



**Federal
Financial
Management
System
Requirements**

Grant Financial System Requirements

**EXPOSURE
DRAFT**

162952

**JFMIP-SR-99-13
October 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 or call (202) 512-9201.

JOINT FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM



441 G Street NW, Room 3111
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Date: October 19, 1999

To: Senior Financial Officials

From: Executive Director, JFMIP *Karen Cleary Alderman*

Subject: JFMIP Grant Financial Systems Requirements

The JFMIP Grant Financial Systems Requirements document Exposure Draft is attached. This update effort was led by the National Science Foundation (NSF), Mr. Albert Muhlbauer, Deputy Chief Financial Officer, and reflects the efforts of his governmentwide team. The effort was supported by the JFMIP; Chief Financial Officers Council Financial Systems Committee (FSC); Inter-Agency Electronic Grants Committee (IAEGC); Office of Management and Budget (OMB); U.S. General Accounting Office (GAO); and others. The extensive vetting process that occurred, revealed many changes that needed to be included in the Grant Financial Systems Requirements document to reflect:

1. Statutory and regulatory changes, including OMB Circulars and Statements of Federal Financial Accounting Standards (SFFAS No. 5);
2. Technological changes, including the use of Web-based technology; automated interfaces; and
3. JFMIP documentation changes, including the updated JFMIP Core Financial System Requirements document and issuance of the Framework for Federal Financial Management Systems document.

Please note that mandatory and value added requirements have been addressed in the document and defined in the Glossary Appendix. Please consider closely the Glossary Appendix and, if needed, recommend additional terms that are shown in the document that you believe need to be defined.

The attachment has been reviewed by representatives of the JFMIP, FSC, GAO, OMB, IAEGC, Federal Accounting Standards Advisory Board and others.

The document is being circulated widely within the Federal government's financial systems community, private sector service providers, and other major stakeholders. It is also being placed on Financenet at:

www.financenet.gov/fed/jfmip/jfmip.exp.htm

Please provide your comments by Friday, December 17, 1999. Comments are encouraged on any section(s) of the document. Responses will be more helpful if the underlying rationale is provided. Respondents are requested to indicate the capacity in which they are responding.

Comments should be sent to:

Joint Financial Management Improvement Program
441 G Street NW, Room 3111
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Please be aware that we are working to relocate JFMIP by the middle of November, 1999. We are working closely with the GAO, where JFMIP is currently located, to ensure a smooth transition of U.S. Postal and electronic mail services. When the exact date of the relocation is known, information will be posted on the JFMIP Homepage at:

www.financenet.gov/fed/jfmip/jfmip.htm

If you have any questions on any of these matters, please contact Dennis Mitchell via electronic mail at mitchelld.jfmip@gao.gov, telephone at 202-512-5994, or fax 202-512-9593.

Attachment

Foreword

This is the first functional requirements document issued for grant financial systems for the U.S. Federal government. It is one of a series of functional systems requirements documents published by the Joint Financial Management Improvement Program (JFMIP) on Federal financial management systems requirements.

All of the JFMIP Federal Financial Management System Requirements (FFMSR) documents should be considered together when determining how best to use information and supporting services to meet the financial management needs of a Federal agency.

The FFMSR series addresses the goals of the U. S. Government Chief Financial Officers' (CFO) Council, the JFMIP, the Inter-Agency Electronic Grants Committee (IAEGC), and others, to promote the efficient management of assets, and to improve financial management systems government wide to provide useful financial information on Federal government operations.

Agencies may develop additional technical and functional system requirements as necessary to support unique mission responsibilities. Agencies must also develop strategies for interfacing or integrating grant financial management systems with the agency's core financial system.

We want to take this opportunity to thank the many agency officials and others in the financial and grant management communities who contributed to this document. We value their assistance and support. Special thanks are also extended to the CFO Council's Fellows Class of 1998/1999 who participated in the development and formulation of this document. This new JFMIP systems document was chosen as their class project. With continuing support from the numerous contributors to this project, we can confidently face the financial management challenges in the new century.

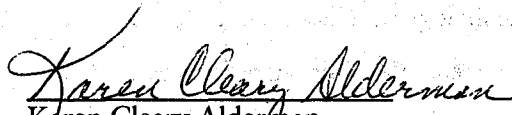

Karen Cleary Alderman
Executive Director

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Acronyms

ASAP	Automated Standard Application for Payment System
CFO	Chief Financial Officer
DHHS	Department of Health and Human Services
COTS	Commercial Off-the-Shelf
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act
FFMSR	Federal Financial Management System Requirements
FLSA	Fair Labor Standards Act
FMS	Financial Management Service
GAO	General Accounting Office
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
IAEGC	Inter-Agency Electronic Grants Committee
JFMIP	Joint Financial Management Improvement Program
NPR	National Performance Review
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PMC	President's Management Council
PMS	Payment Management System
SGL	Standard General Ledger

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Introduction

As the world's largest and most complex enterprise, the U. S. Federal government faces tremendous challenges in the area of grants management. These enormous responsibilities involve the management of billions of dollars of resources, and pose tremendous challenges as we rapidly begin the twenty-first century.

The Federal government has consistently recognized the importance of having high quality grant financial management systems to support improvement of government operations and provide financial and related information to program and financial managers. In response, the JFMIP began the process of defining financial management system requirements by publishing the FFMSR series of requirements documents. Beginning with the Core Financial System Requirements (FFMSR-1) document in January 1988, JFMIP has issued publications in the FFMSR series. For additional information, refer to JFMIP's web page at www.financenet.gov/fed/jfmip/jfmip.htm.

In addition to the basic JFMIP systems requirements documents, several Federal organizations and agencies recognized the need for a comprehensive document describing a variety of general systems requirements e.g., system integration, data stewardship, and internal controls. As a result, JFMIP published the Framework for Federal Financial Management Systems document in January 1995.

The Federal Financial Management Improvement Act (FFMIA) of 1996 mandated that agencies implement and maintain systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level. The FFMIA statute codified the JFMIP financial systems requirements documents as a key benchmark that agency systems must meet, in order to be substantially in compliance with systems requirements provisions under FFMIA. To support the requirements outlined in the FFMIA, JFMIP is updating publications which are obsolete and is publishing additional requirements documents. This is the first JFMIP Grant Financial System Requirements document that has been issued.

This Grant Financial System Requirements document is intended to identify financial system requirements necessary to support grants programs. It does not intend to identify the full scope of functional program requirements associated with grants management programs. This document is intended to assist systems analysts; system accountants; and others who design, develop, implement, operate, and maintain financial management systems. This includes building or buying systems.

Increasingly, integrated financial management systems are necessary to support program managers, financial managers, budget officials, and others simultaneously. Data and information supplied by systems to these individuals are expected to be accurate, timely, and consistent across organizations, agencies, and the Federal government. Systems and data are shared more and more by multiple organizations, agencies, etc., with common needs.

Federal Financial Management Framework

This document provides high level functional requirements for grant financial systems that will provide the capability for financial managers and others to control and account for Federal grant resources as defined in government wide and agency specific statutes, regulations, and guidelines. Appendix A is a listing of statutory and regulatory references. This document is one component of a broad program to improve Federal financial management which involves the establishment of uniform requirements for internal controls, financial systems, financial information, financial reporting and financial organizations.

As shown in Illustration 1, standards and systems 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 government wide standard requirements to provide a uniform basis for the standardization of financial management systems as required by the CFO Act of 1990 and the FFMIA of 1996.

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

- collect accurate, timely, complete, reliable, and consistent information;
- provide for adequate agency management reporting;
- support government wide and agency-wide policy decision-making;
- 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 government wide reporting, including consolidated financial statements; and
- provide a complete documentation audit trail to facilitate audits.

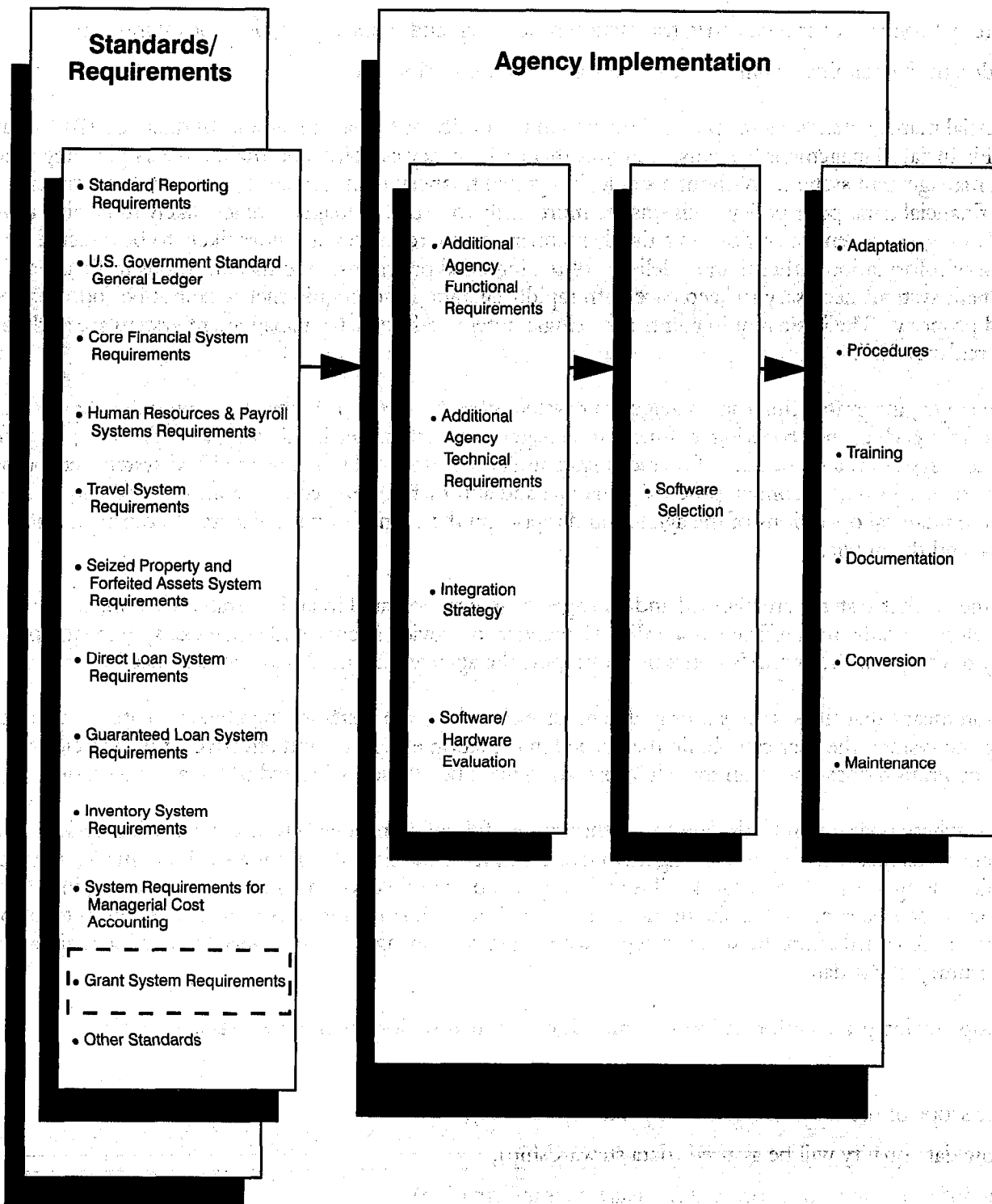
In support of this vision, the Federal government must establish government wide financial management systems and compatible agency systems, with standardized information and electronic data exchange, to support program delivery, safeguard assets, and manage taxpayer dollars.

It is critical that financial management systems plans support the agency's mission and programs, including planned changes, and that financial management systems plans are incorporated into the agency's plans for information technology infrastructure and information systems as a whole. Systems design efforts should also include an analysis of how systems 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, as a minimum, the following four characteristics:

Financial System Improvement Projects



--- Subject of this report

Illustration 1

- standard data classifications (definitions and formats) established and used for recording financial events;
- common processes used for processing similar kinds of transactions;
- internal controls over data entry, transaction processing, and reporting applied consistently; and
- a design that eliminates unnecessary duplication of transaction entry.

The financial management systems policy described in the Office of Management and Budget (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 to occur, managers are less likely to be able to report accurately 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 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 systems 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 manage the financial operations of the agency, and report on the agency's financial status to central agencies, Congress, and the public.

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

Integration means that the system's user is able to have one view into systems whereby, at whatever level a user is accessing the system, the user can obtain the needed information efficiently and effectively through electronic means. Integration does not mean that all information must be physically located in the same database.

Interfaces, where one system feeds data to another system following normal business/transaction cycles such as grant obligations recorded in general ledger control accounts at the time the grant awards are made, may be acceptable as long as the supporting detail is maintained and accessible to managers. 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. 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 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 hardware & software 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, (page 6). These pieces must work together to form an efficient 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.

Integrated Model for Federal Financial Systems

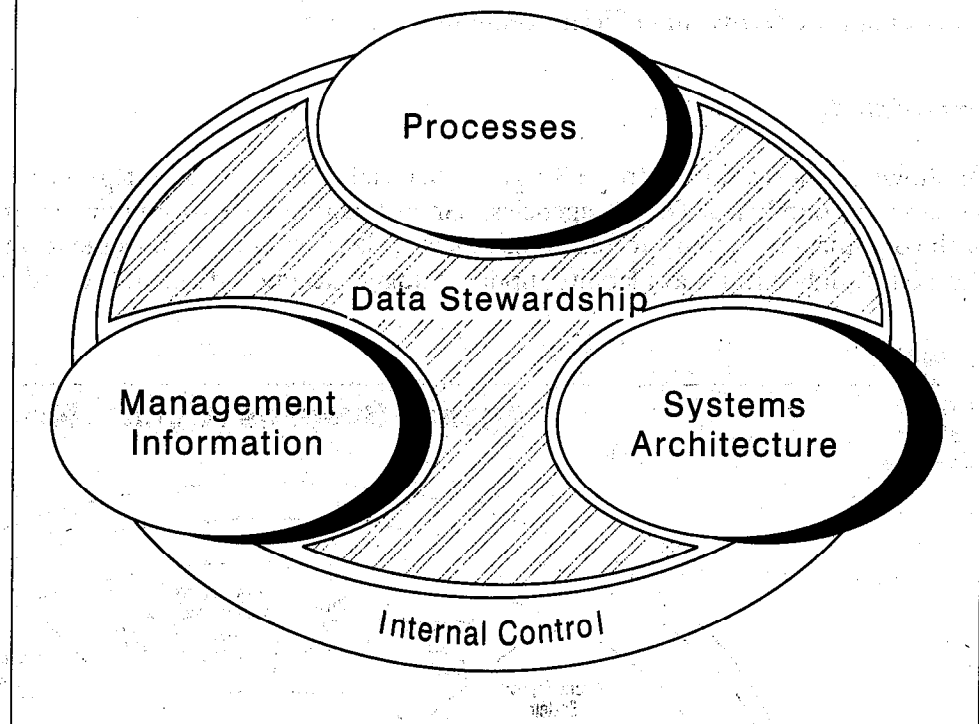


Illustration 2

Agency Financial Management Systems Architecture

Agency financial management systems are information systems that 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 grant systems,
- shared systems, and
- departmental executive information systems (systems to provide management information to all levels of management).

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 government wide basis.

Subject to government wide 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, which can determine 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, (page 8) provides a logical perspective identifying the relationships of various agency systems types. Although this does not necessarily represent the physical design of the system, it does identify the systems types needed to support program delivery/financing and financial event processing for effective and efficient program execution.

Grant Systems

As shown in Illustration 3, (page 8) grant financial systems are an integral part of the total financial management system for a number of Federal agencies. Grant financial systems support programmatic objectives and interact with core financial systems to record advances, collections and disbursements in the general ledger consistent with the SGL, validate funds availability; update budget execution data; and record other grant related transactions.

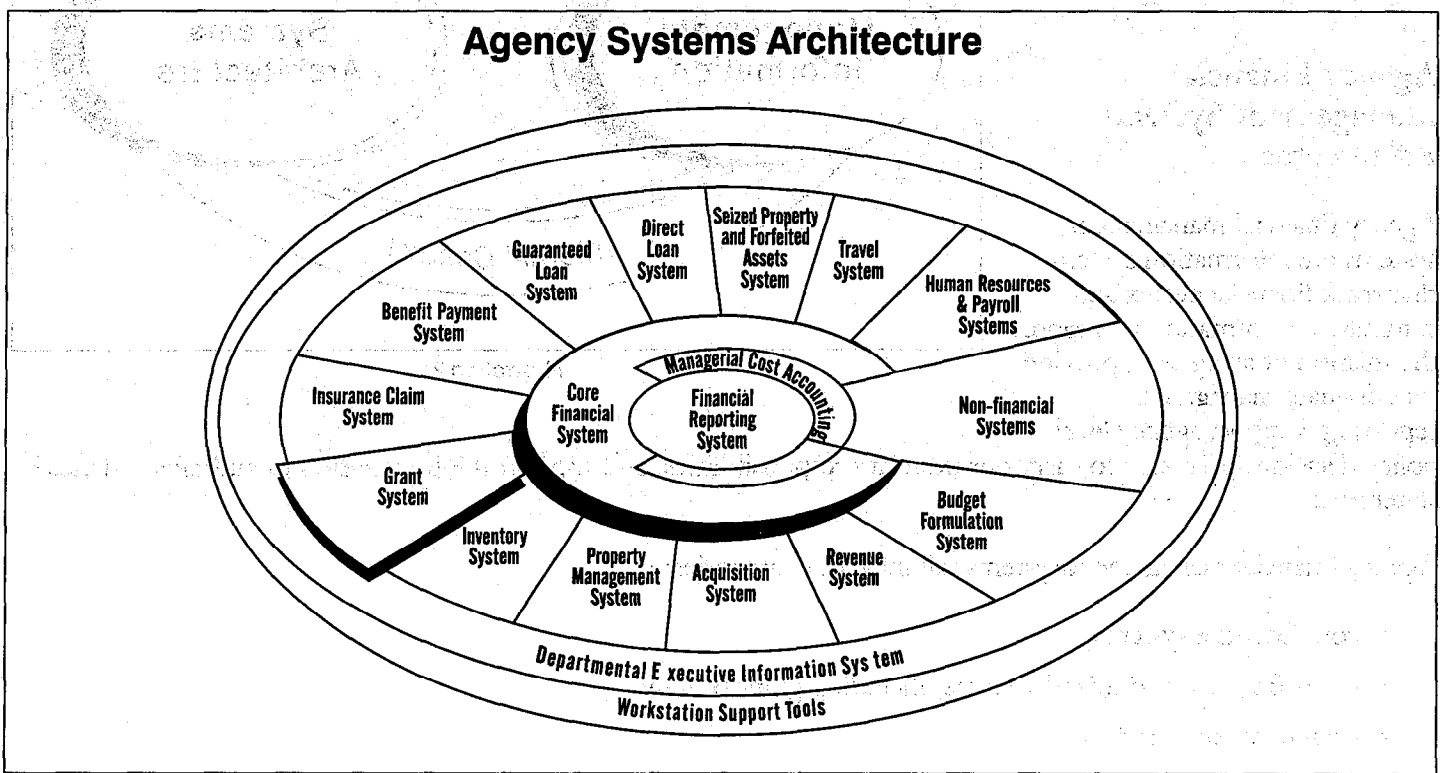


Illustration 3

System Overview

The complexity, diversity, and size of grant programs in Federal government agencies place unique demands on managers that are responsible for those programs. The constantly changing requirements of grant programs has led management to look not only at the functional capabilities of grant financial systems, but also the managerial environments in which these systems are supported and operated in.

All grant financial systems that are being designed and implemented, or are in use, must operate in accordance with existing laws and regulations. It is the responsibility of each agency to be knowledgeable of the legal requirements governing its grants financial operations.

All grant financial systems must provide, as a minimum, the following qualities:

- Complete and accurate funds control;
- Complete, accurate, and prompt recording of obligations;
- Complete, accurate, and prompt payment of grantee payment requests;
- Complete, accurate, and prompt generation and maintenance of grant financial records and transactions;
- Timely and efficient access to complete and accurate information, without extraneous material, to those internal and external to the agency who require the information;
- Timely and proper interaction of the grant financial system with Core financial systems and other existing automated systems; and
- Adequate internal controls to ensure that the grant financial system is operating as intended.

This document identifies functional requirements for grant financial systems. Although the document may be used when developing new grant financial systems, or improving or evaluating current systems, the document does not provide a specific model for such systems. Functional requirements not mandated by law, regulation, or directive must result in cost-effective systems that are in the interest of the government. All possible alternatives for meeting the requirements should be considered.

Functional requirements of Federal grant financial systems can be segregated into two general categories, mandatory and value added. Definitions for these two categories of requirements are:

Mandatory - Mandatory requirements describe and consist of the minimum acceptable 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 FFMIA. These requirements apply to existing systems in operation and new systems planned or under development.

Value-added - Value added requirements describe optional features 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. 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.

Mandatory requirements are identified in each chapter under the statement, "The system must...". Value added or optional requirements are discussed at various points throughout this document. The burden of demonstrating that these value added or optional functions are cost effective and clearly in the interest of the government rests with the CFOs of each agency. Further, each agency must develop an efficient, effective, and economical strategy for interfacing its grants financial system with other systems that share or utilize data.

All requirements listed in this document are mandatory, as indicated by the "The system must...". Other requirements discussed in the document are value added.

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Grant financial management activities can be further categorized based on types of activities within the overall grants process. The remainder of this document provides functional requirements based on these categories as follows:

Chapter 1: Provides an overview of the entire grants process.

Chapter 2: Describes the commitment process.

Chapter 3: Describes the decommitment process.

Chapter 4: Describes the obligation process.

Chapter 5: Describes the payment process for advances and reimbursements.

Chapter 6: Describes the initial cost accrual estimate and subsequent accrual verification.

Chapter 7: Describes the financial reports process.

Chapter 8: Describes the process for interest collections.

Chapter 9: Describes the closeout process for grants.

Chapter 10: Addresses needs for records retention and historical files Discusses information technology.

Chapter 11: Addresses general system requirements including general data stewardship, interface requirements, and other hardware and software related requirements Addresses needs for records retention and historical files.

Chapter 12: Discusses information technology Addresses general system requirements including general data stewardship, interface requirements, and other hardware and software related requirements.

Introduction to Functional Requirements

Definition

A federal grant is a financial assistance instrument which, consistent with 31 U.S.C. 6304, provides money and/or direct assistance to the recipient to carry out a public purpose authorized by a law of the United States, instead of acquiring property or services for the Federal governments own use. Cooperative agreements may also be used for financial assistance, except unlike grants, substantial involvement between the granting agency and the grant recipient is anticipated. Some agencies do process grants, cooperative agreements, and other contractual agreements may be processed at some agencies using the same administrative, accounting, and financial systems.

Guidelines

The OMB issues grants management circulars which are published in the Federal Register (administrative requirements, cost principles, and audit circulars). Federal agencies issue regulations implementing those OMB circulars and as needed publish other policy issuances that aid in understanding and complying with new regulations.

Scope of the Grant Business

Total grant funding for the U.S. Federal government is approximately \$250 billion annually, involving approximately 400,000 payment transactions annually. The Department of Health and Human Services accounts for the majority of this grant activity, led by over \$100 billion in grants to states for Medicaid. Grants for food, transportation, research, and other public missions involve institutions and organizations throughout the U.S. economy, underscoring the importance of efforts to improve grant financial management systems.

Grant Life Cycle

The life cycle of a grant includes application, review, award, performance, payment, and closeout.

There are two major types of grants: mandatory and discretionary.

Mandatory grants include entitlement programs (e.g., Medicaid, Food Stamp Administration) block grants (e.g., housing), and formula grants (e.g., highway construction). Mandatory grants are awarded non-competitively to eligible entities as long as those entities submit acceptable state plans or applications,

Discretionary grants are awarded under a wide range of specific programs, such as education and research. Competitive proposals are submitted for funding under an announced program with a specific mission identified.

The discretionary grant process usually begins with articulation of a need through an announcement (or solicitation) specifying the funding agency's objectives and scope of program, relevant dates and deadlines, grantee eligibility, and terms of the evaluation to determine awardees. Many agencies also accept unsolicited proposals.

The grants process calls for preliminary and/or full applications (or proposals) from organizations or individuals desiring to participate in the agency program, describing their proposed work, project team, and budget justification.

Upon receipt of a grant application/proposal, agencies usually provide a status indication (by telephone, postcard, or on-line web site) to the applicant/potential grantee pending completion of their review and final decision. Discretionary grant review processes, usually based upon project quality and mission relevance, may require an outside peer review, although in some agencies the federal staff fill this role. This procedure results in priority ranking, budget commitments, award decisions, and budget commitments. Notification of award (or declination) ends this part of the grant process.

A mandatory or discretionary award includes information on budget amounts, required reports (administrative, financial, and technical), regulatory requirements, and other instructions as part of the grant's terms and conditions.

On the basis of the award, the grantee may then proceed to perform as prescribed, incurring authorized costs and requesting payment from the granting agency as stipulated. Payment requests must carry accounting information sufficient to associate amounts requested with the specific grant(s), unless pooling arrangements have been made, allowing delayed reconciliation of accounts.

Existing grants often require modification. Modifications for which the grant financial system must account include changes in the dollar amount awarded and extensions of the grant period.

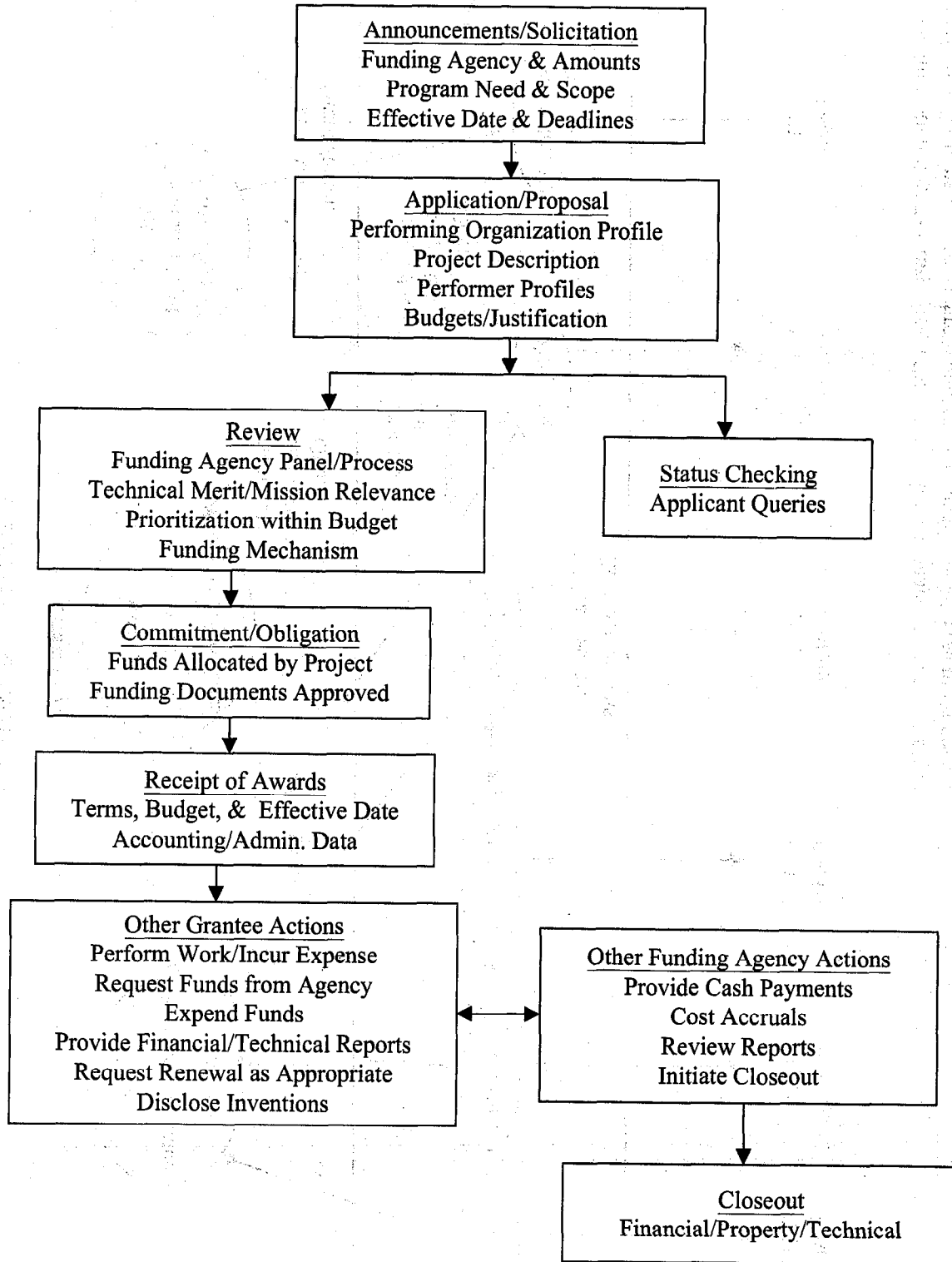
All grants ultimately require closeout. Discretionary grants are generally awarded for discrete projects with stated completion dates. Their duration may be extended, but will eventually end. This is not the case for all mandatory grants, which generally continue unless the program statute is rescinded. Reviews, audits, and documentation for financial, property, and technical matters are usually required for the successful closeout of an award. This is the final step in the grant life cycle.

Illustration 4, outlines the overall grant financial process described above.

Illustration 5, depicts how the grants financial system may interact and interface with other external (non grant) systems and with or within the agency's core financial system.

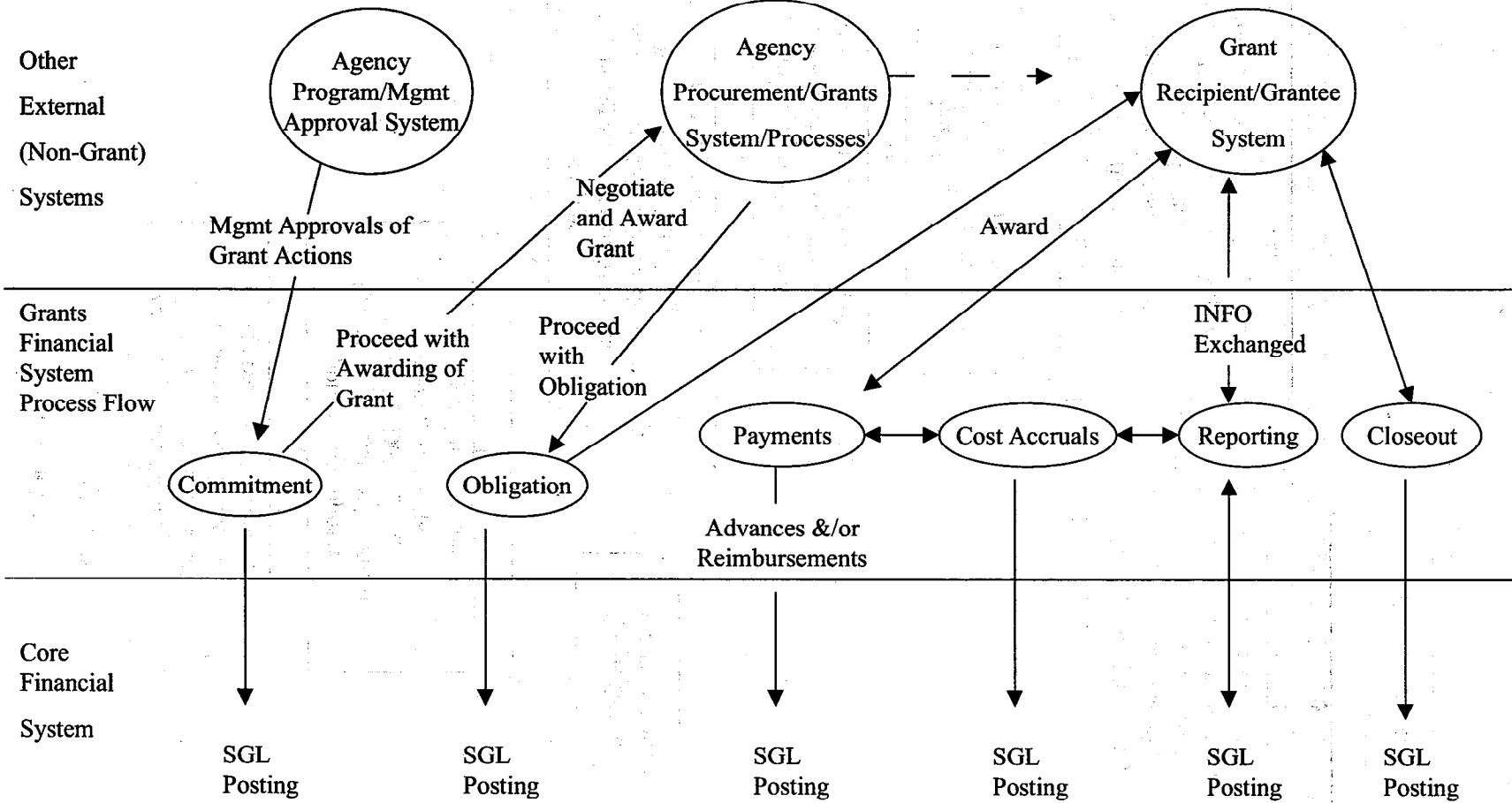
Illustration # 4

Grants Overview Process



Systems Interfaces Overview

Illustration # 5



NOTE: This illustration depicts **examples** of the information exchanges which take place between different Systems/Processes throughout the Grants Financial System Process.

Commitments

Definition

A commitment is an administrative reservation of a specific amount of an agency's available funds that provides for a later issuance incurring of a grant award, and incurring of the related obligation.

Commitment Process Flow (see Illustration 6)

Listed below are the major steps in the commitment process.

The system must support the following major steps associated with processing a commitment for agencies with a commitment process.

- **Decision to Fund a Grant** - Occurs usually after a proposal application process (involving proposal receipt, review, and selection) has been completed. The steps or procedures followed by an agency before the funding decision is made depend on the specific requirements established by an agency which are based on the nature of its grant programs.
- **Initiate Commitment Request; Input Budgetary/Program Data into System** - Data should include the following: if applicable:
 - System generated:
 - Commitment request identifier
 - Requisition date
 - Corresponding proposal identifier
 - Funding dollar amount
 - Appropriation Code(s)
 - Budget Year(s) for funding being utilized
 - Name of the individual initiating the commitment
 - Grant Purpose
 - Object Classification
 - Grantee Identifier
 - Principal Investigator/Project Director Identifier
 - Grant Period of Performance
- **Direct Requested Commitment to Approving Official** - Approving official(s) have the authority to commit funds. They review and approve or reject the commitment request. As part of their review, they must verify funds availability. Commitment requests should be transmitted to the approving official(s) in an automated manner.
- **Review Approved Commitment Request Against Edits; System Performs Following Edit Checks**
 - Approved commitments are processed through a series of edit checks
 - Verify Authority of Approving Official(s)
 - Validate Commitment Data Input by Requestor

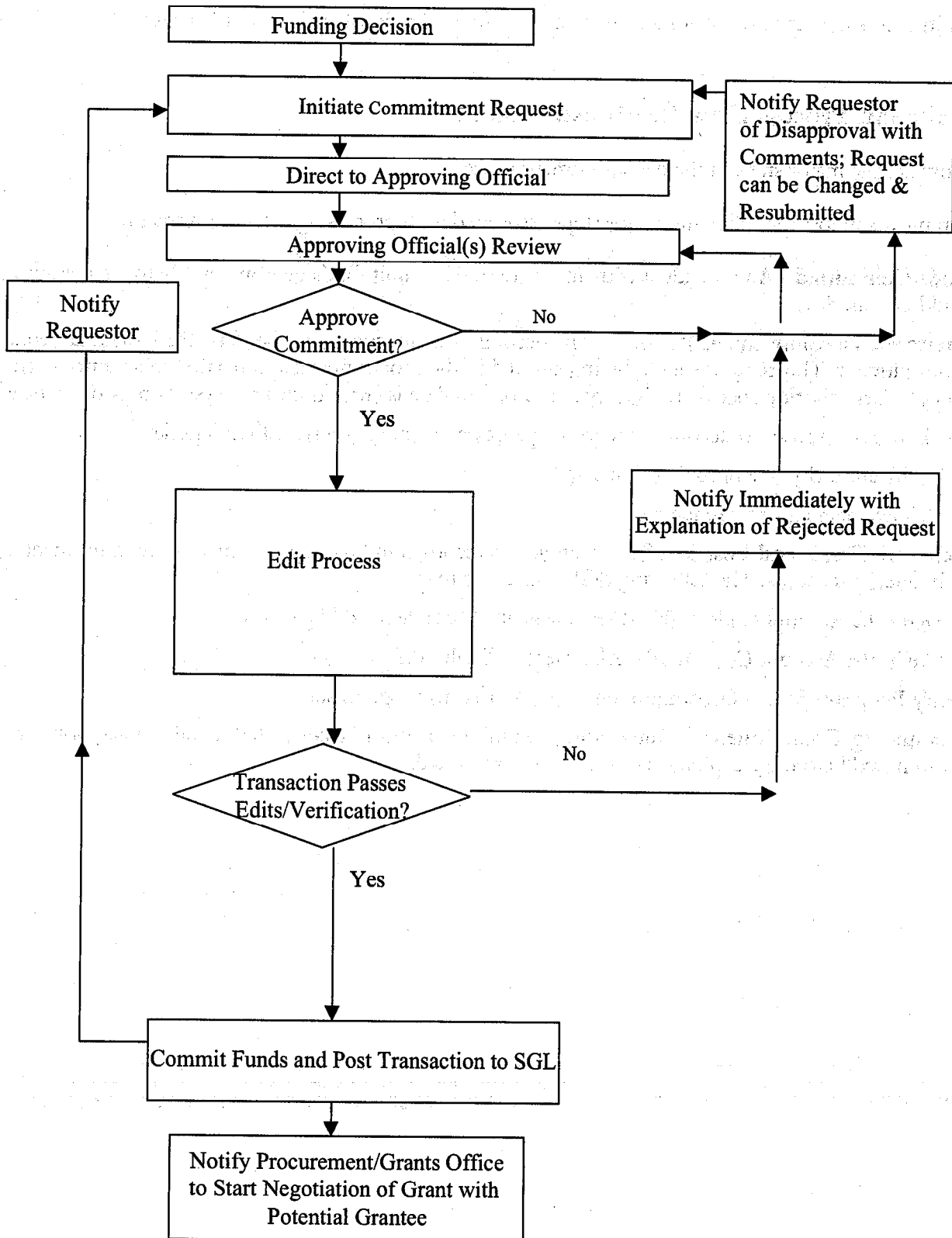
Commitments

- Verify Funds Availability
- Provide the capability to cite multiple funding sources
- Provide controls to prevent processing a duplicate document
- **Commit Funds and Post Transactions to Standard General Ledger (SGL) - Transaction recorded in Financial System as a commitment against the Budget Account; committed dollars are matched against budget being utilized.**

The SGL entries are:

- Debit the Account Code 4610—Allotments – Realized Resources
- Credit the Account Code 4700—Commitments Available for Obligations
- **Notify Procurement/Grants Office to Start Negotiation of Grant with Potential Grantee - Outstanding commitments must be reviewed and reconciled on a continuous basis throughout the year to ensure that they are converted to valid obligations or decommitted no later than funds expiration.**

Illustration # 6
Process for Commitments



Decommitments

Definition

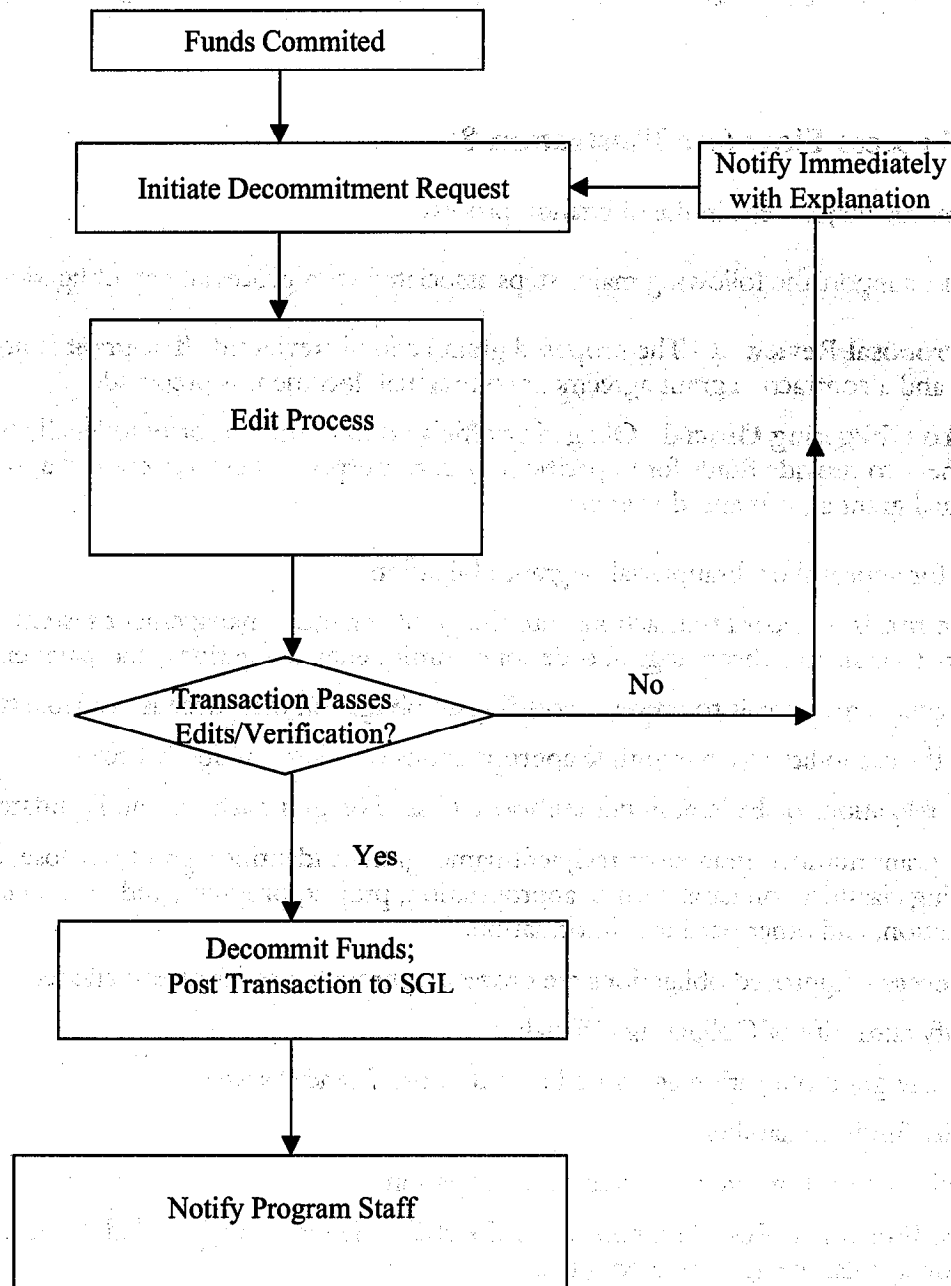
A decommitment is the act of reversing a commitment of funds previously recorded in an agency's financial system.

Decommitment Process Flow (see Illustration 7)

Listed below are the major steps in the decommitment process.

The system must support the following major steps associated with processing a decommitment.

- **Funds Committed** - An individual with authority to decommit funds determines whether a commitment should be cancelled.
- **Initiate the Decommitment Request** - The decommitment action is initiated by the individual requesting decommitment. This request should be transmitted to the proper financial official(s) in an automated manner. Organization specific budgetary and program data is entered into the system regarding the request.
- **Edit Process** - Approved decommitments are processed through a series of edit checks;
 - Verify authority of Approving Official(s)
 - Validate data input by requestor
- **Decommit Funds and Post to SGL** - Transaction recorded in financial system as a decommitment against the budgeted accounts. The following SGL entries are made:
 - Debit the Account Code 4700—Commitments Available for Obligations
 - Credit the Account Code 4610—Allotments – Realized Resources
- **Notify Program Staff** - Decommitments are reported to program staff.
- **Outstanding Commitments** - Outstanding commitments must be converted to valid obligations or decommitted before the expiration of the funds committed.

Illustration # 7**Process for Decommitments**

Obligations

Definition

An obligation occurs when an obligating official makes an award to an entity on behalf of a Federal awarding agency, thereby, obligating that agency to fund a project that relates to a Federal grant program administered by that agency.

Obligation Process Flow (see Illustration 8)

Listed below are the major steps in the obligation process.

The system must support the following major steps associated with processing an obligation.

- **Grant Proposal Reviewed** - The proposed grant action is reviewed. The grant is negotiated with the grantee, and a contractual grant agreement contractual document is prepared.
- **Direct To Obligating Official** - Obligating official(s) have the authority to legally bind the Federal government to provide funds for a specific project or purpose. They review and approve or reject the grant contractual grant agreement document.

Provide for approval or disapproval of grant obligation.

- **Obligate funds** - Record transactions into the grants financial management system. Provide for the capability to maintain chronological order of commitments, obligations, and payments.

Include adequate controls to prevent recording an obligation that exceeds available funds.

Provide the capability to cite multiple appropriations or other funding sources.

Record obligations or Federal Funds authorized based on grant awards and liquidate related commitment(s).

Capture grant number, grantee or recipient name, grantee identifier, grant purpose, dollar amount, and accounting classification data, such as appropriation, project, program, and object classification, tax payor identification, and other pertinent information.

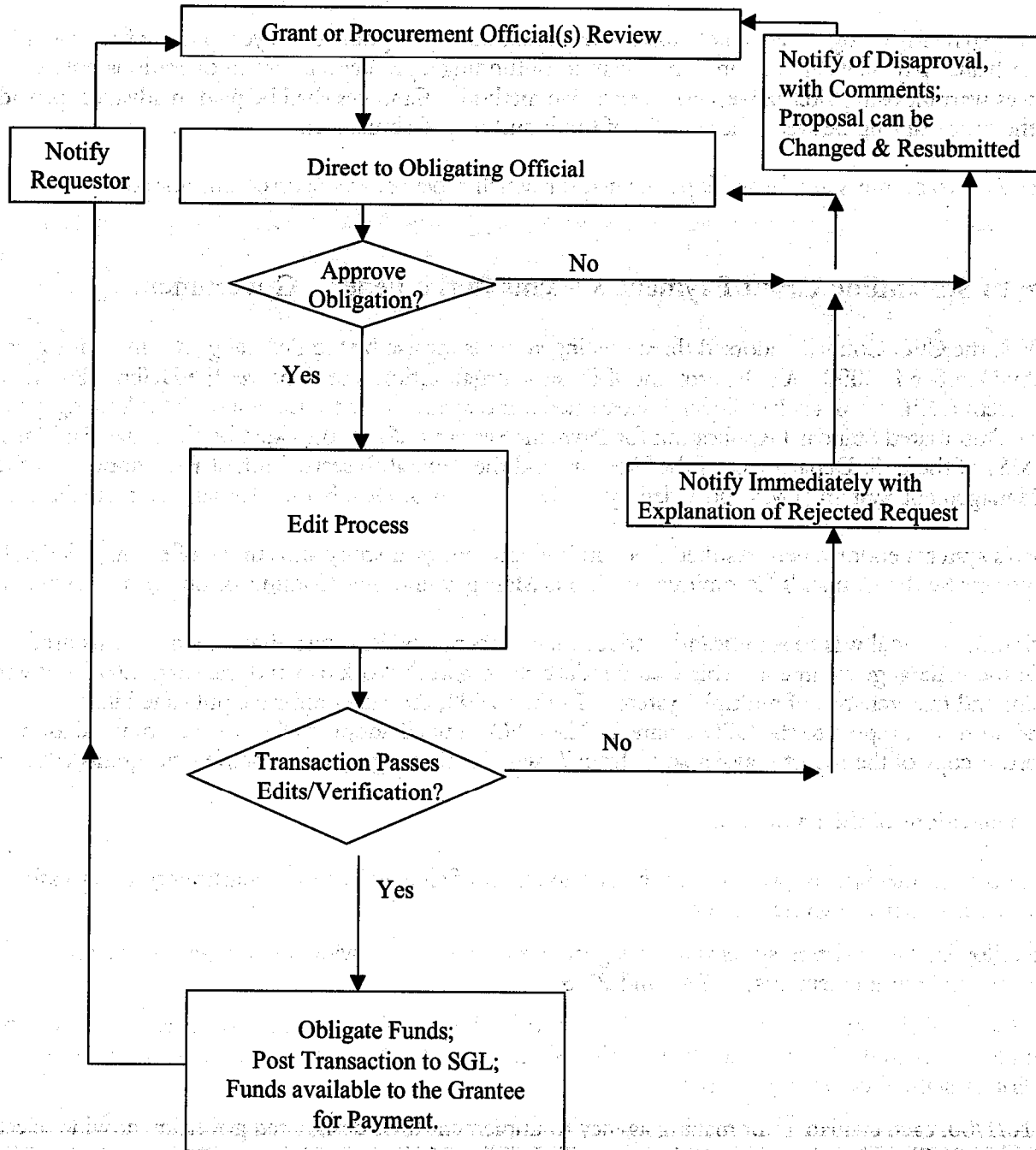
- **Edit Process** - Approved obligations are processed through a series of edit checks;
 - Verify authority of Obligating Official(s)
 - Validate grant obligation against edits in the core financial system
 - Verify funds availability
 - Provide controls to prevent a duplicate obligation
- **Obligate Funds and Post Transaction to the SGL** - Transaction recorded in the financial system as an obligation against the appropriated funds.

The following SGL entries are made:

- Debit the Account Code 4700—Commitments
- Credit the Account Code 4801—Undelivered Orders – Unpaid

The funds that are obligated may be made available to grantees to perform cash drawdowns (advances) as set forth in Chapter 5 below.

Illustration # 8
Process for Obligations



Payments

Funds are paid to grantees as either advances or reimbursements.

Definition

Advances are payments to a grantee in anticipation of expenditures the grantee has yet to make for program purposes. Advance payments are the preferred method of funding a grantee's program operations unless circumstances warrant using alternative, more restrictive methods. Grantees shall be paid in advance, provided they minimize the time elapsing between the transfer of funds and their disbursement.

Reimbursements to grantees are for work performed for which expenses are incurred but not paid.

Initiative to Streamline Grant Payment Systems in the Federal Government

In June 1998, the CFO Council endorsed three existing systems for use by the Federal government for grant payments by October 1, 2000. All Department of Defense organizations are to utilize the Defense Procurement Payment System (DPPS). All civilian Federal departments and agencies are to use one of the following two systems: the Automated Standard Application for Payment System (ASAP) provided by the Financial Management Service (FMS) of the U.S. Department of the Treasury and the Federal Reserve Bank of Richmond; and the Payment Management System (PMS) provided by the Department of Health and Human Services (DHHS).

The Council's systems endorsement resulted from an in-depth one year study and survey of existing Federal grant payment systems by the Council's Committee on Grants Management, Sub-Committee on Cash Drawdowns.

The Subcommittee's goal was to significantly reduce the number of Federal cash drawdown systems used throughout the Federal government. This would reduce the grantee's workload and the costs associated with the development and maintenance of multiple systems. In June 1998, the Subcommittee published its recommendations in a report to the CFO Council. The CFO Council adopted all of the recommendations set forth in the report. A copy of the report is available at: <http://www.financenet.gov/financenet/fed/cfo/grants/cd0618.htm>.

Key recommendations of the report are:

- There is an immediate moratorium on the development of all new Federal department/agency cash drawdown systems to service grantees.
- The following two existing systems are designated for government-wide use for grant payments (cash advances and reimbursements): ASAP and PMS.
- By 1/1/99, all Federal civilian agencies to identify one of these two designated systems for use and to formulate a schedule for migration to the selected system. Waivers may be granted in accordance with the previously sighted committee's report.
- By 10/1/00, each civilian grant making agency to implement their designated government wide selected system;. Civilian agencies may continue to utilize operate their agency's own proprietary systems in addition to the selected government wide system.; Wwhich system (i.e. Council's designated system or the agency's proprietary system) to use is the decision of the grantee. (Council's designated system or agency's proprietary system) to use is the decision of the grantee.
- DOD components are to utilize the DPPS.

- By 10/1/02, all Federal departments and agencies to only use ASAP, PMS, or DOD's system and to discontinue use of all proprietary department/agency systems.
- Customer Advisory Boards are to be established for all three systems; the purpose of the board is to maintain an effective service and support level and to facilitate communication and feedback.
- The Council's Subcommittee on Cash Drawdowns is to monitor implementation of transition to selected systems.
- Treasury and DHHS are to jointly develop a common front-end to ASAP and PMS making the two systems appear identical to grantees.

The grant payment processes for advances and reimbursements described below are intended to represent the basic system steps required for processing grant payments. These basic steps are included in the systems endorsed by the CFO Council (ASAP, PMS, or DPPS). It is envisioned that future grant financial systems will have one of these systems (ASAP, PMS, or DPPS) included in their grant payment process.

It should be stressed that the CFO Council endorsed these systems for the grant payment process only. Individual agencies may elect to utilize these systems for additional grant processes.

Payment Process Flows (see Illustration 9 regarding Advance Payments and Illustration 10, regarding Reimbursement Payments)

The system must support the following major steps.

- **Receive Payment Request from Grantee** - The grantee submits a request for cash. If the awarding agency and the grantee have agreed to use a pooled payment procedure, the grantee requests a single dollar amount covering all its grants with the awarding agency. Otherwise, the grantee identifies the amount of cash needed for each grant.
- **Optional Data Elements Requirements in the Request such as:**
 - Grantee Name and Identifier
 - Amount Requested
 - Grantee Official authorized to submit request
 - Authorized grantee's information
 - Amount of funds authorized
 - Amount approved
 - Amount disallowed Program Funding Codes
 - Appropriation Code(s)
- **Review Request**
- **Edit Process** - Screen the request for missing data elements, clerical errors, internal logic (e.g. request not in excess of Federal funds authorized).

Perform non-routine edit checks installed by the Federal awarding agency, such as:

- Verify whether the grantee is delinquent in submitting financial reports.
- Verify funds availability.

- Provide controls to prevent processing a duplicate payment.
- **Record Flagged** - The record may be flagged if the grantee is subject to sanctions requiring the withholding of payments.

Verification of Work Performed Requests for reimbursement are forwarded to the appropriate personnel for verification of the work completed.

- **Transfer Cash to Designated Payee and Post Transactions to SGL** - The Federal awarding agency transfers the approved amount to the grantee's financial institution and the transaction is posted to the SGL.

The values posted to these SGL accounts depend on whether the grantee requested the payment advance by the pooling or grant-by-grant method. If the grant-by-grant method was used, the portion of the disbursement designated by the grantee for each grant is posted to a subsidiary account corresponding to that grant. If the grantee used the pooling method, the entire payment advance is distributed among grant subsidiary accounts by algorithm. Regardless of which method is used, additional operations must be performed to further distribute the payment advance among the contributing sources on a reasonable basis for any grant funded by multiple sources.

The following SGL entries are made for an advance payment:

- Debit the Account Code 1400—Advances and Prepayments
- Credit the Account Code 1010—Fund Balance with Treasury

The following SGL entries are made for a reimbursement payments from appropriated funds for current operating expenses only:

- Debit the Account Code 3100—Unexpended Appropriations
- Credit the Account Code 1010—Fund Balance with Treasury
- Debit the Account Code 4801—Undelivered Orders - Unpaid
- Credit the Account Code 4902 - Expended Authority - Paid
- Debit the Account Code 6100—Operating Expenses/Program Costs
- Credit the Account Code 5700—Appropriations Used

Illustration # 9
Process for Advance Payments to Grantees

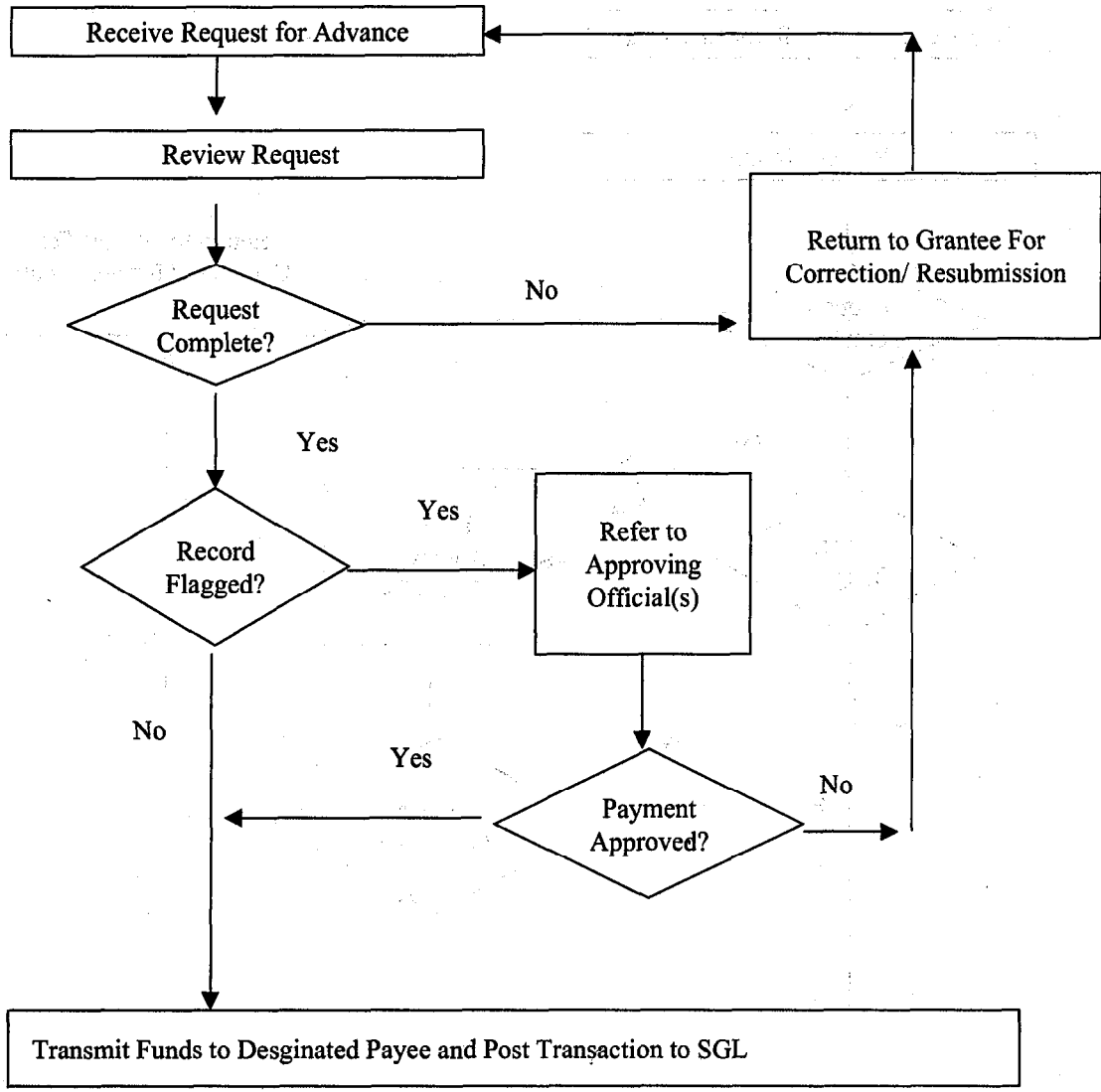
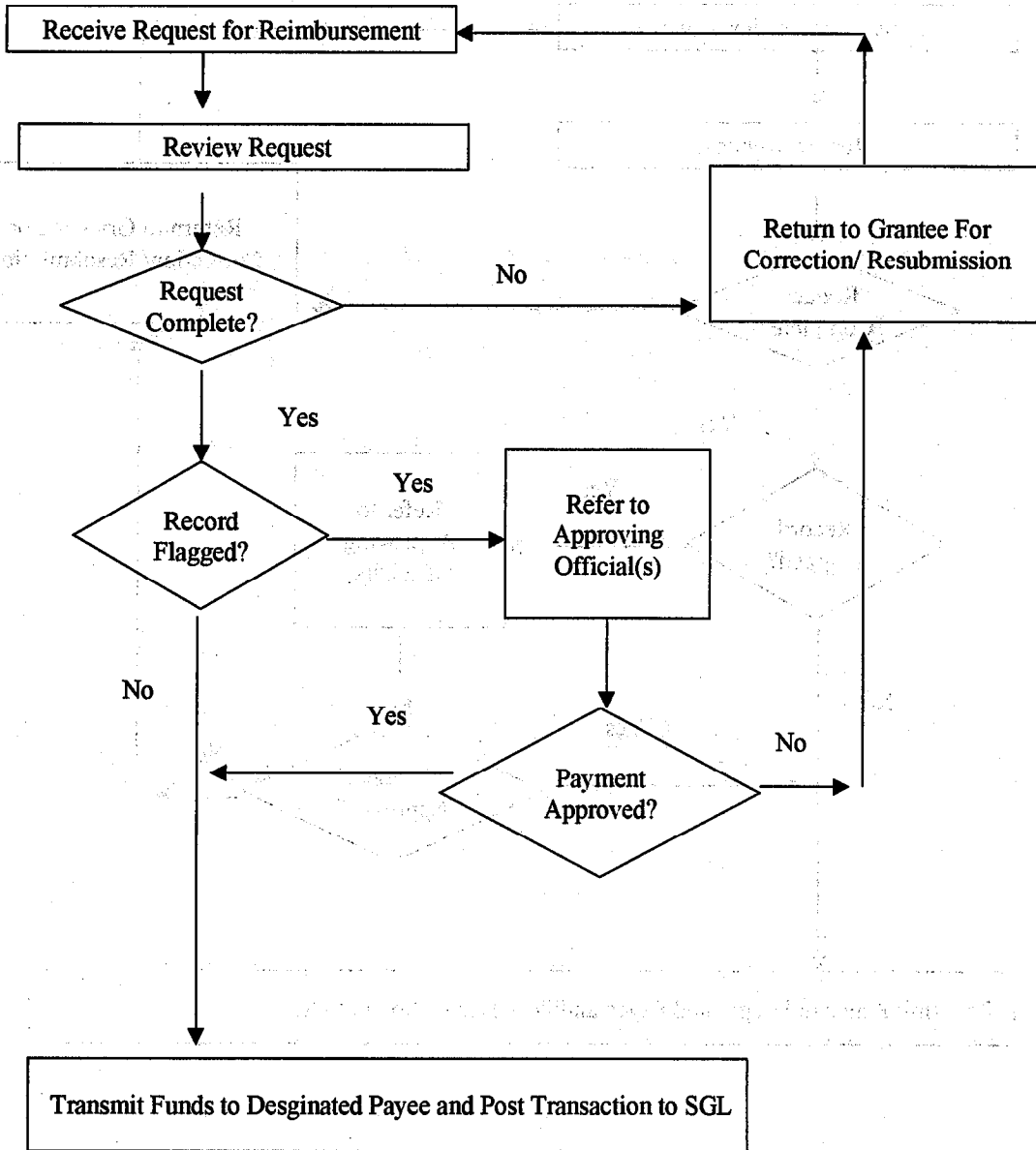


Illustration # 10
Process for Reimbursement Payments to Grantees



Cost Accruals

Overview

Federal agencies are required to prepare financial statements in accordance with Federal Financial Accounting Standards. The standards for accounts receivable and accounts payable result in an accrual basis of accounting for transactions. This basis of accounting records expenses when incurred, whether or not they have been paid in cash; and records revenues as earned, whether or not cash has been received. In general, under the accrual basis of accounting, expenses and revenues may give rise to payable/liability or receivable/asset accounts when the timing of the recognition of revenues or expenses differs from the transfer of cash.

In accordance with Statement of Federal Financial Accounting Standards Number 5, "Accounting for Liabilities of the Federal Government," for federal non-exchange transactions, which include many grant and certain entitlement programs, a liability, an account payable to the grantee, should be recognized for any unpaid amounts due as of the reporting date. Generally, this is a two step process. The first step is to recognize as expense and as a payable the amount of allowable expense that the grantees have incurred as of the reporting date, the end of the period, but have not collected from the agency. That amount may include amounts claimed by the grantee or amounts incurred but not reported by the grantee. This will require that the agency estimate the amounts not reported to it by the grantee but due the grantee. The second step occurs after the grantee has submitted financial reports giving its actual costs. At that time, the agency should arrange for payment and make any entries needed to adjust the expense amounts previously recognized.

In addition to accruing expenses, the agency may be required to accrue a receivable related to improper payments. In some, but not all, cases, agencies may reimburse grantees for amounts improperly expended. For example, recipients of federal aid may fraudulently claim such aid. Records may not support recognition of the amount and estimates may be required.

Generally the grant accrual system should maintain various data such as 1) internal historical financial data, 2) criteria/structure of agency programs, and 3) relevant external information on the timing and nature of recipients' cash flows. This data should include the amounts disbursed to grantees during each year and the amounts actually expended by the grantees. In addition, other data such as grant award amounts, and remittances should be included in this information database.

The grant accrual process may entail the use of information from both the grantor's and grantee's databases to estimate the unpaid amount.

The grants system should maintain the amounts disbursed to grantees during each year and the amounts actually expended by the grantees. In addition, other data such as grant award amounts, and remittances should be included in this information database.

The system must:

- Have a format structured to facilitate accrual accounting in accordance with 31 U.S.C. 3512(d).
- Permit adjustments for any differences between the initial grant accrual amount and the actual cost subsequently reported.
- Provide for narratives explaining variance rates in excess of ± 5 percent.

When faced with the dilemma of estimating year-end accruals, one of several methods may be used as follows:

- Poll all grantees as of September 30 of each fiscal year.

- Take a statistical sample of grantees and base projections on the sample.
- Perform a linear regression or other appropriate statistical analysis as of the end of each fiscal year, using amounts disbursed to grantees vs. amounts expended in previous years to arrive at an algorithm to estimate current year-end status of accruals.
- Forecast the fourth quarter expenditures using a forecasting model such as the auto-regressive forecasting model or the exponentially weighted moving-average forecasting model.

Definition

Accrual accounting is the method of accounting in which an entity's financial position and operating results are measured by the flow of economic resources. Transactions are recorded in the accounting period in which they occur or whose operations they benefit, regardless of when the related cash receipts and disbursements take place.

Accrual Process Flows (see Illustrations 11 and 12)

The system must support the following major steps. Process Steps:

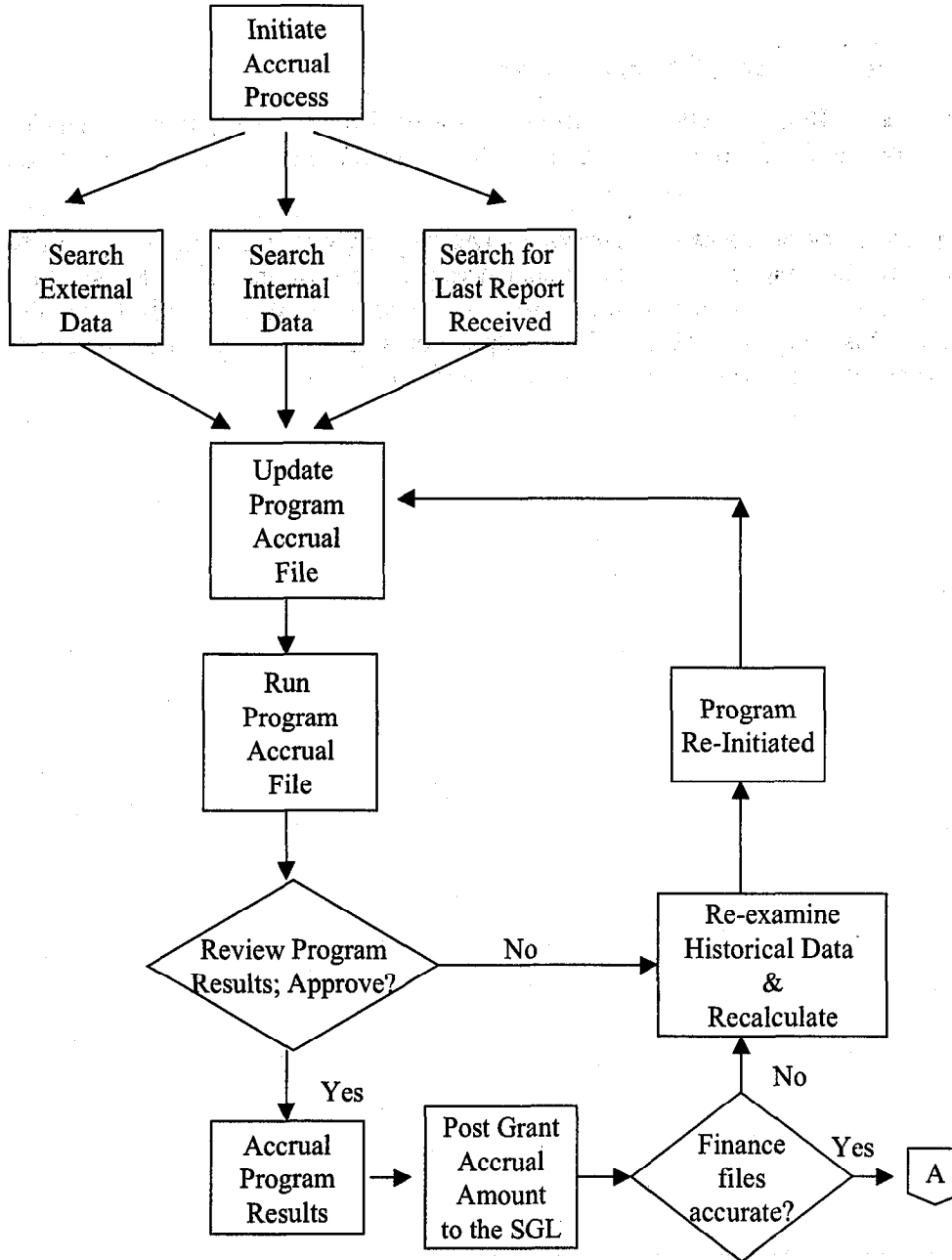
- **Illustration 11 - Initial Cost Accrual Estimates**
 - **Initiate the Accrual Process** - The accrual process (AP) has to have the ability to:
 - Review electronic files of grant and grantee records including program and financial files. Review electronic files of grant and grantee record. This includes program and financial files.
 - Select and retrieve specific items (data) from these files and compare that data to data stored in other programs. To select and retrieve specific items (data) from these files and to compare that data to data already stored in the AP.
 - **Update AP Program Accrual File** - Data available for selection selected by during the AP accrual process should include the grantee's identification number, types of grants received, grant numbers, dollar amounts, time periods, grantee's financial history by fiscal quarters, and other data considered pertinent to the Agency.
 - **Run AP Program Accrual File** - The accrual process uses the information collected to recognize liabilities for any unpaid amounts due project a grantee's ending cash balance at a specific point in time; i.e., the end of a month, quarter or fiscal year. A negative cash balance If grantee liabilities exceed advances, this indicates a receivable to the grantee and an accounts payable to the agency. A positive cash balance If advances exceed grantee liabilities, this indicates a payable to the grantee and an accounts receivable to the agency.
 - **Review /Approve Program Results/Approve** - The information produced from the Apaccrual process allows an agency to reasonably estimate the amount of funds listed as an advance to grantees which should be expensed and the amount of unreported grantee expenses to record as a liability at the end of a fiscal period.
- **Post the Grant Accrual Amount** - The following SGL entries are made to post the grant accrual amount:
 - Debit the Account Code 6100— Operating Expenses/Program Costs
 - Credit the Account Codes 1400—Advances and Prepayments and/or Credit the Account Code 2110—Accounts Payable

- Debit the Account Code 3100—Unexpended Appropriations
- Credit the Account Code 5700—Appropriations Used
- Debit the Account Code 4801—Undelivered Orders - Unpaid
- Credit the Account Code 4902—Unexpended Authority - Paid

Illustration 12 - Verification of Accrual Estimates

- **Verification Process Begins** - The verification process begins after the grantee's financial reports, for the end of the fiscal period involved, are received and the data from these reports has been entered into the agency's files.
- **Review /Approve Program Results/Approve** - The APagency analyzes the data input from these reports, and compares it to the projected expendituresbalances projected by the AP and posts the SGL entries posted to the grantee's files. After comparing the projected expendituresbalances with those of the financial report the Aprequired adjustments are calculateds the adjustments needed to make the projected expendituresbalances equal the actual estimated expendituresbalances.

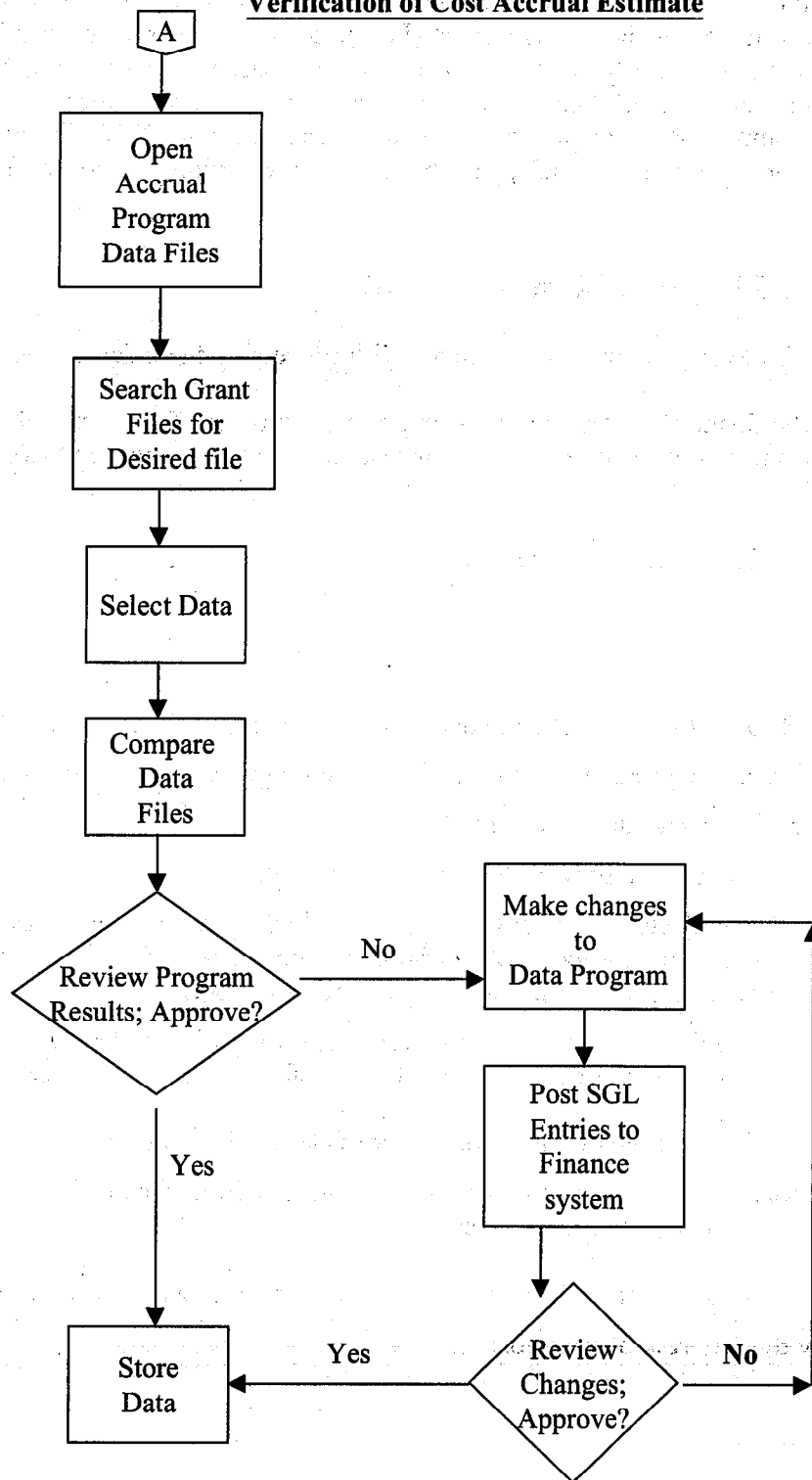
Illustration # 11
Initial Cost Accrual Estimate



A Go to Step A when the Grantee's Financial Reports are Received

Illustration # 12

Verification of Cost Accrual Estimate



Financial Reports

Overview

Grantees are required to submit one or both of the following reports on their grant(s) activity: the Federal Cash Transactions Report (FCTR) or the Financial Status Report (FSR). Either report may be required quarterly; however, the FCTR may be required monthly. In exceptional cases, a program-specific report approved by the OMB may be required in lieu of the FSR. Grantees submit financial reports in accordance with OMB Circular A-110, Grants Management Common Rule, or program regulations as applicable. OMB Circular A-110, Attachment G, "Financial Reporting Requirements" prescribes uniform reporting procedures for grant reporting.

Financial Report Process Flow (see Illustrations 13)

The system must support the following major steps associated with processing financial reports.

Process steps from initiating the financial report process through sending financial reports (FR) to grantees are not applicable to agencies which do not prepare the FR(s). Their systems begin with the step "Receive Financial Report".

Listed below are the major steps in the reporting process.

Process Steps:

- **Initiate the Financial Report Process** - The financial report process (FRP) must have the ability to:
 - Review electronic files of the grant and grantee. This including program and financial files.
 - Select and review specific items (data) from these files.
 - Compare the selected data to data previously stored in the FRP.
- **Update the FRP File** - Data selected by the FRP should include the grantee's identification number, types of grants received, grant identifying number, dollar amounts, time periods of performance, grantee's financial history by grant, and other data considered pertinent by the granting Agency.
- **Run FRP File/Prepare Financial Report** - The FRP uses the information collected to prepare financial reports for the grantees at a specific point in time; i.e., the end of a month or a quarter.

The FRP must have the ability to prepare the reports in both electronic and hard copy formats.

- **Receive Financial Report** - Financial reports received electronically from the grantees should feed automatically into the grants financial report process.

Reports received in a hard copy format will have to be manually input to the report process.

- **Edit Process** - Review the report and verify for:
 - Completeness
 - Mathematically correctness
 - Validity of information such as grant numbers and award numbers
 - Proper certification
 - Assurance that amounts reported as expenditures do not exceed the balance of funds available.

Provide controls to prevent processing duplicate reports.

Reports failing the edit process are returned to the grantee.

- **Transactions Prepared and Posted to SGL** - Federal departments/agencies that utilize other agency systems for processing grantee's financial reports (c.g. DHHS's Payment Management System) must have a reconciliation process in place between the other agency's financial systems and the agency's SGL.

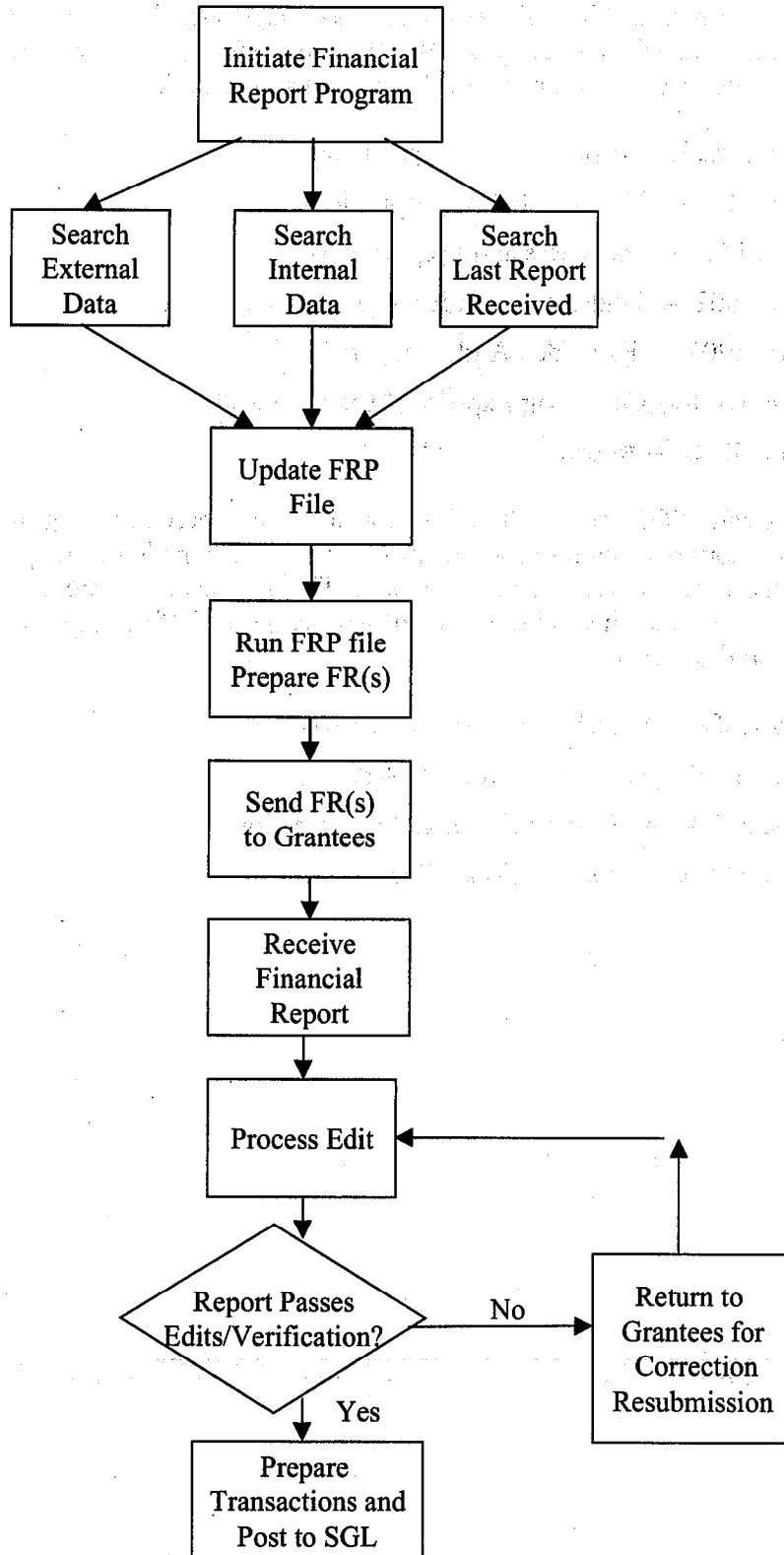
The following SGL entries are made to expense advance payments:

- Debit the Account Code 3100— Unexpended Appropriations
- Credit the Account Code 1400— Advances and Prepayments
- Debit the Account Code 4801— Undelivered Orders - Unpaid
- Credit the Account Code 4902— Expended Authority - Paid
- Debit the Account Code 6100— Operating Expenses/Program Costs
- Credit the Account Code 5700— Appropriations Used

Entries are made to the following SGL accounts to adjust for differences between the grant expenditures previously posted to these accounts when reimbursement payments were made to the grantees and the grant expenditures reported on the grantee's financial reports. The SGL accounts are listed as if the grant expenditures had been underreported when reimbursement was requested. If the expenditures had been overreported, the entries would be reversed.

- Debit the Account Code 4801—Undelivered Orders - Unpaid
- Credit the Account Code 4902 - Expended Authority - Paid
- Debit the Account Code 6100—Operating Expenses/Program Costs
- Credit the Account Code 5700—Appropriations Used

Illustration # 13
Financial Report Process



Interest Collections

Overview

Interest earned on advances of Federal funds must be handled in prescribed manners in accordance with administrative requirements based on the cost principles established for the grantee organization involved. The system must support the following major steps.

State Governments

Interest earned on advances of Federal funds by state agencies, instrumentalities, and fiscal agents isare subject to the terms of the Cash Management Improvement Act (CMIA) Treasury-State agreements pertaining to their organizations established under the Act, (Pub. L. 101-453). State organizations and/or representatives not subject to the CMIA and it's implementing regulations are treated as "Other Organizations", as listed below.

Other Organizations

Interest earned on Federal advances by other grantee organizations is subject to OMB Circular A-110, Grants Management Common Rule, or program regulations as applicable. In accordance with Those subject to Section .22 of OMB Circular A-110 which earn interest earned on Federal advances that exceedsin excess of \$250 per year in the aggregate must be remitted annually to the Department of Health and Human Services (DHHS), Payment Management System, Rockville, Maryland 20852. This office acts as the government-wide agent for all collections of interest generated from grant advances.

Grant Closeout

Final Financial Reporting

Grantees are required to submit a final Financial Status Report (FSR) to the agency. The grantee is also required by some agencies to submit a final accounting of cash disbursed on the Federal Cash Transactions Report (FCTR). A third requirement is for the grantee to maintain records after the grant performance period expires. The organization is obligated to return any refunds, corrections, audit disallowance amounts, interest or any other funds that must be returned to the awarding agency. As a general rule these reports must not contain any unliquidated obligations and must represent the final accounting of all federal funds provided under the terms of the award. Additionally, most the grantees are required to have an annual audit by an independent Certified Public Accountant, accounting firm, or a State auditor. The Federal Audit Clearinghouse will notify all federal agencies of any adverse findings that require action by the awarding agency.

Financial Processes

The system must support the following major processes.

- **Financial Status Report (FSR) Closing Process** - The amount reported as expense must agree with the cash disbursed on the FCTR. Any unobligated balances must be deobligated in the accounting system. A closing transaction is recorded to close out the grant in the accounting system. This transaction is posted to DHHS's Payment Management System (PMS) for those using that system. Procedures should be established to monitor grantees who are delinquent in submitting final reports.
- **Federal Cash Transaction Report (FCTR) Process** - The granting agency must monitor accounts that have expired grants and have not been reported closed by the recipient. Agencies must track open grants funded from appropriations that are expiring within the next 12 months. Those organizations serviced by the DHHS PMS must provide for reconciliation between the PMS and their agency's accounting system.
- **Post Closing Collections** - Agencies must have accounting procedures to collect receivables and liquidate payables due after the close out of the grant.

Records Retention

Agency systems must maintain, store, and permit ready retrieval of grant financial data. The time frames for various parts of this requirement differ depending on the subject matter. The system must be sufficiently flexible to retain and purge data consistent with varying record keeping requirements.

Per 36 C.F.R. 1228, the National Archives and Records Administration (NARA) must approve the destruction of records created within the Federal government. must be approved by the National Archives and Records Administration (NARA), per 36 C.F.R 1228. Expenditure Accounting Records are currently authorized for disposal by General Records Schedule 7, Expenditure Accounting Records, and General Records Schedule 20, Electronic Records are the current authorities for disposal of Expenditure Accounting Records. (Copies may be obtained from your agency's records officer or from NARA.) For expenditure records not covered by this authority, or for any questions regarding the disposition of federal records, please contact:

National Archives and Records Administration (NARA)
7th Street and Pennsylvania Avenue NW
Washington, DC 20408
Phone number — (202) 501-5400

General System Requirements

System Interfaces

The grant financial system, at the standard and/or agency-level, must be able to accept, process, and report on transactions with other internal and external systems. The system must record and track such transactions and related information in order to provide the basis for central control. This may require a custom interface to properly identify and format the transactions. The system must:

- Provide system flexibility in accepting data input from multiple media so that it can recognize the unique data input requirements of interface systems.
- Subject all transactions from interfacing systems to the standard grant financial system edits, validations, and error-correction procedures.
- Provide system capability to customize data input, processing rules, and edit criteria. Provide flexibility in defining internal operational procedures and in supporting agency requirements.
- Provide the capability to identify and process information from other systems that enter and update the standard grant financial system.
- Provide system capability to allow users to customize output for reporting and providing interfaces to other systems necessary to meet agency requirements for external processing (e.g., general ledger posting, budget formulation, budget reconciliation and budget execution).
- Capture the transaction dates in order to ensure compliance with the Cash Management Improvement Act.

Other General Systems Issues

A variety of general systems requirements, including data stewardship, systems architecture, systems integration, internal control, and others are contained in the JFMIP FFMSR-0, January 1995, entitled Framework for Federal Financial Management Systems. The Framework document along with all other JFMIP requirements documents can be found at: www/financenet.gov/jfmip/jfmip.htm

Information Technology in the Grants Process

Introduction

This section describes a framework for introducing information technology (IT) into the external grants process. The framework comprises the federal grant-making agencies, working under a single "umbrella" interagency committee structured to reflect the concerns of major customer groups, and motivated by common goals to streamline and improve the grants process and to develop a common face with agency grantees. This section also describes a work-in-progress, developed within the framework and updated as of the issue date of this document, that exemplifies the benefits of using IT and provides some guidelines for future cooperative effort.

Organizing to Employ Information Technology

The federal grant enterprise is conducted in 23 major grant making federal agencies (See the Federal Grants Management Handbook at http://www.thompson.com/tpg/fed_gts/gran/granfarc.html). Depending on the mission of the agency and the target recipient community, administrative requirements vary from agency to agency and even program to program within agencies. The 1997 National Performance Review (NPR) report, Access America, identified federal grant distribution as an area ripe for the application of electronic commerce solutions. In response to that report, the GSA Electronic Commerce Program Office (ECPO) established and sponsors the Inter-Agency Electronic Grants Committee (IAEGC), an interagency organization, to coordinate, promote and facilitate the effective use of electronic commerce throughout the federal grants community.

The IAEGC has focused on development of common face solutions for electronic grants. Efforts to achieve a common face have culminated in the concept of the "Federal Commons". The Federal Commons project is a collaboration of the 33 Federal grant-making agencies that are members of the IAEGC, and functions as one of three IAEGC subcommittees. This project is supported by activities in the two other subcommittees: State, Local, Non-Profit and Other (S&L) Subcommittee; and the Research and Related (R&R) Subcommittee. The S&L Subcommittee, comprising federal agencies that award grants primarily to state and local governments and non-profit organizations, was formed to better serve the needs of its diverse customer base. The R&R Subcommittee, more commonly known as the Federal Electronic Commerce Committee (ECC), deals with grants to research entities such as universities and laboratories. Charter, plans, meeting agendas and minutes, reports, and roster for the IAEGC and its subgroups may be reviewed at www.financenet.gov/iaegc.htm.

Applying Information Technology within the Framework

The ECC was formed by research-sponsoring agencies to develop a means to transmit a research grant application (proposal) electronically rather than by paper, using a data element dictionary of all information transmitted in the application. This effort, completed in 1994, resulted in the first electronic standard for grant applications, now known as the American National Standards Institute (ANSI) X12 Transaction Set 194,

(See the Federal Electronic Data Interchange web page at SNAD.NCSL.NIST.GOV/FEDEDI) The ECC sets priorities and publicizes its efforts by publishing a Project Plan, currently in its third version. This plan describes further work of the ECC, including

- expanding EC technologies to include the World Wide Web for data exchange;
- expanding electronic business transactions to include awards, solicitations, trading partner registration and profiles, and progress reporting;

increasing the number of participating agencies; and

- introducing the Federal Commons concept as a means of exchanging data among federal agencies and grant recipients.

The S&L Subcommittee grew out of work in the ECC to develop a common web site for grant transactions. This group achieved a working prototype site for a wide range of grant transactions, providing software for download by the potential grantee using Java applet technology. This system requires little or no grantee investment, and is designed for state and local governments with limited IT budgets and capabilities. This group has developed a Business Plan outlining subsequent efforts, including

- enlarging the IAEGC data dictionary to include additional data elements that are required by state and local governments, non-profits, and other organizations;
- promoting the widest possible use of common electronic commerce processes throughout the federal grants community;
- reaching out to trading partners with information about electronic options, and providing opportunities for questions and feedback; and
- supporting development and implementation of the Federal Commons concept.

The Federal Commons Project

As proposed, the Federal Commons will provide a government-wide electronic commerce approach to grants management. The Federal Commons is envisioned as a coordinated network of federal grant administration systems and databases. One means of access to the Federal Commons will be a Web-based interface. This Federal Commons Web Site will enable grantee organization users (universities, research institutions, small businesses, state and local governments) to become more familiar with grant activities ongoing in the participating agencies. In addition, the Federal Commons Web Site will include interfaces designed to support secure transmission of administrative information for pre-award and post-award grants business processes. For each business process, users will be provided with technological options as to how such information can be formatted, transmitted and/or received. In response to the extensive burden that would be placed on agencies to support every technology option, the Federal Commons employs the concept of service centers. An agency that assumes responsibility for the deployment of a specific technology associated with various grant business processes would become a service center for that technology.

The Federal Commons, therefore, begins the transition from agency independent electronic grant administration initiatives toward a common government electronic grant administration business model that provides technological flexibility for grant recipients. It employs a concept of lead agency responsibility in the deployment of technologies associated with various grant business processes. The Federal Commons will provide flexible technological alternatives, support for the entire grants life cycle, a single point of entry for grantees to all participating agencies, and secure interfaces.

The Federal Commons has a rich legacy in the technical implementations and data standards development both of federal agencies and grants recipient organizations. It leverages the work of the Federal Electronic Commerce Committee in the development of grants business data standards such as the ANSI X12 194 Transaction Set (grant proposals/applications) and the corresponding grants data dictionary. It builds on the technology used in agency systems (e.g., Fastlane from the National Science Foundation's (NSF), Commons from the National Institute of Health (NIH), US Electronic Grants Project from the Department of Transportation (DOT) and Paperless Voucher System from the Office of Naval Research (ONR)).

Toward the realization of this concept, the Federal Commons Subcommittee began meeting in 1998 to support the initial stage of software development, including formalizing user requirements as well as defining system requirements. With such specifications defined, a proof of concept system is under development. The proof of concept will provide four types of grant administration activity as described below.

User Registration – This activity enables an individual to register as a Federal Commons user. A user can specify identification parameters (i.e., a user name, a password, and a unique identifier). These parameters will be stored in a central repository. When a Federal Commons user accesses the Federal Commons Web Site or that of a Federal Commons agency, the identity of the user will be validated against these parameters. In addition, the Federal Commons will facilitate the linking between the unique identifiers of Federal Commons users and the internal data structures of participating agencies.

Status Query – This activity enables a Federal Commons user to log into the Federal Commons Web Site and query application/proposal and/or award status. The user can select which federal agencies to access, and the Federal Commons Web Site will coordinate the retrieval of status information from the appropriate agencies.

Organizational Profile Submission – This activity enables a Federal Commons user to log into the Federal Commons Web Site and create/modify an Organizational Profile (OPF) for the grantee organization. The user can select which Federal agencies are to receive the OPF, and the Federal Commons Web Site will communicate the OPF to the appropriate agencies. The web site will also submit the profiles to an interagency repository. Federal Commons agencies will be able to query the profiles from this repository.

Professional Profile Submission – This activity enables Federal Commons users to log into the Federal Commons Web Site and create/modify their biographical information as contained in a Professional Profile (PPF). The user can select which Federal agencies are to receive the PPF, and the Federal Commons Web Site will communicate the PPF to the appropriate agencies.

The Federal Commons homepage www.fedcommons.gov will have links to agency Web sites and a demo version of the approach to common business processes. During the first half of 1999, the first common grant modules: user registration, status query, organizational profile and professional profile, will be deployed. Following the initial deployment, an assessment report will be written. The report will address the following topics: key technology accomplishments, results of testing with customers, recommendations regarding architecture and software tools, and future tasks.

Conclusions

The Federal Commons concept and its preliminary design have been presented to the Federal Agency Information Architecture Working Group of the Chief Information Officer Council's Interoperability Committee, for coordination and possible assistance in design enhancement and implementation. As the design is tested and refined within the grants community, its flexibility and convenience should increase its applicability to a wide range of agency programs through stable data dictionaries, leveraged technologies from federal agencies, and common electronic forms and accessibility.

Working within the framework of the grant-making community, members of the IAEGC and its subgroups are developing IT solutions for grants process problems experienced by the grantee community. Current information is available at the IAEGC and Federal Commons web sites.

Appendix A: References/Authoritative Sources

- OMB Circular A-11, Preparation and Submission of Budget Estimates (Part 1)
- OMB Circular A-34, Instructions on Budget Execution
- OMB Circular A-110, Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations
- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments
- OMB Circular A-127—Revised, Transmittal Memorandum No. 1
- OMB Circular A-123, Management Accountability and Control
- OMB Circular A-130, Management of Federal Information Resources
- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
- OMB Circular A-134, Financial Accounting Principles and Standards
- FFMSR-1, JFMIP Core Financial System Requirements
- FFMSR-0, JFMIP Framework for Federal Financial Management Systems
- Statements of Federal Financial Accounting Standards (SFFAS) No. 5
- U.S. Government Standard General Ledger
- U.S.C. Sections 1301, 1341, 1534, 3512(d)

Appendix B: Glossary/Data Dictionary

- Accrual Accounting** The method of accounting in which an entity's financial position and operating results are measured by the flow of economic resources. Transactions are recorded in the accounting period in which they occur or whose operations they benefit, regardless of when the related cash receipts and disbursements take place.
- Advance** A payment made to a grantee upon its request either before the grantee has made outlays or through the use of predetermined payment schedules. (A-110, sec. __.2(d)) Advances represent cash drawdowns made by the grant recipient to meet immediate cash needs.
- Allotment** A subdivision of funds below the apportionment level; usually, at the office level within the organization.
- Apportionment** A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time period, activities, project, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred. (A-34, Part II, Section 21.1, p.11-1).
- Appropriation** One of the basic forms of budget authority. Statutory authority that allows federal agencies to incur obligations and to make payment 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 II, Section 21.1).
- Appropriation or fund account** 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 II, Section 21.1, p. 11-4 and 5).
- Approving Authority** Individuals designated by their institution to have the authority to approve a given action.
- Approving Official** Same as an "Approving Authority" above.
- Award** Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the Federal Government to an eligible recipient. The term does not include: technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and, contracts which are required to be entered into and administered under procurement laws and regulations. (A-110, sec. __.2(e))
- Block Grants** Grants issued to government units to support a variety of activities within a broad area of responsibility instead of focusing on a specific activity. Examples include block grants for social services, maternal and child health, and transportation.
- Budget Accounts** The lower level budget allocation of a given budget appropriation; usually, for budget execution purposes, agency appropriations are allocated/distributed to lower levels within an organization; budget accounts represent the lowest level at which funding is controlled.
- 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 II, Section 21.1, p.11-3).
- Budget Year** The fiscal year for which the funds are appropriated for by Congress; "budget year" is also known as "funding year" or "program year"; note that an appropriation for a given "budget year" may be available for use (obligation) over multiple "fiscal years"; the time period for utilization is stipulated in the appropriation.

Appendix B: Glossary

- Closeout** The process by which a Federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and Federal awarding agency. (A-110, sec. __.2(g))
- Commitment of Funds** The amount of allotment or lower level authority committed in anticipation of an obligation. (SGL, definition of account 4700). Commitment is the act of reserving appropriated funds for an eventual obligation/award action by an organization.
- Commitment Request** The requesting action within an organizational entity, which eventually leads to a commitment of funds for a given purpose.
- Core Financial System** The financial system which supports the financial functions of an organization which are required to track financial events and provide significant financial information to management, and/or required for the preparation of financial statements. Core financial systems are combined with the financial portion of mixed systems to form the Financial Management System of an organization.
- Disbursement**
1. The transfer of cash from the U.S. Treasury to a grantee, generally by deposit to the grantee's account with its financial institution.
 2. The expenditures (disbursements) reported by grant recipients for the current and previous years. The actual funds a recipient spent to carry out a program that is supported by administer a grant award. The term is synonymous with expenditure.
- Discretionary Grant Award** A grant awarded for a project of fixed duration that supports the purposes stated in the program's authorizing statute, regulations, and announced awarding agency priorities. Within these parameters, the awarding agency determines which projects will be funded, which applicants will receive awards, and the dollar amount of each award. Such determinations are usually made through a competitive process.
- Drawdown** The process of requesting a payment from the recipient's grant award and receiving the payment into the recipient's depositor account at the recipient's financial institution or bank.
- Expenditure** The actual funds a recipient spent to carry out a program that is supported by administer a grant award. (See disbursement.)
- External Program Data** This data represents specific program criteria for various types of grant programs including research, block, formula and discretionary grants, and recipients such as states and local governments, institutions, and individuals. This external data will help the agency develop trend analyses on how the recipients draw and spend grant funds.
- Federal Awarding Agency** A Federal agency that awards a grant to a grantee and provides funding for grant purposes.
- Federal Funds Authorized** The total amount of Federal funds obligated by the Federal Government for use by the recipient. This amount may include any authorized carryover of unobligated funds from prior funding periods when permitted by agency regulations or agency implementing instructions. (A-110, sec. __.2(p))
- Financial System** An information system, comprised of one or more applications, that is used for any of the following:
- collecting , processing, maintaining, transmitting, and reporting data about financial events;
 - supporting financial planning or budgeting activities;

	<ul style="list-style-type: none"> • accumulating and reporting cost information; or • supporting the preparation of financial statements <p>(A-127 Revised, Item 5 – “Definitions”)</p>
Fiscal Year	The twelve month period, October 1st through September 30th, for a given year.
Formula Grant	A grant where the funds are awarded based upon a formula defined in the program statute or agency’s regulations.
Funding period	The period of time when Federal funding is available for obligation for use by the recipient. (A-110, sec. .2(r))
Grant Period	The period established in the grant document during which Federal sponsorship begins and ends and represents the grant’s period of performance.
Grant	A contractual relationship between a Federal awarding agency and a non-Federal entity (the grantee), in which the awarding agency agrees to transfer money or something of value to the grantee. The grantee agrees to use such resources in carrying out a public purpose of support or stimulation authorized by law. Neither party envisions substantial involvement by the awarding agency in carrying out the grant. A grant contrasts with a cooperative agreement, in which the awarding agency does become substantially involved in the Federal sponsored activity, and with a procurement contract, which a Federal agency uses to obtain goods and services for its own use (31 USC 6304).
Historical Data	The amounts disbursed to grantees during each year and the amounts actually expended by the grantees. In addition, other data such as grant award amounts, and remittances should be included in this information store.
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. (A-127 Revised, Item 5 – “Definitions”)
Internal Program Data	This data represents specific program criteria for the various types of grant programs such as block grants versus formula or discretionary grants. This data would also include grantee’s identification numbers, period of availability for each grant, number of grants, and authorizations.
Mixed System	An information system that supports both financial and non-financial functions of the Federal government or components thereof. (A-127 Revised, Item 5 – “Definitions”)
Object Classification	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)(From JFMIP FFMSR-1 9/95; p. 54)
Obligating Official	Individuals authorized to legally bind the Federal Government to provide funds for a specific project or purpose.
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).

Appendix B: Glossary

- Pooled Payment** A consolidated advance payment to a grantee to cover anticipated cash needs for all grants the grantee has with the Federal awarding agency making the payment. The grantee identifies its cash needs collectively rather than by individual grant.
- Pooling** A process whereby a recipient (university or other non-profit) with multiple many awards from one agency may request advances/payments based on a single estimate of immediate cash needs for all of the recipient's awards.
- Principal Investigator (PI)** The individual, designated by the grantee, who will be responsible for the scientific or technical direction of the project.
- 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 Income** Gross income earned by the grantee that is directly generated by a supported activity or earned as a result of the grant (see exclusions in paragraphs A-110, __.24 (e) and (h). (A-110, sec. __.2(x))
- 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).
- Project period** The period established in the award document during which Federal sponsorship begins and ends. (A-110, sec. __.2(z))
- Recipient** An organization receiving financial assistance directly from Federal awarding agencies to carry out a project or program. (A-110, sec. __.2(cc))
- Remittances** Grant funds on deposit with the grantees, which the Federal awarding agency must recover. These amounts consist of unexpended funds and balances previously advanced to the grantee. Remittances may result from overpayments and audit disallowances.
- System 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 acceptable 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 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 which are considered to be optional or additional functionality to a system 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. 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 (SGL)**
The uniform chart of accounts issued by the U.S. Department of Treasury that are required to be used by all Federal Agencies to record accounting transactions.

Unliquidated Obligations

For financial reports prepared on a cash basis, they are the amount of obligations incurred by the recipient that have not been paid. For reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the recipient for which an outlay has not been recorded.

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