



**ADMINISTRATIVE
COMMUNICATIONS SYSTEM
U.S. DEPARTMENT OF EDUCATION**

DEPARTMENTAL DIRECTIVE

OCFO:1-103

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All Department of Education Employees

Approved by: /s/
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Financial Management

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For assistance with technical questions concerning information found in this ACS document, please contact the EDCAPS Help Desk on 202-401-6238 or via e-mail to EDCAPS Help Desk.

Supersedes OCFO:1-103 "Financial Management" dated 01/13/2004.

I. Purpose

This Directive describes the U.S. Department of Education (ED) practices/procedures necessary to fulfill ED's financial management responsibilities under various statutes, including the **Chief Financial Officers Act of 1990 (CFO Act of 1990)**. It also establishes within ED the infrastructure necessary to comply with these statutes, to fulfill the responsibilities of the Chief Financial Officer (CFO), and to assist in the efficient and effective management of ED resources.

II. Policy

The CFO reports directly to the Secretary of Education regarding matters of financial management. The Principal Officers assist in the execution of the CFO's financial management responsibilities within their Principal Office (PO). Each Principal Officer, in consultation with the CFO, develops/implements a plan to fulfill the responsibilities outlined in this directive in Section IX.E.1.

In addition, ED will establish and maintain a single, integrated financial management system as required by the CFO Act of 1990 and the Office of Management and Budget (**OMB Circular A-127 Financial Management Systems**). This system is intended to establish the framework for complying with applicable law, appropriate budget concepts and guidance, accounting principles and standards recommended by the **Federal Accounting Standards Advisory Board (FASAB)**, reporting policies and requirements prescribed by OMB and the Department of the Treasury (Treasury), core financial system requirements published by the **Chief Financial Officer Council (CFOC)**, management control standards defined in **OMB Circular A-123 Internal Control Systems**, financial management system standards defined in **OMB Circular A-127 Financial Management Systems**, and the **U.S. Government Standard General Ledger (SGL)** published by the Treasury.

III. Authorization

This Directive provides information to assist in the fulfillment of ED's responsibility to practice sound financial management as defined by the **Government Management Reform Act of 1994**, the CFO Act of 1990, the **Cash Management Improvement Act of 1990**, the **Federal Credit Reform Act of 1990**, the **National Defense Authorization Act for Fiscal Year 1991**, and the **Federal Managers' Financial Integrity Act of 1982 (FMFIA)**.

IV. Applicability

This directive applies to all offices within ED and other boards, commissions, and councils under the management/control of ED.

V. Definitions

A. *Application* - A group of interrelated components of financial or mixed systems that support one or more functions and have the following characteristics:

1. A common database;
2. Common data element definitions;
3. Standardized processing for similar types of transactions;
4. Common version control over software.

B. *Financial Event* - Any occurrence having financial consequences to the Federal Government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities.

C. *Financial Information and Systems Functional Standards* - Minimum standards, developed and issued individually or jointly by the Central Agencies (OMB, Government Accountability Office (GAO), and the Treasury), that all Federal Government financial information and financial systems must meet. These standards include the SGL and the Core Financial System Requirements.

D. *Financial Management* - the coordination of activities, systems and personnel concerned with the acquisition, allocation, control, oversight, effective use and disposition of ED-owned assets and budgetary resources. Financial management covers a broad spectrum of activities including planning, programming, budgeting, accounting, managing, monitoring, analyzing, reporting and audit review. For the purpose of this Directive, financial management includes implementing and monitoring corrective actions on audit findings but does not include oversight or performance of the audit function.

Financial management of assets includes:

1. The translation of actions involving ED-owned assets, past, current and proposed, into meaningful and relevant information for use in the management process;
2. The design, implementation and operation of systems, both manual and automated, involved in the control and financial record keeping of ED-owned assets; and
3. The staff involved in the asset management processes.

Financial management of assets does not include activities, systems or personnel involved in regular maintenance of physical assets, such as repairs of computer equipment, and maintenance of buildings.

ED-owned assets include:

1. Cash - currency, checks, funds on deposit at the Treasury, the Federal Reserve, and commercial banking institutions, and other current financial instruments for credit to ED;
 2. Accounts Receivable - amounts due to ED from outside organizations or individuals, arising from the normal course of business and to be paid in the next normal business cycle agreed to by ED (e.g., over-advances of Impact Aid funds to recipients or statutory receivables identified in audits);
 3. Loans Receivable - amounts owed to ED from outside organizations or individuals resulting from the disbursement of funds by ED, or an authorized representative of ED, to the recipient with a specific protracted repayment schedule agreed on in advance by contract;
 4. Physical Assets - all tangible items of real and personal property owned by ED such as furniture, equipment, real estate, supplies and inventory.
- E. *Financial Management Strategic Plan*** - A plan developed through a structured process, identifying the financial management actions necessary to assist ED in achieving its missions, goals, and objectives.
- F. *Financial Management System*** - A system that consists of financial systems and the financial portions of mixed systems necessary to support financial management.
- G. *Financial Systems*** - Information systems, comprised of one or more applications that are 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.

These systems support the financial functions required to track financial events, provide financial information significant to the financial management of ED, and/or are required for the preparation of financial statements.

The systems encompass automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. The systems may include multiple applications that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

The systems also encompass the financial portions of systems that support both the financial and non-financial functions of ED.

- H. *General Ledgers*** - The complete collection of all of the accounts of ED. The general ledgers are used to prepare ED's financial statements. Detailed records in the subsidiary ledgers support the account balances reported in the general ledgers.
- I. *Information System*** - The organized collection, processing, transmission, and dissemination of information in accordance with defined procedures, whether automated or manual. Information systems include non-financial, financial, and mixed systems.
- J. *Journal*** - A chronological record of business transactions. A journal, at a minimum, contains the transaction date, a description of the transaction, the general ledger accounts to be updated, and the amount of the transactions and document reference number. The journal provides the transaction details necessary to reconcile the subsidiary ledgers to the general ledger.
- K. *Internal Controls*** - Safeguards that protect Government resources (e.g., property, equipment, records, funds, time, and people). They provide reasonable assurance regarding the achievement of objectives in the following categories:
1. Effectiveness and efficiency of operations;
 2. Reliability of financial reporting;
 3. Compliance with applicable laws and regulations.
- Internal controls are also known as Management controls.
- L. *Off-the-Shelf Financial Software*** - Previously developed software that has been tested and certified through the Chief Financial Officers Council (CFOC) software certification process as meeting OFFM core financial system requirements. Agencies may purchase this software or contract for a service that operates this software using the strategy and procurement vehicle they believe will best enable them to meet their needs in a timely and effective manner following the competition requirements associated with the procurement vehicle being used to conduct the acquisition.
- M. *Performance Measures*** - Objective indicators of program performance and results that are directly tied to program goals and objectives and ED's mission.
- N. *Principal Officer*** - For the purpose of this Directive, a Principal Officer is the official in charge of an organization designated as a Principal Office (PO).
- O. *Single Integrated Financial Management System*** - A unified set of financial 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 ED, and report on ED's financial status to central agencies, the Congress, and the public.

Unified means that the systems are planned for and managed together, operated in an integrated fashion, and linked electronically in an efficient and effective manner to provide agency-wide financial system support necessary to carry out ED's mission and support ED's financial management needs.

- P. **Subsidiary Ledger** - A detailed listing supporting a balance reported in the general ledgers (e.g., a travel advance subsidiary ledger would list every traveler who had a travel advance outstanding along with the amount of the advance). To be reconcilable, the total of the detail lines in the subsidiary ledger must equal the cumulative amount reported in the general ledgers or the difference must be identifiable and explicable.

VI. Financial Management System Requirements

ED's single integrated financial management system shall comply with the following requirements:

- A. The design shall:
1. Reflect an agency-wide financial information classification structure that is consistent with the SGL;
 2. Provide for tracking of specific program expenditures;
 3. Cover financial and financially related information;
 4. Provide for effective and efficient interrelationships among software, hardware, personnel, procedures, controls and data contained within the systems; and
 5. Use standard data classifications (definitions and formats) for recording financial events.
- B. Common data elements in the system shall be used to meet recording and reporting requirements, to the extent possible, throughout ED for collection, storage and retrieval of financial information.
- C. Data needed by the systems to support financial functions shall be entered only once and transferred automatically to appropriate accounts or other parts of the system through electronic means.
- D. Common processes shall be used for similar kinds of transactions throughout the system to enable these transactions to be reported in a consistent manner.
- E. Financial events shall be recorded throughout the financial management systems applying the requirements of the SGL at the transaction level.
- F. The systems shall be able to capture and produce real-time financial information required for program performance, financial performance and financial management performance measures needed for budgeting, program management and financial statement presentation.
- G. Security controls in all financial management systems shall be implemented in accordance with ED's Information Technology (IT) Security Manual, OMB Circular A-130, Management of Federal Information Resources, and the Federal Information

Security Act of 2002. Evaluations of the effectiveness of all security controls will be made every three years, and where found inadequate, appropriate modifications will be implemented.

- H. The financial management systems shall be documented in accordance with the requirements contained in the *Core Financial System Requirements* document published by CFOC.
- I. The financial management systems shall include a system of internal controls that ensure resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and disclosed in reports. Appropriate internal controls shall be applied to all system inputs, processing, and outputs. Such system related controls form a portion of the management control structure required by OMB Circular A-123.
- J. The financial management systems will conform to existing applicable functional requirements for the design, development, operation and maintenance of, as defined in the *Core Financial System Requirements* document published by CFOC.
- K. Adequate training and user support shall be provided to the users of the financial management systems.
- L. Evaluations of the effectiveness and efficiency of the financial management systems in supporting ED's changing business practices will be made every two years or as appropriate by ED management, and, where appropriate modifications implemented as a result of the evaluations.

VII. Financial Management System Improvements

In improving financial management systems, ED shall follow the information technology management policies set out in, OMB Circular A-130, Management of Federal Information Resources. In addition, ED will comply with the following policies in designing, developing, implementing, operating and maintaining its single integrated financial management system:

- A. *Improvement in Work Processes*** - Designs for financial systems shall be based on the financial and programmatic information and processing needs of ED. As the first part of any financial management system design effort, ED should analyze how system improvements, new technology supporting financial management systems, and modifications to work processes can together enhance ED operations and improve program and financial management. The reassessment of information and processing needs shall occur prior to the determination of system requirements. Process redesign shall be considered an essential step towards meeting user needs in financial management. ED shall consider program operations, roles, responsibilities, and policies and practices to identify needed improvements.
- B. *Cost Effective and Efficient Development and Operation*** - A custom software development approach for financial management systems shall be used only after consideration of all appropriate software options, including the following:

1. Use of the existing system with enhancements/upgrades;
2. Use of another ED system;
3. Use of an existing system at another agency;
4. Development of the system using commercial "off-the-shelf" software;
5. Use of a system under development at another agency; or
6. Use of a private vendor's service.

Anytime a custom software solution is chosen there shall be a clear and documented benefit and cost analysis that includes the justification of the unique nature of the system's functions that preclude the use of alternative approaches. This analysis shall be made available to OMB for review upon request.

- C. *Cross or Private Servicing*** - Cross or private servicing of financial system support where one PO within ED provides financial management software and processing support to another PO within ED shall be used whenever feasible and cost effective.
- D. *Use of "Off-the-Shelf" Software*** - If ED needs to replace software it must acquire information technology in a manner that makes use of full and open competition and that maximizes return on investment; acquire off-the-shelf software from commercial sources, unless the cost effectiveness of developing custom software to meet mission needs is clear and has been documented; acquire information technology in accordance with OMB Circular No. A-109, "Acquisition of Major Systems," where appropriate; and acquire information technology in a manner that considers the need for accommodations of accessibility for individuals with disabilities to the extent that needs for such access exist.
- E. *Joint Development Software*** - If, after considering "off-the-shelf" software solutions, ED's needs are still not met, ED should consider undertaking joint development efforts by pooling resources and developing common approaches for meeting similar financial functions with other agencies. The designs for jointly developed software must contain flexibility and transportability to other agencies and/or cross servicing.
- F. *Transfer of Agency Financial Management Software*** - If ED determines it is more efficient and effective to use or adopt the software of another agency to meet its financial management system requirements, ED must ensure the following:
1. The software meets the requirements of Part VI of this directive;
 2. A formal written agreement on transfer of the software is prepared and approved by all applicable parties. The agreement should cover the scope of support services to be provided, including modifications, maintenance, and related costs;
 3. Support requirements not covered in the above agreement shall be provided by ED, and such support must be assessed and determined to be adequate;

4. An ongoing relationship for determining future enhancements shall be established between ED and the agencies involved. Compensation arrangements for the software transfer must conform to the policies stated in **OMB Circular A-130, Management of Federal Information Resources**.

VIII. Other Financial Management Initiatives

These initiatives are charged with implementing ED enterprise level capabilities that will serve as a mechanism to transform business processes and information systems ED-wide. These initiatives seek to enable financial accountability and management excellence throughout ED.

Each initiative has an impact on the enterprise priorities and core business capabilities:

- A. **G5** - The current system, the Grant Administration and Payment System (GAPS), is based on outdated processes and technology. Rather than simply upgrade GAPS, ED shall review the business processes, customer needs and external factors to drive the design and implementation of the new G5 Grants Management System. The Office of the Chief Financial Officer (OCFO) is responsible for the implementation of G5.
- B. **Financial Management Line of Business (FMLoB) Process** - The FMLoB released the Common Government-Wide Accounting Classification (CGAC) Structure on November 17, 2006. The CGAC structure establishes a standard way to classify the financial effects of government business activities. It includes data elements needed for internal and external reporting and provides flexibility for agency mission-specific needs.
- C. **Other Processes and Requirements** - Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness.

Annually, management must provide assurances on internal control in its Performance and Accountability Report, including a separate assurance on internal control over financial reporting, along with a report on identified material weaknesses and corrective actions. Finally, management must communicate with each PO to ensure the highest standards of financial management performance.

1. The Performance and Accountability Report (PAR) Process

The Performance and Accountability Report (PAR) consists of four main sections. These sections are the Management's Discussion and Analysis (MD&A), Performance Details, Financial Details, and Other Accompanying Information. The MD&A consists principally of organization background, program performance highlights and financial highlights. The Performance Details section provides important program performance information and analysis regarding performance measures tied to the ED strategic goals. The Financial Details section consists primarily of the audited financial statements,

footnotes, Required Supplementary Information (RSI), Required Supplementary Stewardship Information (RSSI) and the auditor's reports. Finally, the Other Accompanying Information consists of Improper Payment Act information; audit follow-up information, credit management information, and a listing of management challenges.

2. A-123 Process

OMB Circular No. A-123 describes management's responsibility for internal control in Federal agencies. A re-examination of the existing internal control requirements for Federal agencies was initiated in light of the new internal control requirements for publicly traded companies contained in the Sarbanes-Oxley Act of 2002.

ED and its PO's will establish and maintain cost-effective systems of internal control so that they can provide reasonable assurance that their systems are operating in a manner to accomplish the goals of ED and the objectives of internal control.

Individual program and administrative managers have the ultimate functional responsibility for designing, implementing, and managing the internal control environment in their operations. Managers will evaluate systems for which they are responsible on an ongoing basis and will take timely action to correct identified weaknesses.

3. FML Process

The Financial Management Leadership (FML) Meetings are a process whereby FMO employees visit all Program Offices to provide assistance to help them better manage and improve their financial management performance.

This initiative is accomplished by the FML team presenting significant financial events and by encouraging timely processing consistent with OMB and Treasury reporting requirements and performance measures, and by the PO's presenting their concerns and requests for assistance or training. The PO's evaluations and derived benefits of the FML Meetings will formulate a cohesive partnership that will lead to current and accurate financial records, improved performance, and a clean audit opinion.

IX. Responsibilities

All ED employees are responsible for the prudent stewardship of funds entrusted to ED. This section outlines additional specific responsibilities as they apply to ED.

A. The Secretary shall:

1. Consult with the President regarding the President's designation of ED's CFO; and

2. Appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, and systems development, and not less than six years practical experience in financial management at one or more large governmental entities.

B. The Chief Financial Officer (CFO) shall:

1. Report directly to the Secretary regarding financial management matters;
2. Establish and issue ED financial management and accounting policy/procedures and oversee all financial management activities relating to the programs and operations of ED;
3. Oversee the development and maintenance of an integrated ED accounting and financial management system, that includes financial reporting and internal controls;
4. Make recommendations to the Secretary regarding the selection of the Deputy CFO;
5. Direct, manage, and provide policy guidance and oversight of ED's financial management personnel, activities, and operations including:
 - a. Preparing and annually revising ED's plan to implement the OMB 5-year financial management plan and to prepare auditable financial statements,
 - b. Developing ED's financial management budgets,
 - c. Establishing standards or criteria for recruiting, selecting, and training personnel to carry out ED's financial management functions, and
 - d. Reviewing the design, budget, development, implementation, operation, and enhancement of ED-wide and PO accounting, financial and asset management systems, including systems for cash management, credit management, debt collection, and property and inventory management and control.
6. Make written representations to auditors, in conjunction with the cognizant Principal Officer, regarding the fair presentation of financial statements, availability and completeness of records, and disclosure of all material issues;
7. Prepare and transmit an annual report to the Secretary and the Director of OMB, which shall include ED's audited financial statements and a description and analysis of the status of financial management in ED;
8. Monitor actual expenses in relation to the financial execution of ED's budget, and advise the Secretary of significant variances;
9. Review, on a periodic basis and in conjunction with affected POs, the fees, royalties, rents, and other charges imposed by ED for services and things of

value it provides, and make recommendations on revising those charges to reflect costs incurred;

10. Appeal to the Secretary when the CFO disagrees with PO decisions affecting financial management;
11. Assist the Principal Officer in developing a plan to fulfill the responsibilities outlined under part IX E. 1. below and take actions to ensure effective implementation of the plans;
12. Provide requested input or guidance to and review major PO financial system designs and redesigns, and system initiatives of PO systems that provide financial or program performance data used in financial statements;
13. Establish, review, and enforce ED management control policies, standards and compliance guidelines involving financial management; and
14. Establish and implement control policies including policies regarding the reconciliation of financial data.

C. The Deputy Chief Financial Officer (Deputy CFO) shall:

1. Direct the development and maintenance of an integrated ED accounting and financial management system that includes financial reporting and internal controls;
2. Ensure compliance throughout ED with applicable accounting standards and principles, and financial information systems functional standards;
3. Coordinate, as appropriate, the development and implementation of an Information Technology (IT) financial management systems modernization plan, that includes an ED-wide inventory of financial management systems;
4. Ensure that program information systems provide relevant, reliable and timely financial and programmatic data needed for financial management;
5. Develop ED-wide policy guidance and assist in the oversight of the approval and management (design, budget, development, implementation, operation, and enhancement) of ED-wide and PO IT financial management systems projects;
6. Review and approve financial reports and statements prepared by POs;
7. Develop, in coordination with Principal Officers, financial and programmatic performance indicators for inclusion in financial reports and statements;
8. Provide complete, reliable, consistent and timely accounts receivable, payments, and expenditure information for reporting purposes that are responsive to management and programmatic needs;
9. Ensure that ED's financial systems produce reconcilable subsidiary ledgers and reliable internal and external financial reports;

10. Oversee the development of ED asset management systems, policies, procedures, and adequate controls for cash, credit, accounts receivable, debt collection, and capital property and equipment;
11. Provide support to the CFO regarding the establishment of standards or criteria for recruiting, selecting, and training personnel to carry out ED financial management functions;
12. Provide support to the CFO regarding the establishment, review and enforcement of ED's management control policies, standards and compliance guidelines involving financial management;
13. Ensure that timely payments are made under the Cash Management Improvement Act of 1990;
14. Assist, every two years or as appropriate, in the review of fees, royalties, rents, and other charges imposed by ED for services and things of value it provides, and make recommendations to the CFO on revising those charges to reflect costs incurred; and
15. Establish and implement management control policies, including policies regarding the reconciliation of financial data between PO program activity and ED systems.

D. The Director, Budget Service shall:

In the area of financial management, the Director, Budget Service, in addition to other duties involving program budgetary oversight and development, shall:

1. Develop and implement ED-wide systems and procedures for ED's budget process, including reviewing budget submissions and related materials; formulating ED's budget and legislative policies; and presenting ED's program and administrative budget and related policy proposals to OMB, the public, and the Congress;
2. Direct the planning and development of the annual budget cycle and process, including instructions for formulating, presenting, and executing ED's budget;
3. Manage and approve the receipt of appropriated or transferred funds to ED, including apportionment and reapportionment requests to OMB, warrant requests to the Treasury, and interagency agreements for funds coming into ED;
4. Develop and maintain major budgetary systems and controls for ED, such as apportionments and allotments for funds control and management, to ensure compliance with the Anti-Deficiency Act and other Acts; outlay estimates; administrative resource allocations; and ED operating plans;
5. Ensure planning and allocation of ED management resources consistent with Administration priorities and initiatives through budget formulation; recommend allocations and provide administrative budget support for each of ED's POs

through budget execution; and assist the Deputy Secretary in planning, coordinating, and monitoring high-priority budget initiatives;

6. Direct the monitoring and analysis of program operations and management to ensure that budget and related policies are implemented and that budget-related objectives of ED management are consistent with budget policies;
7. Direct the development and analyses of legislative proposals by identifying issues; preparing options; assessing costs, assuring consistency with previous policies, and possible effects; and making recommendations about priorities and program directions and management;
8. Review and comment on regulations and other policy documents that affect the operation, management, budget, and other policies of ED in cooperation with other staff and program Principal Officers;
9. Review and analyze short- and long-term plans for program evaluations, management objectives, and statistical surveys; and recommend evaluations and studies that are necessary for effective budget, policy, and legislative development; and
10. Establish, review, and enforce within the Budget Service, ED management control policies, standards and compliance guidelines, including requiring the reconciliation of financial data.

E. All Principal Officers (PO) shall:

1. Develop and implement, in conjunction with the CFO, a plan to ensure the PO is able to:
 - a. Oversee all financial management activities relating to the programs and operations of the PO,
 - b. Assist in the implementation of ED's financial management strategic plan,
 - c. Assist in improving financial systems so that reliable financial reports can be produced,
 - d. Participate, as required, in the preparation of the CFO's annual report and other required financial management reports to the Secretary, OMB, the Treasury, and Congress,
 - e. Provide the CFO access to records, reports, reviews, documents, papers, recommendations, or other materials that relate to programs and operations with respect to which the CFO has responsibilities,
 - f. Implement and ensure compliance with ED financial management guidance, policies and procedures, and financial information systems functional standards,

- g. Assist in the development of financial and programmatic performance indicators for inclusion in financial reports and statements,
 - h. Establish, review and enforce within the PO, ED management control policies, standards and compliance guidelines, that require the reconciliation of financial data,
 - i. Review annually the quality and extent of financial management training programs for PO personnel,
 - j. Advise and provide direction to PO program managers on financial management matters,
 - k. Ensure that PO program information systems provide relevant, reliable and timely financial and programmatic data needed for financial management,
 - l. Ensure that PO financial management systems provide complete, reliable, reconcilable, consistent and timely information that is useful for reporting purposes and responsive to management needs. Ensure that systems produce detailed transaction journals used in the timely reconciliation of system produced subsidiary ledgers to the general ledger,
 - m. Ensure that individual performance agreements include appropriate financial management responsibilities,
 - n. Ensure that the PO's credit programs comply with OMB Circular A-129, *Managing Federal Credit Programs*,
 - o. Ensure that appropriate property management system practices are in place and performed, and that they provide reliable and timely information,
 - p. Ensure that the PO meets the OMB criteria for compliance under the Prompt Payment Act by effectively and promptly assisting in maintaining and processing timely payments; and
 - q. Ensure that the PO authorizes timely public assistance awards to enable compliance with the Cash Management Improvement Act of 1990.
2. Ensure the PO allocates appropriate budgetary resources, including staff with the authority to implement the plan developed in part IX.E.1 to fulfill PO responsibilities under the CFO Act of 1990, and this Directive to the extent possible;
 3. Make written representations to auditors, in conjunction with the CFO, regarding the fair presentation of financial statements, availability and completeness of records, and disclosure of all material issues; and
 4. Ensure that program and operational financial data is reconciled to ED's accounting system.

F. The Inspector General (IG) shall:

1. Provide for the financial statement audits required by the CFO Act of 1990;
2. Ensure that a system or process is in place to track and report audit reports and the related dollar value of questioned cost (including a separate category for unsupported cost), disallowed costs, and the dollar value of recommendations for better use of funds;
3. Provide recommendations for improving the auditability of financial statements; and
4. Provide the required financial statement audit report to the Secretary within the required time frame.

G. The Assistant Secretary of Management (ASM) shall:

1. Assist the CFO to provide policy guidance and oversight of the approval and management (design, budget, development, implementation, operation, and enhancement) of ED and PO Information Technology (IT) financial management systems projects;
2. Ensure OM representation in all Chief Information Office (CIO) councils affecting ED or PO financial and asset management systems;
3. Work with the Deputy CFO to provide the POs with advice on the qualifications, recruitment, and performance standards of financial management personnel; and
4. Work with the Deputy CFO to assess financial management training needs and establish financial management training courses;

H. The General Counsel (GC) shall:

1. Provide legal and ethical guidance and interpretation of laws and regulations affecting financial management; and
2. Make written representations to auditors regarding litigation, claims, and assessments.

X. Procedures and Requirements**A. Developing, Implementing, and Monitoring PO Financial Management Plan**

1. The CFO will request the cognizant Principal Officer to designate an appropriate individual who will coordinate the development, implementation, and monitoring of the PO Financial Management Plan;
2. The person designated by the Principal Officer, working in conjunction with the CFO, will coordinate the preparation of a plan that supports the goals of the ED Financial Management Strategic Plan and the PO Strategic Plan and fulfills the

responsibilities outlined under part IX.E.1. The plan will be updated at the request of the CFO in conjunction with ED, OCFO, and PO planning cycles;

3. Upon the plan's completion, each Principal Officer will monitor its implementation through his/her designated representative.

B. Developing, Issuing, and Implementing ED Financial Management Guidance

In accordance with the CFO Act of 1990, financial management guidance will be prepared and issued by OCFO. Guidance may take the form of policies, procedures, operational guidelines for OCFO operations, announcements and memoranda that will be issued by the CFO and Deputy CFO. When appropriate, applicable drafts of the guidance will be circulated to POs for comment.

C. Approving System Initiatives

1. The CFO shall review major enhancement and development initiatives of financial systems. In addition, to ensure that CFO needs are met, the CFO will review system initiatives of other PO information and program systems providing financial or program performance data used in financial statements. This category includes systems for property and inventory management and control. The level of reviews will be decided on a case-by-case basis. These reviews will be scheduled in conjunction with the CIO reviews of the system initiatives so that CIO and CFO reviews are concurrent. CFO reviews of individual task orders are not contemplated;
2. In order to minimize the time involved in reviews, a representative of the Deputy CFO actively participates in ED-wide CIO councils and decisions and the CIO strategic planning process. This ensures:
 - a. Coordination of projects in the CIO strategic plan with the financial management strategic plan,
 - b. Identification of PO projects affecting financial management systems and operations, and
 - c. Inclusion of the CFO in the CIO review of technical and, where applicable, business proposals associated with systems affecting financial management.
3. The CFO may appeal to the Secretary, CIO decisions affecting financial management of which the CFO disapproves;
4. The Deputy CFO will coordinate the efforts outlined above except for budget approval, which is coordinated by the Director, Budget Service;
5. Information regarding the approval, budgeting, monitoring, development, implementation, and maintenance of financial management systems development, redesign and enhancement initiatives may be found in ACS directives.