

DEPARTMENTAL REGULATION		Number: 2100-001
Subject: Financial Management Systems	Date: November 30, 2005	
	OPI: Office of the Chief Financial Officer	

1 PURPOSE

This regulation prescribes policies and procedures for evaluating and reporting on the United States Department of Agriculture financial management systems.

2 SPECIAL INSTRUCTIONS

This regulation supersedes Department Regulation 2100-001 dated November 16, 2005.

3 POLICY

Each USDA agency must conduct a recurring review, on a three-year cycle, of the agency's financial management systems and certify compliance to the objectives set forth in the Federal Financial Management Systems Requirements. The Financial Systems Integration Office under the auspices of the Chief Financial Officers' Council specifies the Federal Financial Management Systems Requirements.

4 BACKGROUND

The Office of the Chief Financial Officer will review samples from each agency review to ensure they meet objectives set forth in the Federal Financial Management Systems Requirements, Federal Financial Management Improvement Act, and Federal Managers Financial Integrity Act.

Financial management systems are applications that perform financial management functions and include both manual and automated systems for program and administrative financial management. Financial management applications are used to collect, record, classify, analyze, and report data for financial decision making. These applications process, control, and account for financial transactions and resources, and are used for auditing, formulating and executing budgets. For example, these applications generate financial management and accounting information to support agency and Departmental missions.

5 AUTHORITIES AND REFERENCES

- a Federal Financial Management Systems Requirements issued by the Joint Financial Management System Improvements Program
- b Federal Information Security Management Act of 2002, Pub. L. No.107-347, Title III, 301; 44 U.S.C.3541 et seq.
- c Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, Title VIII, 31 U.S.C.3512
- d Chief Financial Officers Act of 1990, Pub. L. No. 101-576, Title 31
- e 31 U.S.C 3512(a)-(c) (Accounting and Auditing Act of 1950, Federal Manager's Financial Integrity Act (FMFIA) of 1982)
- f OMB Bulletin No. 01-09 – Form and Content of Agency Financial Statements
- g OMB Circular A-127, Revised, Policies and Standards for Financial Management Systems
- h OMB Circular A-123, Management's Responsibilities for Internal Controls
- i OMB Circular A-130, Management of Federal Information Resources
- j OMB Circular A-136, Financial Reporting Requirements

6 DEFINITIONS

- a Financial management information. Information on USDA spending, collections, assets, liabilities, equity, and related budgetary transactions and balances, including data to develop information regarding unit costs, average pay rates, and user charges for decision making.
- b Financial management system. An information system comprised of one or more applications that is used for any of the following:
 - (1) Collecting, processing, maintaining, transmitting, and reporting data about financial events
 - (2) Supporting financial planning or budgeting activities
 - (3) Accumulating and reporting cost information or

- (4) Supporting the preparation of financial statements.¹
- c Applications. Agency financial applications, either manual or automated, used for planning, budget formulation and execution, program and administrative accounting, and audit; as well as other systems for recording and classifying financial data and reporting financial management information, including purchasing, property, inventory, etc.
 - d Limited review. A simple but structured procedure consisting of the use of a questionnaire, checklist, or similar methodology, to ascertain whether an application meets the objectives and requirements outlined by the Federal Financial Management Systems Requirements.
 - e Detailed review. The substantive self-examination by application managers, operators, and users of an application made through use of an evaluation program, including transaction testing of an operating system to determine compliance with the Federal Financial Management Systems Requirements. Results of the review are to be kept until a subsequent review has been performed and documented.

7 RESPONSIBILITIES

- a Each agency head is responsible for ensuring that the agency performs detailed reviews, testing of systems and applications, and issuing a Financial Management Systems Plan outlining the results of the reviews as required by the Federal Financial Management Systems Requirements. Each agency head is responsible for certifying the results of the reviews. At a minimum, a detailed comprehensive review is required every three years or each time substantial changes or upgrades are made to the application.
- b Agency managers are responsible for performing annual detailed reviews of the financial management systems for all applications that do not meet the Federal Financial Management Systems Requirements.

Managers must participate in planning and evaluating to ensure that application user needs are met. It is recommended that responsibility for performing application reviews be included as a critical element in the managers' performance standards.

The review teams maybe made up of representatives from the following business areas in the agency such as: Accounting /Finance, Information Technology, Operations, Procurement, Human Resources, Facilities, Budget and Internal Review.

¹ Definition used in OMB Circular A-127

- c The Office of the Chief Financial Officer (OCFO) is responsible for ensuring that the planning, development, review, and reporting on the OCFO owned departmental financial management systems are in accordance with Federal Financial Management Systems Requirements.

The OCFO shall establish a financial management system review team. This team shall be comprised of OCFO representatives from the Associate Chief Financial Office organizations. The team will perform the following duties:

- (1) Review agency financial management systems work papers and completed reviews
- (2) Participate in agency reviews as requested
- (3) Review OCFO-owned departmental financial management systems

The OCFO will perform a limited review of agency Plans of Actions and Milestones annually. Additional resources that may be used by the OCFO include audit findings and performance of Year-End Close activities. If weaknesses are discovered, the Associate Chief Financial Officer organizations and the Office of the Chief Information Officer will assist the agencies in resolving them.

- d The Office of the Chief Information Officer will assist the OCFO in the review of the agency Plan of Action and Milestone, when Information Technology weaknesses exists.

8 FINANCIAL MANAGEMENT SYSTEMS PLAN

Each agency must prepare a plan covering the fiscal year reporting period outlining the financial management systems that have been tested and the results.

The plan must include:

- a an inventory of applications with dates of completed and scheduled reviews
- b an identification of the requirements that govern the design and operation of each application
- c description and procedures to be used for each limited and detailed review including a separate description for partial systems
- d POA&M to address corrective actions required

9 APPLICATION REVIEWS

Agencies shall review, at a minimum, the following financial management systems: agency-owned Core Financial Management Systems, Acquisitions, Benefits, Budget Formulation, Direct Loans, Grants, Guaranteed Loans, Human Resources, Payroll, Insurance, Inventory Supplies and Materials, Property Management, Revenue, Seized Property and Forfeited Assets, and Travel. The recurring cycle for reviews shall not exceed three years.

10 REVIEW AND CORRECTIVE METHODOLOGY

Agencies will develop a POA&M adhering to Federal Information Security Management Act standards. The POA&M must document any identified weaknesses, corrective action planned, date corrective action will be completed, and initials of a reviewing official.

Corrective actions required for identified weaknesses in financial management systems reviews should be addressed in the POA&M. The POA&M provides the project plan to correct the identified weaknesses. Documentation to be used to prepare the POA&M includes, but is not limited to, results of the financial management systems reviews, audit findings, information technology weaknesses, and performance of Year-End Close activities.

11 ANNUAL REPORTING

By January 15, covering the previous fiscal year, each agency head will transmit to OCFO a plan that summarizes the results of the financial management systems reviews including the POA&M.

By August 31 of the then current fiscal year, each agency head shall report all outstanding non-conformances in the agency's FMFIA Statements of Assurance (Section 4) and FFMIA Corrective Action Plans.

12 ANNUAL DEADLINES

- a By January 15 of each year, agency heads shall submit the annual financial management system plan and certification to the Office of the Chief Financial Officer.
- b By March 1 of each year, the Office of the Chief Financial Officer will complete the review of each agency financial management systems submission.

- c By March 15 of each year, the Office of the Chief Financial Officer will select the appropriate agencies for onsite reviews.
- d By May 1 of each year, the Office of the Chief Financial Officer will complete onsite reviews.
- e By June 30 of each year, agency heads are to verify that corrective actions found in site reviews are identified with an action plan on when the corrective actions will be completed.
- f By August 31 of each year, agency heads shall report all outstanding system non-conformances in their agency's FMFIA Statement of Assurances (Section 4) and the FFMI A Corrective Action Plan.

13 INQUIRIES

Inquiries should be directed to the Office of the Chief Financial Officer, Associate Chief Financial Officer for Financial Systems at 202-720-5957.

-END-