, and DUNS number; accounting classification structures; referenced commitment (if applicable); and dollar amounts.
- Allow obligation documents to be entered into the Core financial system on-line and from multiple locations, as well as through an interface with other systems.
- Allow transactions creating anticipated obligation documents to be entered early, stored, and posted at the appropriate date. Subject these documents to edit and validation procedures prior to posting. If the anticipated obligation does not occur, permit the user to delete the transaction without posting it.
- Allow multiple commitments to be combined into one obligating document and one commitment document to be split between multiple obligating documents.
- Allow authorized modifications and cancellations of posted obligating documents.
- Provide on-line access to all obligations by selection criteria, e.g., document number.
- Maintain an on-line history file of closed-out documents for a user-defined period of time.
- Retain (for audit trail purposes) all system record files along with all amendments.
- Close obligating documents either by (1) the system automatically, upon complete performance/delivery, or (2) an authorized user.
- Record various intra-governmental acquisition transactions, such as GSA Personal Property Center, reimbursable orders, and printing from the Government Printing Office (GPO).
- Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented.
- Record blanket purchase agreements (BPAs) and track, control, and monitor records of call.
- Track, control, and monitor delivery orders against a contract limitation.
- Record expenditures related to payments made through use of imprest funds, third-party drafts, and Government credit cards.
- Record expenditures claimed against advance payments made, such as travel advances, contract advances, and grants.

**Analysis.** The Analysis activity provides information necessary to support analysis of the Funds Management function. It provides information on funds availability at the levels defined and compares data in the Funds Management function to data in other functions to ensure consistency.

To support the Analysis activity, the Core financial system must:

- Maintain current information on commitments and obligations according to the classification structure, on a fund by fund basis.
- Track the use of funds against operating or financial plans.
- Report plan to actual at the level of the operating plans.
- Summarize, compare, and report the operating plans to the appropriate level of funds control.
- Produce detailed listings and summary reports by the defined level of funds control for those documents that represent commitments, undelivered orders, and expenditures.
- Provide control features that ensure that the amounts reflected in the fund control structure agree with the U.S. SGL account balances at the end of each update cycle.
- Maintain historical data on all commitment, undelivered order, payable, and payment transactions.
- Maintain open documents to show the status of commitments, undelivered orders, accruals, and disbursements by document line item.

# Payment Management Function

The Payment Management function should provide appropriate control over all payments made by or on behalf of an agency. Agencies make payments to vendors in accordance with contracts; to state governments under a variety of programs; to employees for salaries and expense reimbursements; to other Federal agencies for reimbursable work performed; to individual citizens receiving Federal benefits; to recipients of Federal loans; and for many other reasons.

OMB Circular A-125, "Prompt Payment," specifies government policy for payments made to vendors against contracts. It states in part, that agencies must make payments on time, pay interest penalties when payments are late, and take discounts only when payments are made on or before the discount date and when it is advantageous to the government. The Cash Management Improvement Act (CMIA) specifies requirements for payments made to states. Regulations implementing CMIA are at 31 CFR Part 205. Debt Collection Improvement Act of 1996 (DCIA) provided for access to taxpayer identification numbers and enhanced administrative offset and salary offset authorities. Other regulations affect payments made for travel, payroll, benefits, etc.

Depending on an agency's system architecture, specific activities performed relating to payments may be supported by other systems which provide summary data to the Core financial system for control and management purposes. For example, payroll systems usually trigger the actual disbursement process to pay employees through direct deposit or by check and send only the expense and disbursement information to the Core financial system for recording by the general ledger, funds control, and cost accumulation processes. Likewise, large loan and grant programs might be supported by systems that maintain their own detailed information on payees and payments and send summary data to the Core financial system. If this situation exists, these other systems must meet the requirements listed here for payment management.

Other systems may also support activities which lead up to the payment stage, such as recording obligations and expenditures and establishing payables, but depend on the Core financial system to manage the actual payment process itself. For example, a travel system might calculate the amount to be paid on a travel voucher and send transactions to the Core financial system to record the expenses and a payable to the traveler. The Core financial system would then take over to schedule the payment for disbursement and confirm that it occurred.

The Payment Management function consists of the following processes:

- Payee Information Maintenance
- Payment Warehousing
- Payment Execution
- Payment Confirmation and Follow-up

## *Payee Information Maintenance Process*

The term "payee" is used here to include any entity to whom a disbursement may be made, for example, individuals and organizations providing goods and services, employees, grant recipients, loan recipients, and other government agencies. In an integrated system, payee information needed to make payments should be coordinated with information needed for other purposes and in other systems. For example, a company that provides goods and services to an agency should have a common identifier associated with it that is shared by the procurement and payment processes, so that contract information and payment information can be linked, even if the addresses for ordering and paying are different. Furthermore, if the same company was also to receive payments from the agency, such as a loan, that information should also be available to the procurement and payment processes.

To support the Payee Information Maintenance process, the Core financial system must:

- Maintain payee information that includes data to support obligation, accounts payable, and disbursement processes.
- Support payments made to third parties that act as an agent for the payee.
- Maintain information needed to support IRS 1099 and W-2 reporting, including TIN and payee type (e.g., sole proprietorship, partnership, corporation). In cases where a third party acting as agent receives the payment, maintain 1099 information for the principal party rather than the agent. Provide the capability to identify payees who receive 1099s, including 1099Cs.
- Allow multiple payment addresses and/or bank information for a single payee.
- Provide search capability for payee information.
- Produce payee listings based on agency-defined criteria, e.g., payee name and number.

### *Payment Warehousing Process*

This process recognizes and records payments due to another entity in the near term. These payments may be due for any of several reasons, for example, as a result of receiving goods and services in accordance with contract terms, under a loan or grant agreement, as an advance payment for goods or services to be provided in the future, or as a progress payment under a construction contract.

OMB Circular A-125 requires documentation to support payment of invoices and interest penalties, including information from contracts, invoices, and receiving reports. These documents should be matched through a process, which may be automated, manual, or a combination, that ensures that payments are made in accordance with contract terms and applicable regulations. Adequate internal controls should be in place to verify that goods and services paid for were actually ordered and received and are paid for only once and at the agreed-upon price.

To support the Payment Warehousing process, the Core financial system must:

- Warehouse and schedule payments in accordance with applicable regulations, for example, OMB Circular A-125, the Cash Management Improvement Act, and travel regulations. Provide the capability to capture, store, and process appropriate invoice information, including: invoice number, invoice amount, obligating document references, vendor number, payee name and address, discount terms, invoice amount, invoice date, and invoice receipt date in accordance with Treasury standards and the Prompt Payment Act.
- Record an accrued liability upon receipt and acceptance of goods and services and properly identify them as capital asset, expense, prepaid expense, or construction.
- Record invoices through keyboard entry by a user and through an electronic interface with vendors in an electronic commerce arrangement.
- Access previously entered information and/or record additional information necessary to automatically determine the due date and amount of vendor payments in accordance with OMB Circular A-125, based on invoices, receiving reports, and contracts or purchase orders. Due date determination should take into account special situations, such as contract provisions specifying nonstandard acceptance periods; laws specifying payment terms for certain commodities, such as meat or dairy products; failure to return a defective invoice in a timely fashion; and others specified in OMB Circular A-125.
- Provide the capability of splitting an invoice into multiple payments on the appropriate due dates when items on the invoice have different due dates.

- Record discount terms and automatically determine whether taking the discount is economically justified as defined in the Treasury Financial Manual, Volume I, section 6-8040.
- Record additional shipping and other charges to adjust the payment amount, if they are authorized.
- Adjust the asset or expense recorded with the liability if the authorized payment (based on the invoice) is different from the amount accrued (based upon receipt and acceptance) using contract information and any increase is within agency tolerances. Automatically adjust the obligation amount as well and edit for funds availability to cover increases.
- Automatically update the funds control and budget execution balances to reflect changes in the status of undelivered orders and expended appropriations as well as changes in amounts.
- Establish payables and make payments on behalf of another agency, citing the other agency's funding information.
- Allow obligating documents to be reopened by authorized staff after final payment has been made.
- Allow changes to payment schedules by authorized staff prior to submission to the disbursing office.
- Process credit memoranda for returned goods or other adjustments. Apply the credit to the specific obligation that resulted in the credit, reducing the expense attributed to that obligation. If a credit is not fully liquidated by one payment, maintain the balance of the credit for application against a future payment. Create the appropriate notice to the vendor that a credit has been applied to the affected payment.
- Reestablish payables for voided checks or checks or EFTs that have been returned but have not been negotiated, and allow for reversing the accounting transaction leading to the disbursement and reestablishing a payable, as appropriate.
- Record obligations, expenses, assets, etc., associated with payments made through use of imprest funds, third party drafts, and government credit cards. Establish payables to replenish the imprest fund or pay the financial institution handling the third party drafts and credit cards.
- Schedule payments of advances, prepaid expenses, loans, grants, etc., with the appropriate accounting entries for each.
- Record expenses, assets, etc., based upon performance funded by advances, prepaid expenses, and grants, and make the appropriate liquidations. Automatically update funds control balances to reflect obligation changes.
- Provide the capability to support capture, storage, and processing of invoices received in electronic format through an electronic commerce arrangement or from another system.
- Allow for compliance at the data level, with existing Treasury standards dictating format and length for certain invoice fields.
- Adjust the obligation based on final invoice/payment tolerance percentage and amount authorized, provided the amount is within the funds limitations and checks.

### *Payment Execution Process*

This process supports activities required to make a payment which was warehoused or to record a payment made by another system. Agencies for whom Treasury does the actual disbursing prepare requests for disbursements that are transmitted to Treasury. Some agencies have their own disbursing authority and can print checks or make electronic transfers themselves.

To support the Payment Execution process, the Core financial system must:

- Automatically identify and select payments to be disbursed in a particular payment cycle based on their due dates. Provide a function for review and certification by an authorized certifying officer.
- Allow specific payments selected for disbursement to be excluded from the payment cycle and held for later payment.
- Automatically compute amounts to be disbursed, including discounts, withholdings, interest, or penalties, in accordance with applicable regulations. Generate the appropriate transactions to reflect the above deductions and additions.
- Automatically include on each payment relevant identification information (e.g., invoice number, obligating document number, and interest penalty amount and calculations).
- Collect information on discounts taken, discounts lost, and interest penalties to comply with current applicable prompt payment information tracking requirements.
- Calculate totals by appropriation symbol for inclusion on the payment schedule, except unidentified appropriations.
- Provide for various forms of payment to be used, i.e., check or electronic funds transfer (e.g., ACH, wire). Support Treasury-specific standards for format of check and EFT payment requests.
- Provide the capability to capture, store, and process information related to supporting the creation/generation of EFT payments (ACH or wire) in accordance with Treasury standards, including ABA routing number, recipient bank account number, and account type.
- Support Treasury specific standards for format of check and EFT payment requests.
- Allow for consolidation of multiple payments to a single payee, up to the TFM-prescribed limitation in order for the disbursing office to produce one check or EFT and itemize all payments covered by the one check or EFT. Allow for separate checks to a payee in specific instances where needed.
- Allow a payment request to be removed from the automated scheduling stream and to be scheduled as a manual payment by an authorized official.
- Provide the capability to schedule and make payments in various forms (e.g., ACH, SF-1166) as required by an agency's disbursing offices, including physical media (e.g., tape, electronic transfer).
- Prepare reports to Treasury on disbursements made by an agency with its own disbursing authority.
- Process transactions resulting from payments made using other systems, such as payroll. Record disbursements, assets, expenses, obligations, or other accounts as appropriate, but do not schedule a payment through the Core financial system if the payment has already been made by the other system.
- Support the receipt of bills from other Federal agencies, and their payment through central electronic systems.
- Record payments made by another entity, such as a finance center, on behalf of the agency using agency funds.
- After payments are scheduled and prior to actual disbursement by Treasury, allow for cancellation of an entire payment schedule or a single payment within a payment schedule.
- Flag payment transactions that will disburse a fund into a negative cash position. (Reimbursable work can result in this type of transaction with appropriate authority.)

*Payment Confirmation and Follow-up Process*

This process confirms that disbursements were made as anticipated and supports inquiries from vendors regarding payments and reporting requirements relating to the Payment Management function.

To support the Confirmation and Follow-up process, the Core financial system must:

- Provide information about each payment to reflect the stage of the scheduling process that the payment has reached and the date each step was reached for the following processing steps:
  - Payment scheduled
  - Schedule sent to appropriate disbursing office
  - Payment issued by appropriate disbursing office.
- Provide for the comparison of the agency's payment schedule and disbursing office's accomplished payment schedule.
- Update payment information when confirmation is received from the disbursing office, including the paid schedule number, check numbers or trace numbers, and date, amount of payment, payment method (check or EFT).
- Maintain history of every payment by the Core financial system, including authorizing document number, payment schedule number, payment date, invoice number, vendor number, vendor name, payment address, appropriation charged, and prompt payment information.
- Provide on-line access to vendor and payment information.
- Provide on-line access to open documents based on agency selection criteria, e.g., document number.
- Produce IRS 1099s in IRS acceptable form (hard copy or magnetic tape).
- Produce the SF-224, Statement of Transactions .
- Produce supporting information needed to prepare the prompt payment report in accordance with requirements in OMB Circular A-125.
- Automatically liquidate the related liability or the in-transit amount when payment confirmation updates the system.

# Receipt Management Function

The Receipt Management function supports activities associated with recording agency cash receipts, including servicing and collecting receivables. Receivables are established to account for amounts due from others as the result of performance of services by the agency, delivery of goods sold, the passage of time (e.g., interest earned), loans made to others which must be repaid, or other actions. Some receipts may be collected without the prior establishment of a receivable, as in the case of goods sold for cash.

A receivable is recognized when the agency establishes a claim to cash or other assets against other entities, either based on goods or services provided or on legal provisions, such as a payment due date (e.g., taxes not received by the date they are due). If the exact amount is unknown, a reasonable estimate is made. Receivables are accounted for as assets until funds are collected, converted into other resources, or determined to be uncollectible in whole or in part.

Depending on an agency's system architecture, servicing and collection activities for some receivables may be supported by other systems which provide data to the Core financial system. This would be particularly appropriate for receivables resulting from large programs with complex supporting data requirements, such as loan programs, grant programs, or fee-for-service programs. Servicing and collection for receivables with simpler requirements for supporting data, such as those resulting from erroneous payments, may be supported directly by the Core financial system with no support by other systems.

The Receipt Management function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. These activities must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

The Receipt Management function consists of the following processes:

- Receivable Establishment
- Receivable Management
- Collections

## *Receivable Establishment Process*

The Receivable Establishment process supports activities to record receivables in the system as they are recognized and produce bills for amounts due to the agency.

To support the Receivable Establishment process, the Core financial system must:

- Support the calculation, generation, and posting of customer bills based upon billing source, event and/or time period, and type of claim in accordance with agency program requirements. Bases used for billing may include:
  - percentage of reimbursable obligations, accrued expenditures, or costs, using data recorded by the cost accumulation function;
  - fee schedules for goods or services provided;
  - duplicate payments;
  - erroneous payments; and
  - payment schedules or other agreements with other entities.
- Record the establishment of receivables along with the corresponding revenues, expenditure reductions, or other offsets.
- Support the establishment and tracking of receivables to be paid under installment plans, including plans for which payments have been rescheduled.

- Print bills, accommodating the generation of standard forms, such as SF-1080s or SF-1081s, and turnaround documents to be used as a remittance advice. Allow customized text in generated billing documents.
- Support bills and collections between Federal agencies through the use of electronic system, including recording collections and payments between agencies with supporting documentation.
- Allow transactions related to manually prepared bills to be entered by authorized personnel.
- Record adjustments to bills and post to customer accounts.
- Date the bills with the system generated date or with the date supplied by an authorized user.
- Print statements as well as bills.
- Accept transactions that generate receivables from other systems in a standard format for entry into the Core financial system.

### *Receivable Management Process*

The Receivable Management process supports activities to maintain information on entities owing the government (name, address, etc.); age receivables; make efforts to collect amounts due including related interest, penalties, and administrative charges; liquidate receivables; record adjustments to receivables including OPAC charge-backs; maintain a proper allowance for uncollectible amounts; and record write-offs.

To support the Receivable Management process, the Core financial system must:

- Maintain detailed information by account (e.g., individual, employee, private sector organization, state or local government, or other Federal agency) sufficient to provide audit trails and to support billing and research activities.
- Maintain accounts for reimbursable orders and identify government and non-government accounts.
- Update each account when billing documents are generated and collections are received.
- Allow authorized personnel to add, modify, or delete non-financial account data.
- Maintain data on individual receivables and referenced transactions supporting the receivable.
- Provide on-line query capability to receivable and account information.
- Provide information, on a summary basis and on individual receivables, on the age of receivables to allow for management and prioritization of collection activities.
- Provide automatic calculation and assessment of interest, administrative charges, and penalty charges on overdue receivables. Allow for the waiver of these charges with appropriate authority.
- Identify and report receivables that meet predetermined criteria for bad debt provisions or write-off.
- Maintain data for receivables referred to other Federal agencies and/or outside organizations for collections.
- Record the write-off of delinquent or un-collectible receivables (including interest, penalties, and administrative charges), and maintain data to monitor closed accounts.
- Produce dunning (collection) letters for overdue receivables in accordance with Treasury requirements and existing legislation.
- Provide authorized users with the ability to customize the dunning process parameters and dunning letter text.
- Provide information to allow either manual or automated reporting of delinquent accounts to commercial credit bureaus and referral to collection agencies or other appropriate governmental organizations.

- Maintain information needed to support IRS 1099Cs in the amounts of debts forgiven.
- Maintain a history of billings and receipts for each receivable and account in accordance with agency requirements.
- Match receipts to the appropriate receivables and update system balances.
- Provide the ability to apply receipts to more than one receivable.
- Update receivable balances document by document, classifying and posting against principal, interest, fees, etc., required by OMB Circular A-129, "Managing Federal Credit Program."
- Identify receivables that have been reduced by some means other than cash collections, such as waivers or write-offs.
- Provide for reestablishment of a receivable for checks returned due to insufficient funds.
- Provide the ability to uniquely record, classify, and report the status of reimbursable funds received and used by customer and agreement in addition to the standard account structure.

### *Collection Process*

The Collections process supports activities to record the receipt of funds either by currency (e.g., cash, electronic funds transfer) or check and the deposit of such funds in accordance with Treasury and agency regulations.

To support the Collections process, the Core financial system must:

- Record complete and partial receipts according to the Debt Collection Act of 1982 and other applicable regulations.
- Record revenues, expenditure reductions, or other appropriate offsets associated with collections for which no receivable was previously established.
- Record deposits and related debit vouchers for reconciliation to deposit confirmation information provided by Treasury or the banking system.
- Provide for the processing of cash or credit card receipts against outstanding receivables.
- Allow for offset of funds due to delinquent indebtedness through administrative offset, Federal employee salary offset, and income tax refund offset.

*Offsets*

This requirement will ensure that TINs of Federal payment recipients are available to facilitate debt collection by offset of Federal payments under the DCIA, and for vendor income reporting to the Internal Revenue Service (IRS) as mandated .

To support the Offset process, the Core financial system must:

- Provide ability to capture TIN data for the debtor and report overdue receivables with associated TIN data to Treasury for possible offset.
- Comply with requirements of the Internal Revenue Service Tax Refund Offset Program and Treasury Offset Program requirements.

# Cost Management Function

The Cost Management function of the Core Financial System attempts to measure the full cost of Federal programs, their activities, and outputs. This is essential for providing accurate program measurement information, performance measures, and financial statements with verifiable disclosure of the cost of activities. Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, published by OMB based on FASAB's recommendations prescribes the managerial cost accounting concepts and standards for the Federal government. The term cost refers to monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service.

The level of sophistication of the Cost Management function is dependent on the operational nature (appropriation only, appropriation with reimbursable authority, revolving fund), the programs involved, and the requirements of the agency. For example, in an environment where the primary mission is to produce a product for sale, the costing function necessary for product costing is done in the Managerial Cost Accounting System which is integrated with the Core Financial System. However, in any Core system there are certain basic functions that must be present.

The Cost Management function consists of the following processes:

- Cost Recognition
- Cost Accumulation
- Cost Distribution
- Working Capital and Revolving Fund

Once costs have been recognized, the system accumulates costs in accordance with agency requirements, then provides for the distribution of costs to cost objects.

## *Cost Recognition Process*

Recognition of the effects of transactions in financial systems is fundamental to the accounting process. Recognition determines when the results of an event are to be included in financial statements and ensures that the effects of similar events and transactions are accounted for consistently within the Federal government.

To support the Cost Recognition process, the Core financial system must:

- Provide the ability to post accruals to recognize costs. The cost of goods and services used, consumed, given away, lost, or destroyed must be recognized within the period of time the event occurred, regardless of when ordered, received, or paid for. Similarly, revenues must be recognized when earned.
- Reduce asset balances, such as inventories and prepaid expenses, as the assets are used and expensed.
- Use the agency's accounting classification structure to identify information, such as fund, program, organization, project, activity, and cost center to support the cost accumulation and assignment processes.
- Support managerial cost accounting by providing the capability to measure and report the costs of each segment's outputs.

## *Cost Accumulation Process*

Cost Accumulation refers to the measurement of resources used in accomplishing a mission objective, such as performing a service, providing a product, or carrying out an activity such as a project or a program. This process provides for the collection of cost data in some organized way. SFFAS No. 4 requires that costs be accumulated by

responsibility segments and classified by type of resource, such as costs of employees, materials, utilities, etc. Cost Accumulation provides the information needed for accountability over the financial execution of public programs, meaningful comparisons to measure compliance with management policies, evaluation of the efficiency and economy of resources used in the various activities, and support for fees, services or products.

To support the Cost Accumulation process, the Core financial system must:

- Support the ability to capture fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides. These costs should be captured at the lowest level to reflect actual costs incurred by the agency in providing goods and services.
- Identify all costs incurred by the agency in support of activities of revolving funds, trust funds, or commercial functions, including the applicable portions of the related salaries and expense accounts identified with those activities.
- Provide for a variety of information to support the managerial cost accounting decision-making process, the management of the agency, and external reporting. This will include:
  - cost reports to be utilized in the analysis of programmatic activities,
  - schedules and operating statements in support of financial statement preparation and audit,
  - meaningful cost information needed to support performance measures,
  - ability to transfer cost information directly to and from other systems,
  - cost information for comparison to other program data to determine compliance with planned budgeted activities, and
  - support of the billing process by providing cost information to the receivable function for producing bills.

### *Cost Distribution Process*

In order to achieve increased uniformity and consistency in accounting for costs, agency standards should provide criteria for the assignment of accumulated costs to reporting periods and cost objects in accordance with SFFAS No. 4. A cost object is a function, organizational subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of activities, products, jobs, capitalized projects, etc. SFFAS No. 4 states that:

*the purpose of cost accounting by a responsibility segment is to measure the costs of its outputs. Thus, the final cost objects of a responsibility segment are its outputs: the services or products that the segment produces and delivers, the missions or tasks that the segment performs, or the customers or markets that the responsibility segment serves. There may be intermediate cost objects that are used in the course of the cost assignment process.*

When identifying cost objects, consideration must be given to the need to support the preparation of financial statements (e.g., Statement of Net Cost, supplemental data, performance measures). The cost distribution basis used must provide for meaningful information supportive of the management decision processes. Agency cost accounting standards provide the basis for consistent assignment of cost including: (a) the determination of the methods by which costs are to be assigned to cost objects, (b) the definition of costs which may be assigned to cost objects, and (c) the determination of the accounting period to which such costs are assignable.

To support the Cost Distribution process, the Core financial system must:

- Provide for identifying costs based on the accounting classification structure.

- Identify and record direct costs incurred, including input on costs from feeder systems, such as inventory, travel, or payroll.
- Assign indirect costs to interim and final cost objects using a method consistent with agency cost accounting standards. Indirect costs will be assigned on a basis that best provides for a causal/beneficial relationship between the costs being distributed and the cost object receiving the cost. Indirect cost assignment may be based on total cost incurred, direct labor hours used, square footage, metered usage, or any other reasonable basis.
- Allow for multilevel assignment and reassignment.
- Support the use of historical data to conduct variance analysis, adjustment of rates, and disposition of variance by performing periodic assignments to adjust cost based on estimated rates to the actual costs incurred for the period.
- Assign costs to entities or cost centers regardless of how they have originally been posted to the system (e.g., for financial statement presentation).
- Provide an audit trail that traces the transaction from the original cost pool to the final cost object.

### *Revolving Fund Process*

Agencies may elect to use revolving funds, which include working capital funds and franchise funds, for their organizations. These funds require separate legislation and have specific charters which focuses on specific purposes. Such charters have the potential to make revolving fund quite flexible by lifting apportionment controls while adding operational safeguards. If an agency elects to use revolving funds, the core system must be able to track service level agreements, verify funds availability, bill customers, and measure costs.

To support the revolving fund function, the core financial system must:

- Provide capability to support use of revolving funds for working capital programs.
- Provide capability to create and track service level agreements for customer projects, including the project or reimbursable agreement number, the client organization, and funding citation.
- Provide the ability to link orders and expenses directly to a service level agreement if appropriate.
- Provide capability to verify fund availability for service orders directly attributable to a particular customer of the revolving fund operation.
- Provide capability to support funding to the revolving fund through the use of advances or through reimbursement.
- Support assignment of costs incurred by the revolving fund through one of the following methods: direct assignment or indirect assignment.
- Provide capability to establish/use multiple assignment methods, such as fixed fee, square footage, FTE.
- Provide capability to generate summary statements by revolving fund customer and/or project.
- Provide the ability to bill customers based on appropriate fee structures.

# Reporting Function

The Core financial system must be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support budget formulation and execution functions; (3) support fiscal management of program delivery and program decision making; (4) support internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency; and (5) monitor the financial management system.

Information maintained by the Core financial system must be provided in a variety of formats to users according to their needs. Methods of providing information include on-line inquiries, extract data files, and hard-copy reports. These requirements could be satisfied by (1) application software that is part of the Core financial system, (2) generalized reporting/inquiry software that works with a variety of applications, or (3) a combination of both, the most likely case.

The Reporting function consists of the following processes:

- Access to Information
- Financial Reporting
- System Monitoring

## *Access to Information Process*

For financial information to be timely and useful, the Core financial system must provide for the ready access to the information it contains. That information must be easily available and understandable to personnel with varying levels of technical knowledge of systems and financial data. Personnel with relatively limited knowledge of the system or of financial accounting concepts and principles should be able to perform access functions with minimal training on the system, and save access requirements for later use if needed.

To support the Access to Information process, the Core financial system must:

- Allow for the information contained in the system to be queried to present specific detailed data as requested. This will include user-defined criteria to access data for open or closed accounting periods.
- Present information resulting from system queries formatted to facilitate the understanding of the information by non-technical users, and unformatted for more technically proficient users.
- Provide for the production of formatted reports. The system must allow for the reformatting of reports to present different sorts of the information, the presentation of only specific information in the format selected, the summarization of data, and the modification of report formats to tailor the reports to the specific requirements of the user.
- Allow users to design reports and extract files for their specific requirements, and to perform table look-ups and expansion of codes when needed to clarify the information contained within the reports.
- Facilitate the analysis of information contained in the system by allowing analysts to obtain report information and the results of system queries in data files that can be transferred to other applications or analytical tools.
- Provide for easy access to historical files for comparative, analytical, and trend information.
- The capability to perform a "Print Screen" must be available on all user screens.

### *Financial Reporting Process*

The Core financial system must provide complete, reliable, consistent, timely and useful financial management information on operations to enable central management agencies, individual operating agencies, divisions, bureaus and other subunits to carry out their fiduciary responsibilities; deter fraud, waste, and abuse of resources; and facilitate efficient and effective delivery of programs by relating financial consequences to program performance. The Core financial system must be designed to support agency budget, accounting, and financial management reporting processes by providing consistent information for budget formulation, budget execution, programmatic and financial management, performance measurement and financial statement preparation.

To support the Financial Reporting process, the Core financial system must:

- Use financial data that can be traced directly to SGL accounts to produce reports providing financial information, whether used internally or externally.
- Maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of OMB, and with reporting requirements issued by the Director of OMB and the Secretary of the Treasury (Appendix B).
- Provide summarized data electronically to systems used by the agency for decision support and provide for the preparation of financial statements from the SGL and by “line of business.”
- Provide data in the format required, including electronic formats, to central agency systems used for summary financial reporting (e.g. FACTS, SF224, SF1219, SF1220, SF133, etc.).
- Report events and transactions according to the accounting classification structure and within a given accounting period.
- Maintain the financial information required for program performance, financial performance, and financial management performance measures needed for budgeting, program management, and financial statement presentation.
- Produce, distribute, and provide access to formatted reports defined by agency management for the specific requirements of the agency.
- Use the U.S. SGL mandated chart of accounts as the basis for preparing external reports or data transmissions to OMB and Treasury.
- Provide the capability to electronically transmit the following reports to Treasury: SF133, credit reports, year-end closing statements, and quarterly and annual FACTSI & FACTSII reports.
- Provide the ability to produce an on-line current status of funds report down to the lowest level of the organizational structure, including:
  - annual budget (including revisions),
  - open commitments
  - open obligations
  - net payments/liquidated obligations, and
  - balance available.

***System Monitoring Process***

To ensure the efficient operation of the system, the safeguarding of the data contained within the system, and the integrity of the data within the system, the Core financial system must provide diagnostic tools necessary to alert system management to problems with the operation of the system.

To support the System Monitoring process, the Core financial system must:

- Monitor the overall operation of the system to determine if operations are on schedule and all necessary operating steps have been completed successfully, and alert the system manager to malfunctions on a timely basis.
- Provide system managers with system statistics to determine the functions and operations performed by specific users and reports generated or accessed.
- Perform and report the result of data integrity verifications, such as reconciliation between reports produced and data sets within the system, and the results of validity, combination, and balancing edits.
- \*Provide for sufficient audit trails to trace data errors and the result of various operations of the system.

# Appendix A: References

Applicable references can be found on the JFMIP PMO Knowledgebase website at: <http://www.FinanceNet.gov/fed/JFMIP/PMO.htm>.

## Appendix B: Glossary

This section prescribes certain terms that have been used throughout this document. The source of each definition is identified in parentheses following the definition; the terms are all found in one of the following sources:

- OMB Circular A-34, “Instructions on Budget Execution”; referred to as A-34.
- OMB Circular A-11 “Preparation and Submission of Budget Estimates”; referred to as A-11.
- *Treasury Financial Manual*; referred to as TFM.
- U.S. Government Standard General Ledger; referred to as SGL.
- Commonly used terms within the Federal sector; referred to as Common Term.

### *Accomplished payments*

A term used by Treasury and agency personnel to refer to payments requested by an entity and made by Treasury or a non-Treasury disbursing office on the behalf of that entity. (Common Term)

### *Activity*

Agency-defined financial summary accumulator.

### *Agency*

Any department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the government, including any corporation wholly or partly owned by the United States that is an independent instrumentality of the United States, not including the municipal government of the District of Columbia. (A-34, Part 11, Section 21.1, p. 11-2)

### *Agency location code (ALC)*

Code assigned by Treasury to each reporting unit requiring the preparation of an SF-224, Statement of Transactions. The first two digits of the symbol identify the department or agency, the third and fourth digits identify the particular bureau within that department, and the remaining four digits identify the lowest level of reporting required for the particular agency accounting station within that bureau (e.g., Letter of Credit, Trust Funds, all other, etc.). The ALC must be shown on all correspondence, forms, and other documentation forwarded to financial institutions, FMS, other Federal agencies, and to Treasury Regional Financial Centers, and particularly on all SF-215s: Deposit Tickets, and/or related SF-5515s: Debit Vouchers. (I TFM 2-3320.10)

### *Apportionment*

A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred. (A-34, Part 11, Section 21.1, p. 11-1)

Category A Apportionments are apportionments that are made on a quarterly basis.

Category B Apportionments are apportionments made on a basis other than a quarterly basis. Category B apportionments are made by time periods other than quarterly; by activities; projects, or objects; or by a combination of activity and time period.

### *Appropriations*

One of the basic forms of budget authority. Statutory authority that allows Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority. (A-34, Part 11, Section 21.1 (Budget authority), p. 11-3)

### *Authority to borrow*

One of the basic forms of budget authority. Statutory authority that permits a Federal agency to incur obligations and make payments for specified purposes out of borrowed monies. (A-34, Part 11, Section 21.1 (Budget authority), p. 11-3)

### *Budget authority*

Authority provided by law, including joint resolutions making continuing appropriations (also known as continuing resolutions), and becoming available during the year to incur obligations. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. (A-34, Part 11, Section 21.1, p. 11-3)

<b>Commitment</b>	The amount of allotment or lower level authority committed in anticipation of an obligation. (SGL, definition of account 4700)
<b>Contract authority</b>	One of the basic forms of budget authority. Statutory authority under which contracts or other obligations may be entered into prior to an appropriation for the payment of such obligations. The later enacted appropriation provides cash to liquidate such obligations. (A-34, Part 11, Section 21.1 (Budget authority), p. 11-3)
<b>Cost Center</b>	An identifiable department or area within a recipients organization that has been assigned an account number in the recipients accounting system for the purpose of accounting costs.
<b>Disbursements</b>	Payments made using cash, checks, or electronic transfers. Disbursements include advances to others as well a payments for goods and services received and other types of payments made. (Common Term)
<b>Expended authority</b>	Paid and unpaid expenditures for (a) services performed by employees, contractors, vendors, carriers, grantees, lessors, or other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (i.e., annuities, insurance claims, other benefit payments). (SGL, definition of accounts 4901, expended authority - unpaid, and 4902, expended authority - paid)
<b>Expense</b>	The outflows of assets or incurrence of liabilities during a period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities. (SGL, definition of 6000 series)
<b>Federal Agencies Centralized Trial-Balance System (FACTS)</b>	System used by agencies to electronically transmit a pre-closing adjusted trial balance(s) (ATB) at the Treasury appropriation/fund group level using U.S. government standard general ledger account and other specified elements. FACTS I supports consolidated financial statement reporting. FACTS II supports contralized budget execution reporting.
<b>Fund account</b>	(See Appropriation or fund account)
<b>Future-dated transactions</b>	Financial transactions that are input and warehoused in the current accounting period, scheduled to be posted to a later accounting period.
<b>GOALS</b>	Government Online Accounting Link System. The electronic network which ties agencies to Treasury and each other for the exchange of information. Over the network, agencies can transfer funds to each other and receive notification that Treasury has accomplished disbursements. Also, agencies and Treasury can submit and receive reports once exchanged in hard copy format by mail. The GOALS network can be used with a wide variety of terminals and modems. (Common Term)
<b>Imprest fund</b>	A fixed-cash or petty-cash fund in the form of currency, coin, or Government check, which has been advanced as Funds Held Outside of Treasury and charged to a specific appropriation account by a Government agency official to an authorized cashier for cash payment or other cash requirement as specifically authorized. The fund may be a revolving type, replenished to the fixed amount as spent or used, or may be of a stationary nature such as a change-making fund. (I TFM 4-3020)
<b>Information Stores</b>	Logical grouping or categories of data.
<b>Limitation</b>	A funding restriction, imposed by OMB, a department, or an agency, that places a ceiling for obligational/spending authority. The limitation may exist at any level within a funding structure or may be imposed using an independent structure. (Common Term)
<b>Object classification</b>	A method of classifying obligations and expenditures according to the nature of services or articles procured, e.g., personal services, supplies and materials, and equipment. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. OMB

Circular A-11 provides current object classifications for reporting budget estimates to OMB. Many agencies have defined lower levels of object classification for internal use. (A-11, Sec 35.1)

- Obligation** Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions for bona fide needs existing during a given period that will require payments during the same or a future period and that comply with applicable laws and regulations. Such amounts will include outlays for which obligations had not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations. (A-34, Sec. 21.1, p.11-7)
- Organization structure** The offices, divisions, branches, etc. established within an entity based on responsibility assignments, whether functional or program related. (Common Term)
- Outlay** The measure of government spending for budget purposes. Payments to liquidate obligations (other than the repayment of debt). Except where outlay figures are labeled as gross, they are stated net of any related refunds and offsetting collections. Outlays generally are equal to cash disbursements, but they are also recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. (A-11, Section 14.1, p. 35) (Note that, although not technically correct, the terms 'expenditures' and "net disbursements' are sometimes used interchangeably with 'outlays'.)
- Pro forma transactions** Predetermined standard set of general ledger account postings associated with an accounting event.
- Program** Generally defined as an organized set of activities directed toward a common purpose, or goal, undertaken or proposed by an agency in order to carry out its responsibilities. In practice, however, the term program has many uses and thus does not have well-defined, standard meaning in the legislative process. Program is used to describe an agency's mission, programs, functions, activities, services, projects, and processes.
- Program structure** The budget programs, activities, etc. on which budgetary decisions are made, whether legally binding, as in appropriation limitations, or in the nature of policy guidance, as in Presidential passbacks, Congressional markup tables, or internal agency decisions. (SGL p. IV-1)
- Project** A planned undertaking of something to be accomplished, produced, or having a finite beginning and finite end. Examples are a construction project or a research and development project. (SGL p. IV-7)
- Reimbursable order** May also be known as Customer Orders. Orders for goods and services to be provided by the agency to another entity in return for payment. (Common Term)
- Requirements** JFMIP systems requirements are either mandatory or value added. The definitions of these two categories are:
- mandatory** - Mandatory requirements describe what the system must do and consists of the minimum functionality necessary to establish a system, or are based on Federal laws and regulations. Mandatory requirements are those against which agency heads evaluate their systems to determine substantial compliance with systems requirements under the Federal Financial Management Improvement Act (FFMIA). These requirements apply to existing systems in operation and new systems planned or under development.
- value-added** - Value added requirements describe features or characteristics and may consist of any combination of the following: (1) using state of the art technology, (2) employing the preferred or best business practices, or (3) meeting the special management needs of an individual agency. Value-added, optional, and other similar terminology may be used to describe this category of requirements. Agencies should consider value added features when judging systems options. The need for these value-added features in agency systems is left to the discretion of each agency head.

*Standard General Ledger at the transaction level*

Implementing the SGL at the transaction level requires that the core financial system general ledger management function is in full compliance with the SGL chart of accounts descriptions and posting rules; transactions from feeder systems are summarized and fed into the core financial system's general ledger following SGL requirements through an interface (automated or manual); detail supporting the interface transactions can be traced back to the source transactions in the feeder systems; and the feeder systems process transactions consistent with SGL account descriptions and posting.

*System Integration*

The ability for the user to have one view into the system and can get to the information needed efficiently and effectively through electronic means.

*Tolerance levels*

The percentage or dollar variance of related transaction amount that can exceed a control amount, such as obligation to commitment; accrual to obligation; and obligation to payment.

*Treasury appropriation fund symbol*

A summary account established in the Treasury for each appropriation and/or fund showing transactions to such accounts. Each such account provides the framework for establishing a set of balanced accounts on the books of the agency concerned. As used in A-34, this phrase refers to general fund expenditure accounts, special fund expenditure accounts, public enterprise revolving funds, intragovernmental revolving funds, management funds, trust fund expenditure accounts, and trust revolving fund accounts. (A-34, Part 11, Section 21.1, p. 11-4 and 5)

*Unified systems*

Systems that are planned for and managed to work together using common data elements, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agency-wide financial system necessary to carry out the agency's mission and support the agency's financial management needs.

# Appendix C: Summary of External Reporting Requirements

Title	Form	Purpose	Level	Basis	Frequency	Guidelines
Program and Financing Schedule (actual data columns)	Prior year data	Supporting information for agency budget submissions to OMB	Appropriation/ Fund Account	Cash	Annually	OMB Cir.A-11 SGL Crosswalk
Report on Budget Execution	SF-133	Report utilization and status of budgetary resources	Appropriation/ Fund Account	Cash/ Obligation	Monthly/ Final	OMB Cir.A-11 SGL Crosswalk
Federal Agencies; Centralized Trial- Balance System (FACTS)	Electronic Reporting replace-ment of SF-220 SF-220-1 SF-221 SF-222 and SF-223	Report data for consolidation from FACTS into the U.S. Government Consolidated Financial Statement	Appropriation/ Fund Group	Accrual	Quarterly/ Annually	1 TFM 2-4000
Federal Agencies; Centralized Trial- Balance System (FACTS II)	Electronic Reporting replacement of SF-133 and TFS-2108	Report data for consolidation from FACTS II into the U.S. Government Consolidated Financial Statement	Appropriation/ Fund Group	Accrual	Quarterly/ Annually	Final requirement will be issued in the Treasury Financial Manual
Report on Guaranteed Loans	SF-220-8	Provides information for monitoring status of guaranteed loans	Appropriation/ Fund Account but can vary	Accrual	Quarterly/ Annually	TFM Bulletin 92-04 Bulk Transfer User's Guide
Report on Receivables Due from the Public	Replaces SF-220-9	Provides information on the status of public receivables and delinquencies	Appropriation/ Fund Account but can vary	Accrual	Quarterly/ Annually	Bulk Transfer Instructional Workbook (March 1994)

Title	Form	Purpose	Level	Basis	Frequency	Guidelines
Statement of Transactions	SF-224	Reports disbursements, collections, and status of collections	Agency location code by Appropriation/ Fund Account	Cash	Monthly	1 TFM-3300 Bulk Transfer user's Guide
Report of Accountability	SF-1219	Provides an analysis of disbursing officers' activities in agencies which do not do their own disbursing	Agency location code and Disbursing Officer	Cash	Monthly	1 TFM 3100
Statement of Transactions	SF-1220	Reports disbursements and collections in agencies which do their own disbursing (the counterpart to SF-224)	Agency Location code and Appropriation Fund Account	Cash	Monthly	1 TFM 3100
Year-end-Closing Statement	TFS-2108	Reports financial results in terms of availability; excess/restoration/transfer of funds	Appropriations// Fund Account	Modified Accrual/Cash/ Obligation	Annually	1 TFM 2-4200 SGL Crosswalk
Information Returns	1099-MISC, 1099-G, etc.	Provide information to the Internal Revenue Service on payments made or debts forgiven	Taxpayer Identification number	Cash	Annually	IRS instructions for forms 1099, 1098, 5498, and W-2G
Balance Sheet	N/A	Disclose statement of assets, liabilities, and net position	Trust and revolving funds, accounts substantially commercial	Obligation/Accrual	Annually	OMB's Bulletin on Form and Content

Title	Form	Purpose	Level	Basis	Frequency	Guidelines
Statement of Net Cost	N/A	Reports gross costs less revenue earned	Trust and revolving funds, accounts substantially commercial	Accrual	Annually	OMB's Bulletin on Form and Content
Statement of Changes in Net Position	N/A	Reports financing sources, gains and losses	Trust and revolving funds, accounts substantially commercial	Accrual	Annually	OMB's Bulletin on Form and Content
Statement of Budgetary Resources	N/A	Available budgetary resources and status	Trust and revolving funds, accounts substantially commercial	Obligation/ Accrual	Annually	OMB's Bulletin on Form and Content
Statement of Financing	N/A	Report on reconciliation between proprietary and budgetary accounts	Trust and revolving funds, accounts substantially commercial	Accrual	Annually	OMB's Bulletin on Form and Content
Statement of Custodial Activity	N/A	Report of nonexchange revenue	Trust and revolving funds, accounts substantially commercial	Accrual	Annually	OMB's Bulletin on Form and Content

# Appendix D: Contributors

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