

U. S. Department of the Treasury
Financial Management Service

Supplement to Treasury Financial Manual (TFM) Volume I, Part 4, Chapter
10000: Delegation of Disbursing Authority

Agency Self-Certification Guide



Version 12

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Background

Delegated disbursing authority is the specific authorization from the U.S. Department of the Treasury's Financial Management Service (FMS) to an agency that permits the agency to disburse funds for a specific purpose or application. The delegation of disbursing authority specifies the disbursement mechanism(s) and authorizations.

According to 31 United States Code (U.S.C.) 3321 (b), for economy and efficiency, the Secretary of the Treasury may delegate the authority to disburse public money to officers and employees of other executive agencies.

FMS delegates disbursing authority to agencies on a very limited and specific basis. Delegations are granted only when an agency fulfills the following criteria:

- Requires a level of service that FMS cannot provide or it is cost beneficial to the Federal Government to grant authority; and
- Provides certified assurance that it has effective internal control measures and that it will follow security requirements.

The Chief Disbursing Officer (CDO) has the programmatic responsibility to provide oversight and guidance to delegated disbursing agencies. Therefore, the CDO provides the Agency Self-Certification Guide questionnaire as the mechanism by which agencies granted disbursing authority must review their processes and certify to FMS that proper controls for accountability and security are in place.

Purpose

This guide prescribes procedures by which agencies with granted delegation of disbursing authority (see TFM Volume I, Part 4, Chapter 10000, subsection 10035.20, at the FMS Web site, <http://www.fms.treas.gov/tfm/vol1/v1p4c10000.html>.) self-certify that their organization is in compliance with the requirements set forth in Section 2 and Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982.

Authority

The applicable regulations and guidance governing this guide are:

- TFM Volume I, Part 4, Chapter 10000;
- FMFIA of 1982, Pubic Law No. 97-255 (31 U.S.C. § 3512);
- Federal Financial Management Improvement Act of 1996 (FFMIA), Pubic Law No. 104-208 (31 U.S.C. § 3512);
- Office of Management and Budget (OMB) Circular No. A-123;
- OMB Circular No. A-127;
- TFM Volume I, Part 2, Chapter 3100;
- TFM Volume I, Part 4, Chapter 6000;

- 44 U.S.C. 2901-2909 (Chapter 29), 2101-2111 (Chapter 21), 3101-3107 (Chapter 31), 2501-2507 (Chapter 25), 3501-3549 (Chapter 35), 3301-3314 (Chapter 33); and
- Executive Order 13224.

Objectives

Every 2 years, agencies with delegated disbursing authority shall conduct a review of their disbursing operations to ensure that they are in compliance with the requirements set forth in FMFIA Sections 2 and 4. Specifically, each agency must self-certify that its Section 2 and Section 4 reports, as they relate to disbursements, provide reasonable assurance that the agency is in compliance with these requirements. An agency that self-certifies "noncompliance" or "qualified assurance" with Sections 2 and 4 requirements must identify all material weaknesses and its corrective action plan to achieve compliance within an identified timeframe.

The responses given to the questions in the attached questionnaire for the functions of issuance and reporting, and inventory maintenance and reporting, will determine whether there is reasonable assurance that agency controls and security for delegated disbursement authority are adequate to compensate for any risks associated with the disbursing process. There are two aspects to consider when determining assurance. First, there needs to be an evaluation of the degree of the risk inherent in the delegated disbursement authority. Second, there needs to be assurance that the existence of controls minimizes any inherent risk in the process. Therefore, the vulnerability (the risk presented to the Government) is the net effect of inherent risk and the countervailing controls.

The questionnaire portion also addresses the implementation of the standards enacted by the Debt Collection Improvement Act (DCIA) of 1996. The questions asked cover the Non-Treasury Disbursing Office (NTDO) compliance of items outlined in the DCIA.

Definitions

The following definitions have been taken from various reports, Government directives, and policies. Sources of the information include the Government Accountability Office (GAO), OMB, or other Government agencies.

Agency—Agency with delegated disbursement authority.

Abuse—Violation of Treasury, agency, or disbursement regulations or laws that impairs the effective and efficient performance of responsibilities.

Assessable Unit—Agency program or administrative function or subdivision that is to be subject to a vulnerability assessment.

Automated Clearing House (ACH)—Process of sending electronic payments and corresponding data from the disbursing office to a payee's financial institution account.

Control Objectives—Desired goal for a specific function that reduces the potential for fraud, waste, and abuse, and/or ensures efficiency, effectiveness, and economy of the operations.

Control Technique—Series of carefully constructed checks and balances that provide reasonable assurance that control objectives are met.

Debt Collection Improvement Act (DCIA) of 1996—Provision mandating non-tax debt owed to the U.S. Government that is 180 days delinquent, with certain exceptions, be referred to the Treasury for collection.

Disbursement System—Automated system comprised of one or more applications that is used to transmit and/or issue payments.

Disbursement Process—Process or series of automated and/or manual functions used to issue payments.

Fiscal Points—Internal control review points between the initial certification of a payment and the issuance of that payment.

Financial Management System—Financial systems and the financial portions of mixed systems necessary to support financial management.

Financial System—Information system, comprised of one or more applications, that is used to collect, process, maintain, transmit, and report data about financial events; support financial planning; accumulate and report cost information; and support the preparation of financial statements.

Fedwire—Mechanism for making same-day electronic payments. Payments must be processed through the Federal Reserve Bank of New York. They are single payments of a high dollar value.

Fraud—Intentional, wrongful obtaining of money or obtaining some unfair or dishonest advantage. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, and collusive arrangements.

Function—Identified activity related to the disbursement process that is subject to internal controls.

General Control Environment—Various environmental factors that can influence the effectiveness of internal controls over the disbursement process.

Head of Agency—Individual with the authority to sign the delegated disbursing authority Memorandum of Understanding between the agency and FMS. This could be the CFO, the Deputy CFO, or a legally accepted equivalent.

Information System—Organized collection, processing, transmission, and dissemination of information in accordance with defined procedures, whether automated or manual.

Internal Controls—Steps that the agency takes to provide reasonable assurance that obligations and costs are in compliance with applicable regulations and laws; funds and property, and other assets, are safeguarded against waste, loss, unauthorized use or misappropriation; and revenues and expenditures applicable to agency operations are properly recorded and accounted for.

Material Weakness—Situation in which designed procedures or the degree of operational compliance does not provide reasonable assurance that the objectives of internal controls are being accomplished.

Risk—Situation or set of circumstances under which an unwanted occurrence such as loss, error, fraud, or mismanagement might occur in a program or

administration component because internal controls are not adopted or implemented or are inadequate.

Risk Assessment—Evaluation of the agency’s susceptibility to waste, fraud, and mismanagement.

Treasury Offset Program (TOP)—Centralized offset program, administered by the FMS’s Debt Management Services (DMS).

Vulnerability Assessment—Assessment performed by the agency’s managers utilizing a process and forms developed by the agency’s management control officers, program coordinators, or program administrators.

Instructions

The following questionnaire should be used by your agency to determine if your agency is operating in accordance with prescribed internal control procedures and standards for disbursing. When answering the questions in the questionnaire, your agency should do the following:

- Consider your agency’s overall delegated disbursement authority activities.
- Complete questions 1-21 to comply with requirements. In addition, agencies that disburse checks must answer questions 22-35.
- Complete all applicable questions on the questionnaire in full and mark questions that are determined to be nonapplicable as such on the questionnaire.

Your agency should forward the completed questionnaire to the CDO at FMS. FMS will use responses to this questionnaire to assess each agency’s compliance with TFM Volume I, Part 4, Chapter 10000.

A cover letter from the delegated disbursing agency should accompany the questionnaire to FMS. This letter should include a signed certified statement from the agency head indicating the questionnaire was completed in full, and the agency (based on the analysis of responses to questions in the questionnaire): **can give reasonable assurance** (an unqualified statement); **can give reasonable assurance with the exception of the material weaknesses noted** (a qualified statement); or **cannot provide reasonable assurance** (a statement of no assurance) that it meets the prescribed standards for internal controls and disbursing.

Internal Control Assessment Questionnaire

Agency Background

1. What was the original purpose of your agency’s request for delegated disbursing authority?
2. When was the last time your agency evaluated the purpose for delegated disbursing authority against your original intent to see if your need for delegated disbursing is still valid, cost effective, and/or efficient?

3. What are the services that are provided by your agency that cannot be provided by a Treasury disbursing office?

In your response **briefly** describe the organizational and system process used in the disbursement of funds. Furthermore, please identify the process and fiscal points between the certification and the disbursement of payments along with the employee structure that supports the process. Indicate in your description:

- The head of the agency;
 - The head of the functional area responsible for the delegated disbursing authority; (This could be the agency head.)
 - The designated Certifying Officer and/or the Disbursing Officers;
 - The functional areas (e.g., disbursing, accounting, and reporting units);
 - The number of employees who access the system; and
 - The number of external users who access the system.
4. How does your agency designate its Certifying and Disbursing Officers?
 - Does the head of your agency designate Disbursing and Certifying Officers?
 - What is the formal process your agency uses for determining Certifying and Disbursing Officers?
 - How are records of all designations maintained?
 - Do only Federal Government employees perform actual disbursements?
 5. By applicable payment type (e.g., ACH payments, Fedwire, and check payments), what was the dollar amount of payments last fiscal year?
 - What percentage, if any, of last fiscal year's payments were issued by external users (e.g., contractors, etc.)?
 6. By applicable payment type (e.g., ACH payments, Fedwire, and check payments), what is the average time it takes to issue a payment from the point of certification to issuance?
 7. How are the amounts disbursed by volume and dollars for the categories of: Miscellaneous, Vendor and/or Benefit?
 8. Does your agency cross-service/disburse payments for other agencies?

If yes:

 - For which agencies did your agency perform these services (please list them)?
 - Did you notify the Chief Disbursing Officer of these services being performed for the cross-serviced agency?
 - Provide a copy of the Memorandum of Understanding or Letter of

Agreement for the agencies for which you cross-service/disburse payments.

Audits/Assessments/Reviews

9. Does your agency review the status of vendors you disburse payments to in the Central Contractor Registration (CCR) to assure that they are eligible to do business with the Government?

If yes, please answer the following questions:

- As of October 30, 2005, each registrant of the CCR has been asked to validate their Taxpayer Identification Number (TIN). Does your agency compare TIN information with the information provided by the payee?
- If your agency does compare this information, what actions are taken when there is a discrepancy?
- Are disbursements withheld if there is a discrepancy?

If not, please explain.

10. Is your agency currently matching with the FMS database of delinquent debtors?

If yes:

- Are you withholding payment to recipients who have a delinquent debt with the Government?
- Do you track the number of offsets both dollar amount and quantity of offsets?

If not:

- When does your agency intend to meet the compliance of the DCIA?
- What actions are being taken to meet this compliance?

11. Does your agency have an offset process?

If yes:

- Please describe the process.

If not:

- What assurance do you have that your agency is not disbursing payment to a debtor of the Federal Government?

12. When and by whom was your agency's last security assessment on the disbursement process performed?

13. Does your agency conduct Risk Assessments of the disbursement process?

If yes, indicate the date and nature of the most recent assessment.

14. Related to disbursements, what has been the schedule of audits for your agency?

15. Over the last 3 years has your agency ever been cited in an audit for material weaknesses that relate to disbursements?

If yes:

- What was the situation(s) under which your agency was found to have a material weakness (enclose a copy of the audit)?
- What was the corrective action your agency has taken?
- How long did it take to resolve the above audit finding?
- Are any of these repeat findings?
- Have any of these audit findings remained unresolved greater than 1 year?

16. Within the last 3 years has your agency been in noncompliance or qualified assurance with FFMIA of 1996?

If yes:

- What were the circumstances under which your agency was in noncompliance or qualified assurance?
- What were the specific corrective actions taken by your agency to remedy issues of noncompliance or qualified assurance?

Agency Internal Controls for Disbursements

Please provide complete descriptions for the following questions:

17. What are your agency's overall internal controls with regard to disbursements?

Within your description indicate the written procedures and manual and systematic controls that your agency utilizes to ensure:

- Proper certification of disbursements;
- Presence of supervisory controls and reviews;
- Employee separations of duty; (Are responsibilities clearly divided so as to avoid duplication, overlap or conflicts?)
- Clear delineation of authority and responsibility; and
- Absence of duplicate payments.

18. What precautions are used to abate theft, fraud, or abuse?

19. How does your agency's accounting interface with disbursements?

- Does your agency have written procedures that contain a description of the method(s), mechanism(s), and frequency for reporting your agency's disbursement transactions to the U.S. Treasury?

Agency Records/Maintenance Controls

20. Are disbursing records kept based on the formal record retention policy for your agency?

Describe the interface between your agency's formal record retention policy and your agency's specific procedures for the maintenance, storage, and applicable destruction of manual and electronic disbursement, and disbursement accounting records.

21. Is access to areas that process and/or store electronic information limited to those with an official need to know and what controls are in place?

Agency Check Issuance, Check and Check Stock Controls

22. How does your agency report your detailed check-issue transmittals to the U.S. Treasury?

23. What is the frequency with which your agency reports your check issuance?

24. What measures does your agency take to ensure the timely reporting of your check issuance to FMS?

- Within the last fiscal year has your agency ever been late in reporting your check issuance?
- If yes, why and what measures has your agency taken to mitigate the situation?

25. Within the last fiscal year has your agency received an Advice of Check Issue Discrepancy?

- If yes, what measures has your agency taken to correct the discrepancy and to mitigate future errors?

26. In the past 2 years, has your agency released duplicate payments?

If yes, describe all occurrences.

27. Does your agency perform verifications of values, worth, or amounts of shipments related to check stock and live checks? (This would apply to the receipt at bulk storage points of shipments of check stock, verification of audits, and allotment shipments to USPS.)

28. What are the internal controls used by your agency to secure live checks and check stock?

Include in your description the types of controlled areas live checks and check stock are stored in and who and at what times individuals have access to these areas. Also describe the procedures for dual control and the escorting of visitors.

29. What are the processes and internal controls your agency uses when voiding live checks?

Include in your description how and when checks are voided, who (job function) voids the checks, the supervisory controls and/or how spoiled, damaged, unusable and voided checks are accounted for and reported.

30. Has there ever been any evidence of fraud, waste, or abuse in the maintenance of live checks or check stock?

- When did the occurrence take place and what was the corrective action, if any, that was taken as a result of it?

31. Has there ever been any occurrence of lost check stock?

- When did the occurrence take place and what corrective action, if any, was taken as a result of it?

32. What is your agency's process for performing periodic check inventories of live checks and check stock?

33. What is your agency's prescribed process for destroying checks?

Include in your description your method(s) for destruction, how destroyed checks are recorded, and controls for witnessing.

Miscellaneous

34. Does your agency currently participate in the FMS Treasury Offset Program and/or Cross-Servicing Program?

- If yes, which one or both?
- If not, what steps has your agency taken to comply with the DCIA?

35. Does your agency submit to FMS the required TIN Implementation Report?

Contact

Direct questions concerning this guide to:

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