



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

DEPARTMENTAL DIRECTIVE

OCFO:3-107

Page 1 of 7 (06/26/2008)

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All Department of Education Employees

Approved by: ___/s/ (by David McAlpine)_____
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**Reconciling Principal Office Administrative Expenditures and
Obligations to the General Ledger**

Table of Contents

I.	Purpose	2
II.	Policy	2
III.	Authorization	2
IV.	Applicability	3
V.	Definitions	3
VI.	Responsibilities	5
VII.	Procedures and Requirements	6

Supersedes OCFO:3-107 "Reconciling Principal Office Administrative Expenditures and Obligations to the General Ledger" dated 07/07/2005.

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 or Cheryl Boswell via email at Cheryl.boswell@ed.gov 202-205-4804.

I. Purpose

This directive establishes written policy concerning the reconciliation of individual Principal Office administrative expenditures and obligations to the U.S. Department of Education's (ED) General Ledger, maintained within the Education's Central Automated Processing System (EDCAPS) and managed by the Office of the Chief Financial Officer (OCFO). This policy addresses the frequency of such reconciliations and the retention of documents supporting the reconciliation process. Finally, this directive 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 and Heads of Contracting Activities assist in the execution of the CFO's financial management responsibilities associated with the reconciliation of administrative expenditures and obligations to ED's General Ledger, within their respective Principal Offices.

It is the policy of ED, as established by the CFO that Principal Offices and Heads of Contracting Activities are responsible for conducting periodic reconciliations of their administrative expenditures and obligations to ED's General Ledger, at a frequency established within this directive. Furthermore, this policy requires Principal Offices and Heads of Contracting Activities to retain supporting documentation of such reconciliations for a period not less than that established in this directive, and that they shall make these documents available upon request of authorized officials (i.e., Office of Inspector General and/or OCFO program review staff).

III. Authorization

This directive is established under the authority and support of various statutes and regulations governing the responsibilities of the CFO and ED, including:

- [Chief Financial Officers Act of 1990 \(CFO Act of 1990\)](#);
- [OMB Circular A-123, Management Accountability and Control \(Revised June 21, 1995\)](#);
- [ITFM Part 6-8000, Cash Management](#);
- [Handbook OCFO-3, Handbook for Cash Management Requirements](#);
- ["Administrative Control of Funds"](#) Instructions found in OCFO's [Procedures That Work](#);

- [OMB Circular A-11, Preparation, Submission and Execution of the Budget, \(as amended July 2007\)](#);
- [TFM Bulletin 2004-05, Year End Closing](#);
- [Title 31 U.S.C. 1108, Preparation and Submission of Appropriations Requests to the President](#);
- [Title 31 U.S.C. 1501, Documentary Evidence Requirement for Government Obligations](#); and
- [Title 31 U.S.C. 1554, Audit, Control, and Reporting](#).

IV. Applicability

This directive pertains to all ED Managers and staff who oversee or manage ED's administrative expenditures and/or obligations, including the CFO, Deputy CFO, Director of Budget Service, Principal Officers, Heads of Contracting Activities, independent commissions, councils and boards, the CFO for Federal Student Aid, and all ED financial support staff.

V. Definitions

Administrative Obligations and Expenditures – All obligations and expenditures generated by the various Principal Offices of ED, other than those relating to program grants or loans.

Chief Financial Officer (CFO) - Refers to ED's CFO, except when reference is made to the CFO Act of 1990, in which case the term may refer to the agency Chief Financial Officers in general and as identified in the CFO Act of 1990. The CFO reports directly to the Secretary regarding financial matters, oversees all financial management activities relating to ED programs and operations, and is responsible for financial management system development, including systems for cash management. The CFO establishes policy, guidance, and direction to ED financial management personnel, activities and operations. The CFO Act of 1990 assigns other specific responsibilities to the CFO.

Office of the Chief Financial Officer (OCFO) - The OCFO is headed by the CFO whose primary responsibility involves supervising the activities of major components, and serving as the principal advisor to the Secretary on all matters related to formula grants, discretionary grant-making, cooperative agreements, and procurement, as well as financial management, financial control, and accounting. The OCFO's mission is to provide accurate, timely, and useful grant, contract and financial management information and services to all of ED's stakeholders.

Chief Financial Officers Act of 1990 - The Act requires the preparation and audit of financial statements for 24 Federal agencies, 31 U.S.C. 901(b), 3515. In this process, auditors report on internal controls and compliance with laws and regulations. Therefore, the agencies covered by the CFO Act of 1990 have a clear opportunity both to improve controls over their financial activities, and to evaluate the controls that are in place.

Contracting Activity – An element of ED designated by the Secretary and delegated broad authority regarding acquisition functions. For the purposes of this directive, the contracting activities for ED are OCFO/Contracts and Acquisitions Management (CAM), Federal Student Aid (FSA), and all boards, commissions, and councils under the management of the control of ED that sponsor contracts.

Deputy CFO - ED's Deputy CFO formulates, issues, and implements policy and provides guidance and overall leadership for all financial management operations, including cash management.

General Ledger - The complete collection of all of the accounts of ED. The general ledger is used to prepare ED's financial statements. Detailed records in the subsidiary ledgers support the account balances reported in the general ledger.

Head of Contracting Activity – The official who has the overall responsibility for managing the contracting activity.

Management Controls - Safeguards that protect Government resources (e.g., property, equipment, records, funds, time, and people). Management controls are also known as internal controls. Management controls represent the organization, policies, and procedures used by agencies to reasonably ensure that:

- (i) programs achieve their intended results;
- (ii) resources are used consistent with agency mission;
- (iii) programs and resources are protected from waste, fraud, and mismanagement;
- (iv) laws and regulations are followed; and
- (v) reliable and timely information is obtained, maintained, reported and used for decision-making.

Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include processes for planning, organizing, directing, and controlling program operations. A subset of management controls includes the internal controls used to assure that there is prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets.

Obligation - An order placed, contract, grant or cooperative agreement awarded, service received, and similar transactions between an agency and other parties for a purpose authorized by law, which will ultimately result in an appropriation being expended in the

same or future period. Obligations also include outlays for which obligations had not previously been recorded and reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations. An obligation may be:

- A binding agreement in writing between parties, including other government agencies;
- An order issued pursuant to law;
- Employment or services of personnel or travel expenses;
- A contingent liability resulting from pending litigation; or
- Any other legal liability of the U.S. Government.

Principal Officer - For the purpose of this directive, a Principal Officer is the official in charge of an organization designated as a Principal Office.

Subsidiary Ledger - A detailed listing supporting a balance reported in the general ledger (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.

Reconciliation – The act of comparing one set of accounting transactions against another set of similar accounting transactions of the same period and type, and noting found discrepancies for research and correction where needed. For purposes of this directive, Reconciliation of Administrative Obligations and Expenditures refers to the comparative analysis of financial records (including administrative obligations and expenditures) and/or source documents maintained by the individual Principal Offices in the format that best suits their business activities, to ED’s official General Ledger maintained within the EDCAPS Database.

Work Papers – Supporting documentation created in the process of conducting a reconciliation, noting beginning and ending dates of comparison, account identifiers, beginning balances, discrepancies, reasons for discrepancies, corrective actions taken, and adjusted balances.

VI. Responsibilities

A. The CFO shall:

1. Oversee all financial management activities relating to the programs and operations of the agency, as established by [the CFO Act of 1990](#). In this capacity, the CFO shall direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations, in relation to this directive concerning the reconciliation of program office administrative expenditures and obligation to ED’s general ledger.

2. Ensure that appropriate training, support and financial information are available to enable Principal Offices and Heads of Contracting Activities to comply with this policy.
- B. Principal Officers or Heads of Contracting Activities, shall implement, monitor and enforce within their respective Principal Offices or purview, ED management control policies, standards and compliance guidelines, including the reconciliation of financial data, in accordance with the policy established by this directive.

VII. Procedures and Requirements

- A. Principal Officers and Heads of Contracting Activities shall:
1. Use Oracle General Ledger transaction reports as directed or provided by OCFO, and individual Principal Office expenditure and obligation management reports, to reconcile administrative (non-program grant or loan related) expenditures and obligations to ED's official financial system of record (the EDCAPS General Ledger), at least three times each fiscal year. Reconciliations shall be completed within 30 calendar days following the last day of the applicable accounting period (30 days following the last day of the accounting period of the respective calendar quarter). OCFO recommends the use of the EDCAPS New Obligation Report, EDCAPS Award Financial History Report, the EDCAPS Status of Funds Report, the EDCAPS Document Summary Report and/or the EDCAPS Transaction History Report for reconciliation of Principal Office records to ED's General Ledger.
 2. Prepare comprehensive work papers to document and support the reconciliation of administrative expenditures and obligations to ED's General Ledger.
 3. Ensure that all discrepancies are identified, noted and documented, to facilitate a full and complete audit trail of all pertinent events affecting the account balance.
 4. Ensure that such documentation, work papers and audit trails are retained for review and analysis for a period of not less than three years following the date of reconciliation for the respective reporting period.
 5. Certify the completeness and accuracy of the reconciliation. The Certification shall be documented on a cover sheet attached to reconciliation documents, stating the following:

“As the Principle Officer for (*insert Principal Office Name*) within ED, I certify that to the best of my knowledge, with reasonable assurance, all

administrative obligations and expenditures encumbered by this office are in agreement with those represented by ED's General Ledger, except for those discrepancies noted and explained within this reconciliation document."

Signature of Principal Officer

Date of Signature

- B. ED employees shall contact the EDCAPS Help Desk on (202) 401-6238 if assistance is needed. The EDCAPS Training Team are also available to provide Reconciliation Workshops upon request and can be reached by contacting [Greg Robison](#), EDCAPS Customer Support Manager, at (202) 401-3035.