Defense Finance and Accounting Service

DFAS 7900.4-M
Financial Management Systems Requirements Manual
Appendix 1, FSIO System Requirements Functions

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Financial Management Center of Excellence

SUBJECT: Guide to Federal Requirements for Financial Management Systems
Appendix 1, FSIO System Requirements Functions

Core Financial System Requirements Functions

The Financial Systems Integration Office's (FSIO) document titled *FSIO OFFM-NO-0106, REQ. Core Financial System Requirements*, lists many core financial system functions. Understanding these functions is imperative in the implementation of the requirements contained therein and the requirements derived from FSIO OFFM-NO-0106 contained in this book. Therefore, this appendix describes these core functions in detail.

Core Financial System Overview

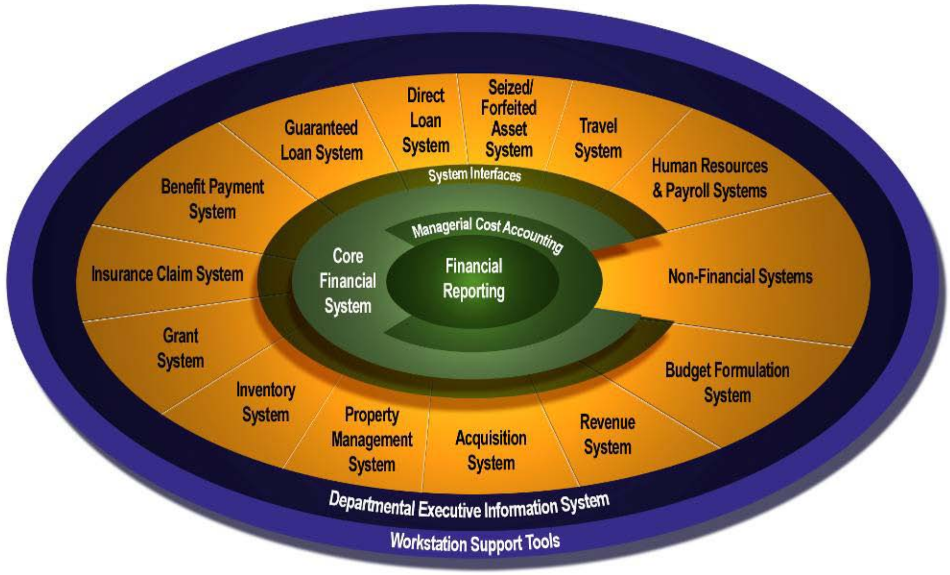
Federal agencies disburse over $2 trillion in appropriated funds annually. Financial and program managers throughout government are fiscally responsible for these resources and for the program results they achieve. To do their jobs, they need ready access to detailed financial information essential to formulating agency budgets, monitoring program operations, and reporting performance as maintained in a proper and reliable financial system. Such systems support the following management objectives:

Relationship of Core to Other Agency Financial Systems

The core financial system exchanges data with other financial and mixed systems[1] that are necessary to support financial management. These systems, together with the core financial system, make up an agency's financial management system. *Figure 1 –Agency systems supporting Financial Management Functions* illustrates the relationship of core and other financial and mixed systems within an agency.

[1] An agency system that supports both financial and nonfinancial functions is referred to as a "mixed" system.

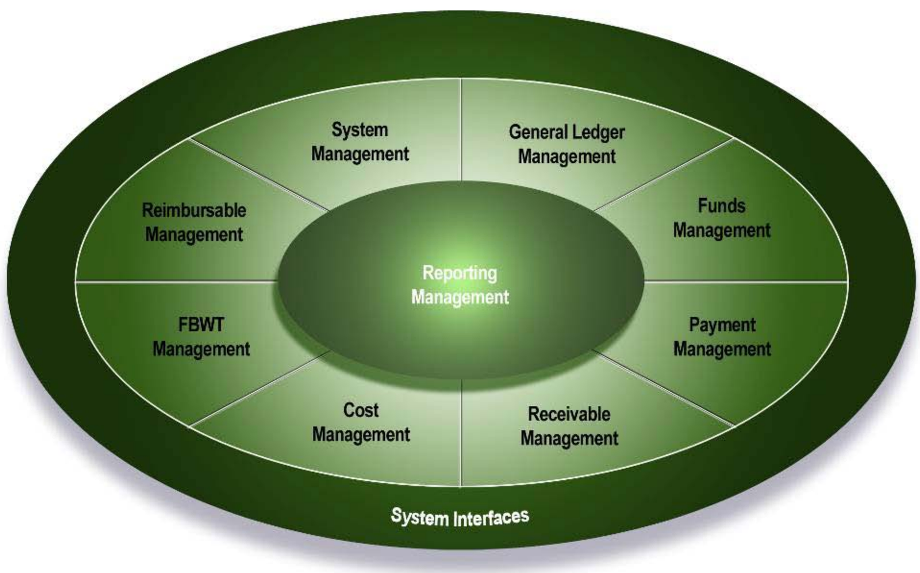
Figure 1 –Agency systems supporting Financial Management Functions



Core System Functions

Core financial systems provide specific functional capabilities necessary for managing a general ledger, controlling spending, making payments, managing receivables, measuring costs, reconciling the agency's Fund Balance with Treasury, and reporting in the Federal environment. Figure 2 illustrates capabilities of a core financial system. These capabilities may be tightly woven together in an single system (eg., ERP system) or may be standalone systems with information being transferred from one system to the next.

Figure 2 – Primary Capabilities of a Core Financial System



Core Financial System Systems Requirements Summary

The following sections identify specific requirements that every qualified Core financial system must deliver. These requirements provide the basic information and control needed by agencies to perform financial management functions, manage the financial operations of an agency, and report on the agency's financial status to central agencies, Congress, and the public.

The major functions supported by a Core financial system and the abbreviations used in this document to identify related requirements are as follows:

- System Management (SM)
- General Ledger Management (GL)
- Budgetary Resource Management (FM)
- Payment Management (PM)
- Receivable Management (RM)
- Cost Management (CM)
- Fund Balance with Treasury Management (FB)
- Technical System Requirements (TL).

System Management Function (SM)

The System Management function ensures that the capabilities exist to capture, classify, process, and report the financial activity of Federal agencies. The System Management function establishes the framework for sharing data among components of an agency's single integrated financial management system. This function also ensures that transactions are processed consistently and completely and that appropriate audit trails are maintained. The System Management function consists of the following processes (the prefixes assigned to the requirements are noted in parentheses):

- Accounting Classification (SMA)
- Document and Transaction Control (SMB)
- Document Referencing and Modification (SMC)
- System-Generated Transactions (SMD)
- Audit Trails (SME)

Accounting Classification Process (SMA)

The accounting classification process provides the means for categorizing financial information along several dimensions to support financial management and reporting functions. The data elements that a particular agency includes in its accounting classification will depend on data aggregation requirements for preparation of financial statements under the CFO Act, the appropriation structure, and other reporting and management needs of the agency.

Document and Transaction Control Process (SMB)

The Document and Transaction Control process defines the rules for recording, editing, and processing transactions that are entered directly to the Core financial system. In addition to recording these transactions, the Core financial system must be able to record and process transactions originating in other systems. All transactions must be handled consistently, regardless of their point of origin. The Core financial system must ensure that transactions are controlled properly to provide reasonable assurance that the funds are available, tolerances between documents are not exceeded, and other transaction processing edits are met. Core financial systems edit for the presence of data elements required on all system documents or on specific document types (e.g., spending documents). The Document and Transaction Control process defines these required data elements and validations.

Document Referencing and Modification Process (SMC)

In the typical Federal spending chain, a purchase moves from the reservation (commitment) of funds, to the execution of an obligating document (e.g., contract or purchase order), to the acknowledgment of goods or services received and accepted goods, and finally to payment of the expense or asset. The Document Referencing and Modification process defines the relationships that must be maintained between these document types, the types of document amendments that must be accommodated by the Core financial system, and the related querying capabilities required by Core financial system users.

System-Generated Transactions Process (SMD)

The initial source of Core financial system activity may be any one of the following: online data entry, other systems or modules, or system-generated transactions. System-generated transactions include recurring entries (and reversals), closing entries, cost assignment entries, and transactions generated by other transactions. Agencies define these entries in advance for subsequent posting by the Core financial system. The general ledger postings are specified, as well as the date or frequency of those postings. System-generated transactions are then posted automatically by the Core financial system on the specified dates, based on the passage of time.

Audit Trails Process (SME)

Adequate audit trails are critical to providing support for transactions and balances maintained by the Core financial system. Although audit trails are essential to auditors, they are also important to agencies in their day-to-day operation of the system. Audit trails provide agencies with information necessary to reconcile accounts, research document history, and query the data stored in the Core financial system.

General Ledger Management Function (GL)

General Ledger Management is the central function of the Core financial system. All transactions to record financial events must post to the general ledger, regardless of the origin of the transaction. Transactions originating in other systems may post to the general ledger at a summary level, depending on an agency’s overall financial management system design and need. At a minimum, however, summary transactions must post at a level that maintains the accounting classification elements and attributes needed to support central agency reporting.

The General Ledger Management function consists of the following processes (the prefixes assigned to the requirements are noted in parentheses):

- General Ledger Account Definition (GLA)
- Transaction Definition (GLB)

- General Ledger Updating and Editing (GLC)
- Upward/Downward Spending Adjustment (GLD)
- General Ledger Analysis and Reconciliation (GLE)
- Accounting Period Maintenance and Closing (GLF)
- Financial Reporting (GLG).

General Ledger Account Definition Process (GLA)

OMB Circular A-127, *Financial Management Systems*, requires implementation of the USSGL at the transaction level. The USSGL is defined in the latest supplement to the Department of the Treasury's TFM, which includes the chart of accounts, account descriptions and postings, accounting transactions, USSGL attributes, and crosswalks to standard external reports. Each agency must implement a chart of accounts that is consistent with the USSGL and meets the agency's information needs.

General Ledger Updating and Editing Process (GLB)

To ensure the consistency and completeness of financial records, the General Ledger Update and Editing process requires that all general ledger accounts—budgetary, proprietary, and memorandum—referenced on a standard transaction be updated at the time of input of a transaction. It requires general ledger updates to be balanced at all levels of the organization and consistent with updates to subsidiary ledgers. Subsidiary ledgers must support the general ledger at various levels of detail, whether totally integrated as part of the Core financial system or interfaced from other systems.

Upward/Downward Spending Adjustment Process (GLC)

Accounting for upward and downward spending adjustments requires a complex analysis of the types of adjustments made to prior-year spending documents. This process requires the system to recognize when an adjustment occurs and to determine what type of adjustment occurred. Based upon this analysis, the system must automatically create the appropriate adjustment entry to record the financial event.

General Ledger Analysis and Reconciliation Process (GLD)

The Core financial system must provide information to use in analyzing account balances and in reconciling account balances to information contained in reports and in subsidiary ledgers. With system integration, the likelihood of out-of-balance conditions existing between financial reports, subsidiary ledgers, and account balances should be minimal, but the possibility of such conditions do exist as a result of system failures and incorrect transaction definitions.

Accounting Period Maintenance and Closing Process (GLE)

This process segregates accounting transactions into accounting periods and creates closing entries needed at the end of a period (month or year) for reporting purposes. It also controls and executes period-end system processes needed by the system to open a new reporting period, such as rolling forward account balances or reversing certain year-end entries. This process supports the preparation of consolidated financial statements by identifying information needed in that process.

Financial Reporting Process (GLG)

The financial reporting process ensures that the system provides the basic reports and online information access needed to review financial information and to fulfill central agency reporting requirements. It provides specifications for the minimum data elements to be displayed in the internal and external financial reports, while establishing general requirements that provide agencies with flexibility in configuring the reports, and generating the reports for specified accounting periods.

Budgetary Resource Management Function (FM)

Article I, section 9, of the Constitution of the United States provides that "no money shall be drawn from the Treasury, but in Consequence of Appropriations made by law…." From this basic provision, a body of laws and regulations has evolved to govern the Federal budget process and prescribe generally uniform procedures for obtaining, expending, administering, and controlling resources. Federal appropriations law, U.S. Comptroller General Decisions, and OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, constitute authoritative guidance and set government wide policy for budgetary resource management.

The Budgetary Resource Management function consists of the following processes (the prefixes assigned to the requirements are noted in parentheses):

- Budget Planning (FMA)
- Budget Preparation (FMB)
- Budget Authority (FMC)
- Funds Distribution (FMD)
- Funds Control (FME)
- Funds Status (FMF).

Budget Planning Process (FMA)

Budget planning is the process of establishing the initial agency budget plan. The budget plan is a blueprint for using financial resources during any given fiscal period or series of periods. The Budget Planning process includes updating the budget plan as necessary and reporting on the use of resources against these plans throughout the year.

Budget Preparation Process (FMB)

Budget preparation is the process of assembling estimates for the upcoming fiscal year for transmittal to OMB and the congressional appropriations committees, preparing justification materials to support those estimates, and defending those estimates formally (at OMB and congressional hearings) and informally (through staff contacts with these entities).

Budget Authority Process (FMC)

Establishing budget authority, formerly referred to as Funds Allocation, is the beginning of the budget execution process. This process records an agency's budgetary resources and supports the establishment of legal budgetary limitations within the agency, including appropriation warrants, apportionments, reapportionments, transfer allocations, and continuing resolutions. It also supports the establishment of funding to agencies that are not subject to apportionment.

Funds Distribution Process (FMD)

Funds distribution is the part of budget execution cycle in which legally apportioned resources are distributed within the agency to support missions, programs, and other objectives. The process establishes multiple levels of budgetary control by allotting and sub-allotting apportioned resources for agency management.

Funds Control Process (FME)

Funds control prevents the expenditure of funds in excess of established budgetary limitations as established through the Funds Distribution process. The Core financial systems must be designed to apply effective funds control at the point that spending documents are entered.

Funds Status Process (FMF)
The Funds Status process provides budgetary information to enable agency personnel to analyze, monitor, and adjust funding for programs throughout the fiscal year.

Payment Management Function (PM)
The Payment Management function deals with accounts payable. Depending on an agency's system architecture, specific activities relating to payments may be supported in Core by other systems that provide payment data to the Core financial system for control and management. For example, payroll systems usually trigger actual disbursements to employees through direct deposit or by check, and send only the expense and disbursement information to the Core financial system for recording the impact on the general ledger, funds control, and cost management processes. Likewise, loan and grant programs might be supported by systems that maintain their own information on payees and payments and send transaction data to the Core financial system.

The Payment Management function consists of the following processes (the prefixes assigned to the requirements are noted in parentheses):

- Payee Information Maintenance (PMA)
- Accounts Payable (PMB)
- Invoicing (PMC)
- Disbursing (PMD)
- Payment Follow-Up (PME).

Payee Information Maintenance Process (PMA)
The term "payee" is used here to include any entity to which disbursements may be made, for example, individuals and organizations providing goods and services, employees, grant recipients, loan recipients, and other government agencies. In an integrated system, payee information needed to make payments should be coordinated with information needed for other purposes and in other systems. For example, a company that provides goods and services to an agency should have a common identifier, such as a TIN, associated with it that is shared by the procurement and payment processes. With this common identifier, contract information and payment information can be linked, even if the addresses for ordering and paying are different. Furthermore, such information should also be available to the procurement and payment processes.

Accounts Payable Process (PMB)
This process recognizes and records accounts payable due to another entity in the near term. These payables may be due for any of several reasons, for example, as a result of receiving goods and services in accordance with contract terms, under a loan or grant agreement, as an advance payment for goods or services to be provided in the future, or as a progress payment under a construction contract.

<u>Invoicing Process (PMC)</u>
The Invoicing process supports the recording of invoices received from vendors and the matching of these documents to related obligation, receipt, and acceptance documents. The matching process ensures that payments are made in accordance with contract terms and applicable regulations, including 5 CFR 1315. Once matched and approved, invoices are warehoused in the Core financial system and await payment scheduling that occurs when their payment due dates are reached. Adequate internal controls must be in place to verify that goods and services paid for were actually ordered, received, and accepted; that proper due dates and payment amounts are computed; and that duplicate payments are prevented.

<u>Disbursing Process (PMD)</u>
This process supports activities required to make payments that were warehoused or to record payments made by other systems. The Core financial system must provide the capability to prepare requests for disbursement (payment schedules) and to create and transmit payment files in the formats required by Treasury for the initiation of EFTs and check payments for agencies for which Treasury does the actual disbursing. Some agencies have delegated disbursing authority and can print checks or initiate electronic transfers themselves. Agencies with delegated disbursing authority must comply with the requirements contained in TFM Part 4 and all applicable requirements in this function.

<u>Payment Follow-Up Process (PME)</u>
This process allows for agency follow-up on payments pending and accomplished. Core financial systems must capture the information needed to track invoices through various stages of processing, to respond to vendor inquiries, and to report payment activity to external entities such as the IRS.

<u>Receivable Management Function (RM)</u>

Receivables are established to account for amounts due from others as the result of performance of services by the agency, delivery of goods sold, the passage of time (e.g., interest earned), overpayments, or other actions. Receivables are accounted for as assets until funds are collected, or determined to be uncollectible in whole or in part. In addition, some receipts may be collected without the prior establishment of a receivable, as in the case of goods sold for cash.

The Receivable Management function consists of the following processes (the prefixes assigned to the requirements are noted in parentheses):

- Customer Information Maintenance (RMA)
- Receivables and Billing (RMB)
- Debt Management (RMC)
- Collections and Offsets (RMD).

<u>Customer Information Maintenance Process (RMA)</u>
The word “customer” is used here to include any entity that owes a debt to the agency, including contractors, employees, grantees, loan recipients, and other government agencies. Agency payees or vendors may become customers of the agency, in the event that duplicate or overpayments occur.

Receivables and Billing Process (RMB)
The Receivables and Billing process supports activities to record receivables in the system as they are recognized and to produce bills for amounts due to the agency.

Debt Management Process (RMC)
The Debt Management process involves the maintenance of account information on individual accounts receivable. The process supports activities to age receivables, calculate interest and record penalties and administrative charges on overdue debt, pursue collection of amounts due, liquidate receivables, record adjustments to receivables, maintain a proper allowance for uncollectible amounts, and record write-offs.

Collections and Offsets Process (RMD)
The Collections and Offsets process supports activities to record the receipt of funds either by currency (e.g., cash, EFT) or check and the deposit of such funds in accordance with Treasury and agency regulations. The process also provides for the receipt of payment offset information from Treasury and its application to the appropriate accounts receivable.

Cost Management Function (CM)

The Cost Management function encompasses the capability to accumulate, recognize, and distribute the cost of an agency's activities in the financial system for management information purposes. Managerial cost accounting concepts and standards for the Federal Government are prescribed in SFFAS 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, promulgated by FASAB.

- Cost Setup and Accumulation (CMA)
- Cost Distribution (CMB)
- Cost Reporting (CMC).

Cost Setup and Accumulation Process (CMA)
The Cost Setup and Accumulation process identifies and tracks cost data associated with the specific cost objects required by management. This process provides for the establishment of identifiers for the desired cost objects in the processes, systems, and applications that make up the accounting system and for the subsequent collection of cost data. An agency's financial management system must allow the establishment of cost object identifiers consistent with the stated needs of its financial and operational managers. Ideally, the financial system will allow this to be done in a straightforward manner, without undue complexity. The Cost Setup and Accumulation process provides the data needed for accountability over the financial execution of public programs, meaningful comparisons to measure compliance with management policies, evaluation of the efficiency and economy of resources used in the various activities, and support for fees, services, or products. It also provides a basis for linking operational results to the budget and performance measures.

Cost Distribution Process (CMB)
The managerial cost accounting concepts and standards contained in SFFAS 4 are aimed at providing reliable and timely information on the full cost of programs, their activities, and outputs. The information is used by stakeholders, executives, and managers when making decisions about allocating resources, authorizing and modifying programs, and evaluating program performance. Program managers also use the cost information for making managerial

decisions to improve operating efficiency. Ultimately, the effectiveness of a cost management program depends on the way managers use the cost information asked for and reported to them.

Cost Reporting Process (CMC)
No additional guidance.

Fund Balance with Treasury Management Function (FB)

The Fund Balance with Treasury (FBWT) represents the money an agency can spend on future authorized transactions. Agencies record transactions that increase and decrease their FBWT to USSGL account 1010 in their general ledger. Appropriation warrants, non-expenditure transfers, collections, and disbursements are some of the transactions that impact an agency's FBWT.

- Treasury Information Maintenance (FBA)
- Payment Confirmation (FBB)
- Reconciliation and Reporting (FBC).

Treasury Information Maintenance Process (FBA)
Most Federal agencies process large volumes of transactions that impact their FBWT. To facilitate automatic reconciliations with Treasury, an agency must classify cash transactions with Treasury defined codes. The Treasury Information Maintenance process ensures that the classification structures and valid data element relationships are in place for an agency's system to use to classify and identify transactions that impact the FBWT.

Payment Confirmation Process (FBB)
Agencies that disburse payments through Treasury provide the details of requested payments (e.g., vendor name, amount of payment, payment date) on a payment schedule. The payment schedule may contain hundreds of individual payments that an agency is requesting be made. Upon accomplishing the payments, Treasury will notify the agency. The agency must update its general ledger with the proper accounting entry to record the disbursement of funds and to capture information about individual payments that may be critical in reconciling the FBWT or answering vendors' questions concerning payments made. Because of the high volume of payments that most Federal agencies make, the Payment Confirmation process must ensure that an automated process is in place to update confirmation information.

Reconciliation and Reporting Process (FBC)
Reconciling the FBWT is a complex and multi-step process that involves an exchange of information between an agency and the Treasury. Agencies provide Treasury with the proper classification (e.g., Treasury Account Symbol) information for its receipt and disbursement activity. Treasury provides agencies with detailed support listings of receipt and disbursement activity that agencies must compare to the detailed transactions posted in their general ledger. The Reconciliation and Reporting process facilitates the comparison of transactions at this detailed level.

Technical System Requirements (TL)

Technical requirements have been established to help ensure that a Core financial system is fully supported and capable of processing the workload required. It must provide transaction processing integrity and general operating reliability; use standard procedures for installation, configuration, and operations; provide seamless integrated workflow processing; have the ability to query, access, and format information; and be well documented. It must not conflict with other administrative or program systems or with other agency-established IT standards.

Core financial systems must meet the mandatory technical requirements specified in this section. In addition, they should strive to include the functionality listed as value-added requirements. The technical requirements are categorized as follows (the prefixes assigned to the requirements are noted in parentheses):

- General Design/Architecture (TLA)
- Infrastructure (TLB)
- User Interfaces (TLC)
- Interoperability (TLD)
- Workflow/Messaging (TLE)
- Document Management (TLF)
- Internet Access (TLG)
- Security (TLH)
- Operations (TLI)
- Ad Hoc Query (TLJ)
- Documentation (TLK)
- System Performance (TLL).

General Design/Architecture (TLA)
The technical requirements relate to the overall product and its structure at the highest level. Federal standards are published for the purpose of limiting Core financial system acquisition to qualified options. The basic design features and system architecture determine the adaptability of the system, such as customization and upgradeability. A Core financial system must be designed with the flexibility to respond to the changing Federal environment.

Infrastructure (TLB)
The Core financial systems infrastructure provides the underlying base or foundation of the computing system platforms and operating system environments where a qualified Core system would be installed by a Federal agency. It is necessary for the infrastructure to support a Windows operating system and provide certain basic communications and database functions common to Federal Government system installations.

User Interfaces (TLC)
Technical User Interfaces requirements specify how agency users and operators interact with the Core financial system. These requirements address the ability of users to effectively configure the package, enter transactions, query processing results, or start/stop internal processes.

Interoperability (TLD)
Financial transactions can be originated using multiple external feeder applications. These feeder systems and the Core financial system must interface seamlessly so that data can move effectively between them. The Core system must be able to process and validate the data independent of origination. There must also be a process for handling erroneous input and corrections.

Workflow/Messaging (TLE)
Workflow/messaging includes technical requirements that establish standards for application interfaces and collectively define how a Core financial system automatically manages document processing; generates, builds, maps, and models workflow processes and business rules; and notifies agency staff of pending work (e.g., review/approval of pending accounting documents).

Document Management (TLF)
Document management addresses how the Core system stores and retrieves electronically formatted documents.

Internet Access (TLG)
The Internet is a vast collection of interconnected networks that communicate using TCP/IP. It has become a critical infrastructure for application access. The technical requirements relating to Internet access represent a specialized subset defining user connectivity options and security issues.

Security (TLH)
This section addresses security controls needed to protect the confidentiality, integrity, and availability of financial data maintained in a qualified agency system. To meet security requirements, the core system must comply with approved standards and guidelines, including minimum requirements, for providing adequate information security for all agency operations and assets as are appropriate for the specific characteristics of the system.

Operations (TLI)
In general, most users should be unaware of background system operations, except for scheduled maintenance. The Core financial system should run smoothly and efficiently, and it must maintain database consistency; archive, log, and retrieve data; stop and restart the system without losing data; and report system status.

Ad Hoc Query (TLJ)
Over time, demands for specific financial data are expected to change considerably as changes occur in, for example, administrations, program missions, budget priorities, justifications, and oversight. Ad hoc queries are often general but are critical to enabling effective agency, program, and financial management in the face of change. To support ad hoc queries, the Core financial system must provide flexible data access, download, and formatting.

Documentation (TLK)
It is not enough for a vendor to deliver a Core financial system and help with installation. The documentation that comes with the product is key to the effective and efficient use of the system and its appropriate implementation and maintenance. The documentation submitted with the software must be written at a sufficient level of detail that users who are familiar with the Core system and its functions, but are new to the product, can understand and use the documentation without assistance from the vendor.

System Performance (TLL)
This section defines system performance categories that need to be considered when evaluating packages for potential acquisition. These requirements were written without specific (i.e., testable) performance criteria. Recognizing that delivered package performance is dependent on agency-supplied computing infrastructure and workload, agencies should customize these requirements, adding their own unique criteria (e.g., number of concurrent users, geographic

distribution of worksites, number of transactions, processing windows, and volume of agency information expected to be maintained online or archived).

FSIO Guaranteed Loan System Requirements Functions

This Guaranteed Loan System Requirements document is intended for guaranteed loan program financial systems analysts; system accountants; and others who design, develop, implement, operate, and maintain financial management systems. This includes buying or building systems. This document does not prescribe a single model for Guaranteed Loan Systems because guarantee programs vary greatly, the requirements contained in this document are applicable only to the extent that they support the operations of the individual systems. The primary purposes for this update are to reflect:

- Changes in statutes, regulations, and technology that have occurred since the document was originally published in December 1993, e.g., passage of the CFO Act of 1990, and FFMIA of 1996;
- Changes brought about by the National Performance Review (NPR); and
- Increased availability of commercial off-the-shelf (COTS) software packages.

Guaranteed Loan Overview

This chapter provides an overview of guaranteed loan system requirements. The complexity, diversity, and size of the Federal guaranteed loan programs place unique demands on managers of guaranteed loan program operations. The constantly changing requirements of guaranteed loan programs have led management to look not only at the functional capabilities of guaranteed loan systems, but also the managerial environments in which these systems are supported and/or operated. All guaranteed loan systems that are being designed and implemented, or are in use, must operate in accordance with laws, regulations, and judicial decisions. It is the responsibility of each agency to be knowledgeable of the legal requirements governing its human resources and payroll operations. This document identifies system requirements for guaranteed loan systems. Although the document may be used when developing new guaranteed loan systems, or improving or evaluating current systems, the document does not provide a specific model for such systems. System requirements not mandated by law, regulation, directive, or judicial decision must result in cost-effective systems that are in the interest of the government. All possible alternatives for meeting the requirements should be considered.

Summary of Functions

The following is a brief description of the major functions of a guaranteed loan system. The system requirements chapters provide a detailed description of each function, including the lower level processes within each function.

Lender Management

The Lender Management function supports analysis of lenders' program eligibility and monitors lender performance to ensure that only qualified and financially sound lenders participate in Federal guaranteed loan programs. The processes within the Lender Management function include the Lender Eligibility process and the Lender/Servicer Monitoring process.

Guarantee Extension and Maintenance

The Guarantee Extension and Maintenance function supports the accounting and documentation requirements for the evaluation of the guarantee request, the extension of the guarantee by the Federal agency, and the monitoring of the guarantee. The processes within the Guarantee Extension and Maintenance function are the Guarantee Request Evaluation process, the Guarantee Origination process, and the Guaranteed Loan Maintenance process.

Portfolio Management

The Portfolio Management function supports the management and evaluation of the guaranteed loan program and its portfolios of outstanding guaranteed loans and acquired loans. Lender Management Guarantee Extension and Maintenance Portfolio Management Acquired Loan Servicing Delinquent Debt Collection Treasury Cross-Servicing Other Reporting Requirements Credit Information Sources Guaranteed Loan System Collection Agencies Financial Advisors & Underwriters Lenders/Servicers Property Management System Core Financial System CAIVRS Loan Screening System Credit Reform Subsidy Model Financial Institutions Borrowers Other Federal Agencies

Guaranteed Loan System Overview

The processes within the Portfolio Management function are the Portfolio Management process and the Program Financing process.

Acquired Loan Servicing

The Acquired Loan Servicing function encompasses the procedures for default claim review and payment in accordance with guarantee agreements and regulations, as well as the invoicing and collection procedures for acquired loans and the foreclosure and liquidation of property for collateralized loans acquired by the government. The processes within the Acquired Loan Servicing function are the Claim Processing process, the Account Status Maintenance process, the Foreclose on Collateral process, and the Manage/Liquidate Collateral process.

Delinquent Debt Collection

The Delinquent Debt Collection function includes the recovery of delinquent debt through the use of dunning letters, offset programs, collection agencies, and garnishment of non Federal wages, litigation, and the termination of collection action on uncollectible debt. It also includes the foreclosure and liquidation of property for collateralized loans acquired by the government. The processes within the Delinquent Debt Collection function are: Collection Actions and Write-offs and Close-outs.

Treasury Cross-Servicing

Cross-servicing occurs when Treasury's Financial Management Service (FMS) or a Treasury-designated debt collection center provides debt collection services for other Federal agencies. The processes within cross-servicing are: Identify Accounts Selected, Monitor Accounts Referred to the Debt Collection Center, and Support an Agency's Request to Cross-Service.

Other Reporting Requirements

This chapter provides requirements for two types of reporting: Transaction History and External Reporting Requirements.

FSIO Grant System Requirements Functions

This JFMIP 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. Therefore, the illustrations are not intended to be comprehensive, specific diagrams of all steps involved in the various requirements and processes, i.e., the illustrations are illustrative only, rather than mandatory. 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.

Grants Overview

This document provides high level system 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.

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 performance measurement.

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.

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

- Introduction
- Commitments
- Decommitments
- Obligations
- Payments
- Cost Accruals
- Financial Reports
- Interest Collections
- Grant Closeout
- Records Retention
- General System Requirements
- Information Technology in the Grants Process

Introduction to Systems Requirements

A federal grant is a financial assistance instrument which, consistent with 31 U.S.C. Section 6304, Using grant agreements, 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 are also funding instruments which have a similar process. Throughout this document, statements applicable to discretionary grants generally apply to cooperative agreements as well. Cooperative agreements may also be used for financial assistance, except unlike grants, substantial involvement between the granting agency and the grant recipient is anticipated. Grants, cooperative agreements, and other contractual agreements may be processed by some agencies using the same administrative, accounting, and financial systems.

Commitments

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. Requirements for recording commitments are optional based on the individual agency's program needs.

Decommitments

A de-commitment is the act of reversing a commitment of funds previously recorded in an agency's financial system. Decommitments are mandatory when commitment requirements are adopted by the agency.

Obligations
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.

Payments
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.

Cost Accruals
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.

Financial Reports
Grantees are required to periodically report the financial results of their grant-supported activities. A grantee may use one or more of the following for this purpose: the Standard Form (SF) 269, Financial Status Report; the SF-272, Federal Cash Transactions Report; or program-specific reports approved by OMB under the Paperwork Reduction Act (PRA). The SF-269 is a budgetary document; it informs the Federal awarding agency ho w much of the grant award the grantee has expended, obligated but not yet expended, and not yet obligated as of the report date. The SF-272 captures the amount of Federal funds awarded under the grant that the grantee has disbursed as
of the report date, both for the report period and cumulatively. Program-specific reports capture comparable information. The Federal awarding agency may also collect this information electronically.

Interest Collections
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.

Grant Closeout
The grantee's authority to incur new obligations against the grant expires at the end of the grant period. The grantee and its Federal awarding agency must then wind up all grant-related business through a process known as closeout. For the grantee, closeout may include such tasks as disposing of major property acquired under the grant; submitting final reports on the grant-supported activity; and rendering a final accounting for the Federal funds made available for the grant. The Federal awarding agency uses the data from the grantee's final financial report to determine its final financial obligation to the grantee and to settle any resulting claims due to or from the grantee. Closeout is generally the concluding act of administering a 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.

General System Requirements
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.

Information Technology in the Grants Process
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 goal s 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.

FSIO Direct Loan System Requirements Functions

This document is a part of a broad program to improve Federal financial management which involves the establishment of uniform requirements for financial information, financial systems, reporting, and financial organization.

System requirements for common systems have been prepared under the direction of JFMIP as a series of publications entitled Federal Financial Management System Requirements. Successive publications in the series have included the *Core Financial System Requirements* (undergoing update), *Human Resources & Payroll Systems Requirements* (undergoing update), *Travel System Requirements* (undergoing update), *Seized/Forfeited Assets System Requirements* (undergoing update), and *Managerial Cost Accounting System Requirements* (July 1995). This publication, *Direct Loan System Requirements*, and its companion, *Guaranteed Loan System Requirements*, (December 1993)" extend the establishment of system requirements for agency systems.

Direct Loan System
Direct loan systems are an integral part of the total financial management system for those Federal agencies authorized to make direct loans. The direct loan system interacts with the financial system to record receivables, collections and disbursements in the general ledger consistent with the U.S. Government SGL.

System Overview

This chapter provides an overview of direct loan system requirements. Data from the loan extension, account servicing, portfolio management and delinquent debt functions will be used to calculate credit subsidy estimates and satisfy credit reform accounting requirements. The overview has the following sections:

- Summary of Functions presents a high-level description of the functions that are supported by direct loan systems.
- Relationships with Other Systems, describes how direct loan systems interact with other systems.
- Data Requirements discusses the types of data needed to perform the various functions of a direct loan system.
- Separation of Duties and Supervision discusses key duties and responsibilities.

Summary of Functions

Loan Extension

The Loan Extension function supports analysis of the applicant's eligibility in accordance with statutory and regulatory requirements. The Loan Extension function also supports the development of information to satisfy credit reform accounting and budgeting requirements. The processes within the Loan Extension function are:

- Application Screening, and
- Loan Origination

Account Servicing

The Account Servicing function supports routine invoicing and collection of debts. The processes within the Account Servicing function are:

- Billing and Collection, and
- Account Status Maintenance.

Treasury Cross-Servicing

Cross-servicing occurs when Treasury's FMS or a Treasury-designated debt collection center provides debt collection services for other Federal agencies. The processes within cross-servicing are:

- Identify Accounts Selected
- Monitor Accounts Referred to the Debt Collection Center, and
- Support an Agency's Request to Cross-Service.

Portfolio Management
The Portfolio Management function supports the management and performance evaluation of the direct loan program and its portfolio. It also supports program financing and management of portfolio sales. The processes within the Portfolio Management function are:

- Portfolio Performance,
- Program Financing, and
- Portfolio Sales.

Delinquent Debt Collection
The Delinquent Debt Collection function includes the recovery of delinquent debt through the use of dunning letters, offset programs, collection agencies, and garnishment of non-Federal wages, litigation, and the termination of collection action on uncollectible debt. The processes within the Delinquent Debt Collection function are:

- Collection Actions,
- Write-offs and Close-outs, and
- Troubled Debt Servicing Under Agency Program Requirements.

Other Reporting Requirements
This chapter provides requirements for two types of reporting:

- Transaction History, and
- External Reporting Requirements.

FSIO Benefits System Requirements Functions

This document provides high level system requirements for benefit systems that will help provide the capability for financial managers, program managers and others to control and account for Federal benefit programs as defined in government wide and agency specific statutes, regulations, guidelines and need assessments. This document is one component of a broad program to improve Federal financial management. This program involves establishing uniform requirements for financial information, financial systems, reporting, and financial organizations. Appendix A contains a listing of relevant government-wide accounting standards, laws, regulations and other mandates pertaining to Federal benefit programs.

Benefit System Overview

This section provides an overview of a benefit system in the following sections: Background, Management Controls, Benefit System Major Functions, Relationship with Other Systems, and Information Stores – Data Requirements Overview

The United States Government is the world’s largest and most complex enterprise. In fiscal year 2001, Federal agencies disbursed over half-trillion dollars in Federal non-health care benefits (hereafter referred to as benefits) to millions of recipients. These outlays are controlled and accounted for in various agency systems. This document is intended to specify the baseline functional capabilities which benefit systems must have in order to support agency missions and comply with laws and regulations. This section provides a brief explanation of why benefit system requirements are needed and provides an overview of the types of benefit systems subject to the requirements contained within this document.

Establishing government-wide benefit system requirements promotes a common understanding among private and public sector financial managers and benefit program managers regarding benefit system functional capabilities. They provide benchmarks for agency compliance under FFMIA and serve as a tool for oversight agencies to evaluate such benefit systems. They help justify agency system improvements or replacements. They also help organize the private sector market by communicating mandatory functionality that commercial software must be able to provide to Federal agencies, as well as identifying value-added features desired by Federal agencies.

Government benefit systems, as components of the Federal Agency Systems Architecture (see Illustration 3) are relied upon to feed data to the financial management systems, which are used to produce agency consolidated financial statements. Federal Government benefit systems must provide consistent standardized information for program managers, financial managers, agency executives, and oversight organizations. Furthermore, all benefit systems being designed and implemented or that are currently in use must operate in accordance with laws, regulations, and judicial decisions.

This document identifies mandatory and value-added financial system requirements for Federal benefit systems. Although the document may be used when developing new benefit systems or improving/evaluating current systems, the document does not provide a specific model for such systems. Any system requirments that are not mandated by law, regulation, directive, or judicial decision should be incorporated in these systems only if cost-effective and in the Government's best interest. All possible alternatives for meeting the requirements should be considered.

Federal Benefit System

Benefit program characteristics generally include all or most of the following:

1. The program is classified as "mandatory" rather than discretionary under the Budget Enforcement Act classification.
2. The systems used in daily operations are owned and operated by the Federal Government.
3. The majority of monetary payments are provided directly to individuals or a designee as opposed to reimbursement to service providers.
4. The Federal Government determines the exact amount of the benefit payment.
5. A "fixed amount" recurring payment is frequently involved.
6. The program and related system are not addressed in any other FFMSR issued by JFMIP. For example, the Department of Agriculture uses a grant system to provide funding for the food stamp program. Therefore, grant system requirements apply to that program.

Benefit System Major Functions

The major functions typically performed by a unified benefit system are listed below. The System requirments section contains a detailed description of each function. Requirements described in this document can be accommodated in multiple software applications or by using the functional capability of other systems.

A benefit system tracks the life of claims from initial receipt through final payment and maintains a complete history of financial activity relating to those claims. The Federal benefit system primarily consists of nine major functions and the data processed by those functions. These functions are:

1. Claims Acceptance and Tracking
2. Claims Processing
3. Benefit Payment Administration
4. Recovery Receivable Management
5. Accounting for Benefit Transactions
6. Reporting
7. Interfaces
8. Quality Assurance and Maintenance
9. Technical Functions

Information Stores – Data Requirements Overview

The benefit system stores, accesses, and or updates several types of data. In this document, a grouping of related types of data is referred to as an information store. The term information store (rather than database or file) is used to avoid any reference to the technical or physical characteristics of the data storage medium. Actual data storage (physical databases and files) must be determined by each agency during system development and implementation based upon the benefit program's statutory requirements as well as the agency's technical environment, processing volumes, organizational structure, and degree of system centralization or decentralization. This section briefly describes the four information stores. The detailed data elements required in each information store are covered in detail beginning on p. 42.

Application Information Stores

This refers to data used to determine the eligibility and demographics of the claimant and data about the benefit(s) for which a claim has been submitted. It also includes the status of the review and approval of the application.

Claimant Master Record Store

This refers to data associated with a benefit once it has been approved. Data are captured from the Application Information Stores for approved benefits. Additional data are added throughout the duration of the benefit payment period to support servicing and analysis.

Program Criteria Store

This refers to decision-making criteria used in determining benefit eligibility based on specific program regulations, and policies. Examples include income limitations, health conditions, prior military service or other work related prerequisites.

Financial Information Store

This refers to external financial information that is stored for use in performing calculations, such as the current interest rate specified by the Department of the Treasury.

FSIO Benefits System Requirements Functions
Financial management systems in the Federal Government must be designed to support the vision articulated by the Government's financial management community. This vision requires financial management systems to support the partnership between revenue and financial managers and to ensure the integrity of information for decision making and measuring performance. This includes the following abilities:

- ♦ 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.
- ♦ Provide a complete audit trail to facilitate audits.
- ♦ Provide adequate security controls to minimize the risk that data could be disclosed to unauthorized individuals, improperly used or manipulated, or destroyed due to unauthorized access or use.

Revenue System Overview
This section provides an overview of a Revenue System, the Revenue System Major Functions and Relationship with Other Systems. Over 40 distinct revenue systems exist in over a dozen federal agencies. While some agencies collect relatively small amounts of revenue, others collect large quantities and primarily operate on the revenue their programs generate. In Statements of Federal Financial Accounting Standards (SFFAS) #7, paragraph 2, the Federal Accounting Standards Advisory Board (FASAB) defines revenues as:

> "An inflow of resources that the government demands, earns, or receives by donations"

The scope and coverage of these requirements applies to revenue systems with the following exceptions. The Internal Revenue Service (IRS) is a one of a kind federal agency and its income tax system contains unique functionality. This document covers Revenue Systems and excludes systems used by the IRS to administer and collect revenue. Revenue from insurance, benefits (i.e., Medicare and Social Security), revaluation of property, plant and equipment and inventory are addressed in other financial systems requirements.

Revenue can be either exchange revenue or non-exchange revenue. Exchange revenue and gains are inflows of resources to a government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a government entity provides something of value to the public or another government entity at a price.

Revenue System Major Functions

The major functions typically performed by a Revenue System are listed below. The System requirments section contains a detailed description of each function. Requirements described in this document can be accommodated in multiple software applications or by using the functional capability of other systems.

A Revenue System tracks the life of revenue from initial order, processing and output to maintain a complete history of financial activity relating to those receipts. The Federal Revenue System primarily consists of 21 major functions and the data processed by those functions. These functions are:

1. Customer Order Options
2. Remittance Options
3. Cashier Function
4. Proprietary Accounting and Budgetary Accounting
5. Deposit Account Function
6. Transaction Validation
7. Collection Process
8. Revenue Recognition
9. Receivable Management Process
10. Bill Generation
11. Debt Management
12. Revenue Estimation
13. Automated Reconciliation
14. Performance Measurement
15. Internal and External Reporting
16. Audit Trail
17. On-Line Query Capability
18. Ad-Hoc Query Capability
19. Records Retention
20. Interface
21. Security

FSIO Acquisitions System Requirements Functions

Federal Acquisition System Overview

This section provides an overview of the acquisition system. It is provided as a background for delineating the high-level processes whereby the acquisition and financial systems must share information requirements.

The Federal acquisition system encompasses the processes, policies, and procedures the government employs to acquire products and services for its use. Those processes, policies, and procedures are applicable to all executive agencies and are published in the Federal Acquisition Regulation (FAR) and various agency regulations that implement or supplement the FAR. The dollar value of all products and services acquired by the Federal government amounted to over $230 billion in fiscal year (FY) 2000 and involved almost 30 million transactions. This total includes 23.5 million transactions worth $12.3 billion using purchase cards.

The following are some of the principles guiding the system:

- ♦ Providing quality products, on a timely basis, at reasonable costs to the taxpayer
- ♦ Promoting competition while rewarding contractors for successful past performance
- ♦ Maintaining a system open to all responsible contractors while meeting special public policy objectives, e.g., environmental, socio-economic.

Information Technology in the Acquisition Process

Advancements in information technology are of particular importance to agency acquisition and financial systems, organizations, and communities. This importance is demonstrated by the significant amount of information requirements and processes that are common to the Federal acquisition and financial communities, and systems. This document identifies some general and specific information technology requirements. However, it is through each agency's EA development that articulation and application of its knowledge of relevant technology and business trends to meet their unique financial management information systems requirements occurs. (See section on Agency Financial Management System Architecture for a more in-depth discussion of this point.)

Many solutions are still evolving in order to implement mandatory requirements contained in several public laws that have been enacted during the past several years, such as:

- ♦ Government Paperwork Elimination Act (GPEA) of 1998—requires Federal agencies to allow, by October 21, 2003, individuals or entities, as an option, to interact with them electronically where practicable.

- ♦ The Debt Collection Improvement Act (DCIA) of 1996—requires Federal disbursing officials to offset an eligible payment to a payee to satisfy a delinquent non-tax debt owed by the payee to the government. The DCIA requires agencies to include the taxpayer identification number (TIN) on payment vouchers and mandates the use of electronic funds transfer (EFT) when making Federal payments. To comply with these DCIA provisions, OMB's budget guidance of June 7, 2001, requires vendors and agencies to use the Central Contractor Registration (CCR), beginning October 1, 2002.

- ♦ Section 508 of the Rehabilitation Act of 1973, as amended—requires that all Federal agencies' electronic and information technology (EIT) be accessible to people with disabilities (See Appendix C).

- ♦ Information Technology Management Reform Act (ITMRA) of 1996, as amended (also known as Clinger-Cohen Act of 1996)—establishes the role of CIOs in the government, and forms the interagency CIO Council. The intent of the Act is to improve government performance through the effective application of information technology and calls for "an integrated framework (or enterprise architecture) for evolving or maintaining existing information technology and acquiring new information technology to achieve the agency's strategic goals and information resource goals."

Funds Certification

Funds availability certification, or *funds certification,* is part of the funds control process that verifies that funds or budget authority is available for the contemplated acquisition. This is the first point at which the acquisition process interfaces with the financial system. Funds are generally restricted by law or regulation, as to purpose, amount, and period of availability. Once the budgetary authority is received and recorded in the accounting system, purchases can be made within its limitations. Funds certification accounting records help ensure that subsequent entry of undelivered orders or accrued expenditures does not exceed the balance of funds available, i.e., the budgetary restrictions on amount and availability. The acquisition system can access data electronically, in some cases, and use capabilities of the core financial system to verify that funds are available and comply with appropriation law.

Obligation

An *obligation* is a binding agreement that will result in outlays. The signing of a contract by a contracting officer creates a bona fide obligation. However, the obligation to pay is conditional upon satisfactory performance by the contractor. This obligation to pay is recorded in the agency's financial records based on the accounting information contained in the signed contract. Finance is provided a copy of the contract to record the obligation and to obtain payment instructions. In the case of fully integrated systems, this function is performed through the routing and approval process and the obligation is done upon approval by the last approver, i.e., contracting officer.

De-Obligation

A *de-obligation* is an adjustment or modification downward to an existing obligation. It typically frees up funding which may then be applied to alternative activities.

Payment

Payment is the process by which the government disburses monies to a contractor in accordance with contract terms. As a rule, the government requires receipt of products and services prior to making payment. However, there are exceptions to the rule. Advance payments and progress payments are methods of contract financing accomplished by specific clauses included in the contract. Payments are to be made in an expedient manner, in compliance with prompt payment provisions. Other objectives in the payment process are: to ensure that payments are charged to the correct obligation; to ensure that the invoice description of items, services, quantities, and prices match those of the contract to be charged; to minimize the cost to the government by taking advantage of discounts and purchase card rebates; and to ensure the payment is proper (e.g., not a duplicate payment), and that remittance information is complete. Payments require authorization by an authorized approving official and certification by the certifying officer that the payment is owed, the invoice is proper, an internal proper match to the receipt and obligation documents has been performed, and funds are available for the payment.

Closeout

Closeout is the process by which a Federal agency determines that a contract has been physically completed and all applicable administrative actions, including final payment or recovery of overpayment, have been accomplished. Contracts are considered to be physically completed when:

- The contractor has completed required deliveries followed by government inspection and acceptance; all contractor services have been performed and accepted by the government; and existing option provisions have expired; or

- The government has issued a notice of complete contract termination.

Micro-purchases made with Purchase Cards

This section describes information requirements for micro-purchases made with purchase cards. These simplified transactions follow processes and procedures that differ from those used for procurements and thus have unique information requirements from those previously described. Pursuant to the Federal Acquisition Streamlining Act of 1994, the FAR, Part 13, "Simplified Acquisition Procedures," contains the primary guidance for this method of procurement. Robust and properly controlled purchase card programs reduce the administrative lead time for procurements; streamline financial and purchasing processes; enable more efficient business processes; and streamline post-certification reviews by approving or certifying officials.

General Systems Requirements

This section describes general requirements that apply to all agency core and mixed financial management systems, including the financial aspects of acquisition systems, and the shared information requirements and interface processes covered in this document, i.e., funds certification, obligation/de-obligation, payment, and closeout. This section also identifies some of the statutes, topics, and more specific statutory requirements that the government-wide acquisition, financial, and other professionals who developed this document identified as extremely important to the organizations, systems, and processes involved. These requirements contribute to an agency's ability to ensure that its single integrated financial management system is designed, implemented, and operated in accordance with existing laws and regulations, and in particular, that the systems are operating as intended.

Records Retention

Agency systems must maintain, store, and permit ready retrieval of financial information. The time frames for various parts of this requirement differ depending on the subject matter. The single integrated financial management system must be sufficiently flexible to retain and purge information consistent with varying record keeping requirements. The National Archives and Records Administration (NARA) must approve the destruction of records created within the Federal government per 36 CFR 1228. 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 an 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

FSIO Seized Assets System Requirements Functions

This document contains system requirments for seized property and forfeited assets systems.

System Overview

This document identifies system requirments for seized property and forfeited assets systems. Although the document may be used for developing new seized property and forfeited assets systems, or improving and evaluating current systems, the document does not provide a specific model for such systems. System requirments not mandated by law, regulation, directive, or judicial decision must result in cost-effective systems that are in the interest of the government.

Overview on Seized Property and Forfeited Assets

Seized property and forfeited assets systems are an integral part of the total financial management system for those Federal agencies which maintain these types of assets. The seized property and forfeited assets systems support programmatic objectives and interact with the agency's core financial system to validate funds availability; update budget execution data; record the custody of seized property and forfeited assets and the associated expenses and revenues.

Property may be seized under the authority of various laws or regulations that are enforced or administered by agencies of the Federal government. While the laws and regulations authorizing seizure of property differ, the basic internal controls and accounting requirements are to assure that the government maintains affirmative custody and control of this property during the period of the legal proceeding that allowed the seizure to be made. Property may be simultaneously seized for more than one purpose, i.e., seized as evidence of criminal activity and seized for the enforcement of a tax levy.

Introduction to System requirments

This document identifies system requirments for seized property and forfeited assets systems, and these requirements are segregated into mandatory or value-added system requirements. The narrative distinguishes mandatory and value-added system requirements by terminology. The words, “must,” “shall” or “will” designate mandatory requirements; the words “may” or “should” designate value-added requirements. However, statutory requirements specific to a reporting entity may override mandatory requirements, or make value-added requirements mandatory. In such instances, when appropriate, the reporting entity should reference the statutory exception in footnotes to the entity’s financial statements, and in pertinent compliance reports to Congress.

Seizure Activities

When certain civil and criminal laws or regulations are violated, enforcement agencies have the authority to seize the property. All Federal government seizures of private property must be made in accordance with applicable laws and regulations and must be specifically authorized. This initial authorization is the cornerstone of all subsequent activity.

Custody Activities

Organizations that have custody of seized property and forfeited assets must have adequate policies and procedures to ensure that all property and assets are properly received, recorded, valued, maintained, and controlled throughout the legal process underlying the seizure

Forfeiture Activities

As a consequence of certain legal proceedings, title to property, real or personal is transferred to the United States.

Disposition Activities

A key component of effective property seizure and asset forfeiture processes is disposing of the property in an orderly fashion after determining that disposition is appropriate. If asset disposition is perceived to be unfair or inefficient, the effectiveness of the entire process could be called into question. In some cases, the property may be returned to an entity outside of the Federal government as a result of the law enforcement action. It is particularly important to account for all costs, revenues, and proceeds from disposition.

Reporting and Other Requirements

All seized property and asset forfeiture systems must be able to support management’s objectives for efficiency and quality in order to ensure compliance with GPRA requirements. They must fully disclose the financial results of the program. In addition, they must support performance measures that management can use to assess the efficiency and quality of the financial management process. Performance measurement for specific program components, such as property disposal, must also be supported. Management should be able to assess performance from a variety of perspectives, including program-wide or agency-wide levels. Reports for accounting and payment history purposes must also be provided and adapted to meet agency needs.

General Systems Requirements

The *JFMIP Framework for Federal Financial Management Systems* contains information on internal controls, systems architecture, software documentation, and other matters related to seized property and forfeited assets systems development, operations, and maintenance. Throughout the editing and processing activity of the seized property and forfeited assets system, supporting documentation must be maintained.

The seized and forfeited assets system 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 control.

Interfacing Systems

Agency financial management systems track financial events and summarize information to support the mission of an agency. These systems 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 and mixed systems (including inventory systems), shared systems, and departmental executive information systems (systems to provide management information to all levels of managers). 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 to decide the optimal manner in which to support the agency mission.

System Administration

System administration provides centralized control over a seized property and forfeited assets system.

Records Retention

All records created within the Federal government may be destroyed only with the approval of the National Archives and Records Administration (NARA), per 36 CFR 1228. For questions regarding the disposition of federal records, please contact:

National Archives and Records Administration (NARA)
Life Cycle Management Division
8601 Adelphi Road
College Park, MD 20740-6001
Telephone: 301-837-3560
Fax: 301-837-3699
E-mail: records.management@nara.gov

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 *Framework for Federal Financial Management Systems* (JFMIP FFMSR-0, January 1995). The Framework document, along with all other JFMIP requirements documents can be found at http://www.gao.gov/special.pubs/ai2121.pdf and http://www.gao.gov/archive/1998/ai98001.pdf.

FSIO Managerial Cost Accounting System Requirements Functions

This *Managerial Cost Accounting Implementation Guide* is a technical practice aid to assist federal entities in implementing cost accounting. The document contains recommendations on many cost accounting issues; however, it is not intended to address all possible uses of cost accounting information. Although its use is optional, federal agencies should find this Guide very helpful in their efforts to understand and implement managerial cost accounting. Additional recommendations on costing issues will most likely be addressed at a future time either by the Government-wide Cost Accounting Committee or another costing committee. Agencies planning to implement a managerial cost accounting system should refer to the Joint Financial Management Improvement Program's (JFMIP) *System Requirements for Managerial Cost Accounting* document, which establishes the standard, Government-wide system requirements that an agency should consider for systems supporting managerial cost accounting functions.

Direct Costs

"Direct costs are costs that can be specifically identified with a single cost object (e.g., an output)." Direct costs are assigned to cost objects by direct tracing of units of resources consumed by individual activities that lead to the production of an output. "Examples of resources that are directly used in the production of an output and might be included in direct costs include materials that are used in the production of the output, employees who directly worked on the output, facilities and equipment used exclusively in the production of the output, and goods or services received from other entities that are directly used in the production of the output." "Although direct cost tracing increases accuracy in cost assignments, it can be very expensive. Management must use their judgment to determine whether the information and accuracy obtained by using direct tracing to identify direct costs is worth the effort and expense of doing so."

Indirect Costs

"Indirect costs are costs of resources that are jointly or commonly used to produce two or more types of outputs but are not specifically identifiable with any one of the outputs. Typical examples of indirect costs include costs of general administrative services, general research and technical support, security, rent, employee health and recreation facilities, and operation and maintenance costs for buildings, equipment, and utilities." As with direct costs, indirect costs can be incurred internally or for goods and services received from other federal entities and may or may not be funded in the budget covering the program.

Budgeting

Budgeting provides information and analysis for use in achieving annual and long-term revenue and resource levels, in making resource allocation decisions, and for use in monitoring performance against those decisions throughout the budget period.

There are two major aspects to budgeting. The first, called budget formulation, allocates budgetary resources in accordance with national priorities and program objectives established by the President and the Congress. The second, budget execution, and controls the funds and other resources allocated to federal entities during the budget formulation process.

- *Resource Allocation* **–** This use includes the comparison of the costs and benefits of various proposals and the resulting decisions to allocate planned federal resources. Using the full cost of programs allows for more meaningful cost comparisons because more of the costs to taxpayers are considered than might be if using only funds directly appropriated to the program.

- *Budgeting Formulation, Budget Execution, and Funds Control* **–** This use focuses on identifying budgetary resources and tracking obligations and outlays incurred against them. These are measured on a different basis than the accrual basis used to measure full cost.

Full Cost

FASAB recommended, and OMB issued, a requirement (contained in SFFAS No. 4) for developing and reporting cost accounting information. SFFAS No. 4 requires "the full cost of outputs to be reported in general purpose financial reports." In addition, full costing capability is required in federal agencies' basic cost accounting processes. "Each reporting entity should measure the full cost of outputs so that total unit cost of outputs can be determined." The Statement of Net Cost, in an agency's financial statements, is the report most obviously affected by these requirements. "The Statement of Net Cost and related supporting schedules show the net cost of operations for the reporting entity as a whole and for its sub organizations and programs." "The full cost accounting standard does not require full cost reporting in federal entities' internal reports or special cost studies." Full cost is required in certain situations such as financial statements and performance measurement under GPRA.

Relevant Costs

Those cost elements that are necessary for particular management analyses and/or decision-making purposes when full cost is not necessarily required. Relevant costs are appropriate for decision-making purposes such as devolution decisions and the pricing of governmental user fees. For example, certain management decisions might involve looking only at variable costs. The costs appropriate for consideration in particular situations may only be a portion of the full cost, may be greater (e.g., A-76 contracting-out decisions), or in the case of budgeting, be computed on a different basis other than the accrual basis, which is normally used for financial reporting. Of course, full cost may also be relevant to these decisions as well.

The Hierarchical Levels (in descending order) for Which Costs are Assigned

- Government-wide
- Agency-wide (reporting entity defined under FASAB)
- Responsibility Segments (sub organizations)
- Programs
- Projects
- Outputs (activities, goods, and services)

- *Government-wide* – The total federal government (Executive Branch at this time), including all costs incurred by the government and reported in the federal consolidated Government-wide financial statements.

- *Agency-wide* – A reporting entity, which is generally assumed to be an agency or department. If a large government department has organizational components that are themselves reporting entities (e.g., Internal Revenue Service within the Treasury Department, Forest Service within the Department of Agriculture), then the reporting components and their organizational equivalents could also be considered the agency-wide level.

- *Responsibility Segment* – A major sub organization of the agency that has responsibility for delivery of an activity, good, or service within the reporting entity.

- *Programs* – "Agencies should decide the exact classification of major programs based on the missions and outputs described in the GPRA strategic and annual plans, the entity's budget structure and the guidance for defining and structuring responsibility segments presented in SFFAS No. 4."

- *Projects* – Planned undertakings, usually related to a specific activity, such as the research and development of a new product or the redesign of the layout of a production plant. Projects generally have a finite life span, with a specific start and end date.

- **Activities, Goods, and Services**

  - <u>Activities</u> – Work tasks or steps performed in producing goods or services.

- Goods and Services – Outputs generated from the consumption of resources.

Summary of Proposed Significant Changes to FSIO System Requirements

Exceprt from Appendix A

"Changes have been made to this document for the following reasons:

- To align the requirements with *Standard Federal Financial Business Processes*, published by FSIO under the FMLoB. This document reflects changes made to requirements to align with the standard business processes for funds management, payment management, and receivable management. Changes to requirements resulting from standardization of reports management and reimbursable management will be reflected in a subsequent publication.

- To remove budget formulation requirements in recognition of their ownership by the budget community and the Budget Formulation and Execution Line of Business.

- To remove value-added requirements. All of the requirements in this document are mandatory.

- To reorganize requirements into more logical groupings. Requirements related to reimbursable management and financial reporting have been moved to separate sections.

Additional changes to this document include the reinsertion of the glossary and the rewording of requirement text, wherever needed, to help clarify the intent. Several functional areas have not been substantially changed. These include the cost management function and the FBWT management function. The FBWT requirements will be updated once the Department of the Treasury finalizes changes to the central accounting systems."[2]

Below is a summary of proposed significant changes contained within the FSIO System Requirements in the current Exposure Draft (July 2009).

Reporting Management Function[3]

Financial management reporting functionality ensures that agencies will have the tools necessary to monitor the input, output, and operation of the core financial system and related mixed systems, as well as to produce basic data for use by both the agency and central reporting entities, such as OMB and Treasury. Because some reporting requirements can be resource intensive, care must be exercised when determining data identification, organization, and

[2] Appendix A, Office of Federal Financial Management, Core Financial System Requirements Exposure Draft, July 2009.

[3] Chapter 5, "Reporting Management Functions", Office of Federal Financial Management, Core Financial System Requirements Exposure Draft, July 2009.

maintenance requirements, so that both reporting and transaction processing can be satisfied. The term "reports" as used in this chapter refers to all system outputs independent of the output format (hard copy, email, electronic file, or online).

The Reports Management chapter of *Standard Federal Financial Business Processes* groups reports into seven reporting categories:

- ***Financial statements.*** Financial reporting in the Federal government must be in accordance with the Chief Financial Officers Act of 1990 (CFO Act) and the Government Management Reform Act of 1994 (GMRA). In addition, the Office of Federal Financial Management (OFFM) specifies, in OMB Circular No. A-136, the required elements and format of financial reports.

- ***General ledger.*** General ledger reports provide information on overall account balances and transactions supporting those account balances for an organization.

- ***Payment management.*** Payment management reports provide information to support vendor maintenance, invoice tracking, disbursement monitoring, cash flow control, and cash management decisions.

- ***Receivable management.*** Receivable management reports provide information to support customer maintenance, receivable tracking, collections, delinquent account monitoring, and effective cash flow management.

- ***Reimbursable management.*** Reimbursable management reports provide information to support reimbursable activity between trading partners, including partnership agreements, work in process, and billing.

- ***System management.*** System management reports provide information that enables the effective control of user access, traceability of modified transactions, and override of established system controls.

- ***Treasury reporting.*** Treasury reports provide information to meet Federally mandated reporting requirements and to support the management of the Fund Balance with Treasury (FBWT) and funds held outside of Treasury.

Cost Monitoring Subfunction[4]

The cost monitoring subfunction supports management's review of the costs of operations and performance of programs. It also provides relevant and reliable cost information to assist the Congress and the executive branch with making decisions about allocating Federal resources, authorizing and modifying programs, and evaluating program performance. The cost monitoring

[4] Chapter 9, "Cost Monitoring Subfunction", Office of Federal Financial Management, Core Financial System Requirements Exposure Draft, July 2009

subfunction must ensure consistency between costs reported in general-purpose financial reports and costs reported to program managers.

The core financial system should be able to produce the Statement of Net Cost for the agency's financial statements, the Comparative Income Statement by Cost Object, and the Cost Object Income Statement.

Reimbursable Management Function[5]

Reimbursable management refers to the capabilities specific to recording, executing, and reporting on transactions for the exchange of goods and services between a buyer and seller (sometimes referred to as trading partners), under a reimbursable agreement. Most reimbursable agreements are between Federal agencies in which one Federal agency (the seller) supplies goods and services to another Federal agency (the buyer). However, reimbursable agreements can also exist between a Federal agency and a non-Federal entity. The term interagency agreement is used when referring specifically to a reimbursable agreement between Federal agencies.

This chapter covers capabilities related to both interagency agreements between Federal agencies and reimbursable agreements with non-Federal entities. This chapter also covers activity related to both the buyer side and the seller side of a reimbursable agreement.

The reimbursable management function consists of the following subfunctions:

- Reimbursable customer and payee maintenance (RBA)
- Establishment of reimbursable agreement (RBB)
- Billing, collections, and payments under reimbursable agreements (RBC)

This chapter will be updated after the reimbursable management standard business process is finalized.

[5] Chapter 12, "Reimbursable Management Functions", Office of Federal Financial Management, Core Financial System Requirements Exposure Draft, July 2009