

MS 709 FINANCIAL MANAGEMENT SYSTEM

Responsible Office: OCFO/FS

Effective Date: April 26, 2007

Supersedes: 1/27/86

Issuance Memo

Table of Contents

TABLE OF CONTENTS

1.0 Authorities
2.0 Purpose
3.0 Definitions
4.0 Policies
5.0 Financial Management System Requirements
5.1 Agency-Wide Financial Information Classification Structure
5.2 Integrated Financial Management System
5.3 Application of the SGL at the Transaction Level
5.4 Federal Accounting Standards
5.5 Financial Reporting
5.6 Budget Reporting
5.7 Functional Requirements
5.8 Documentation
5.9 Internal Controls
5.10 Training and User Support
5.11 Maintenance
6.0 Financial Management System Improvements
7.0 Responsibilities
7.1 Peace Corps Director
7.2 Chief Financial Officer
7.3 Director, Office of Financial Systems
7.4 Directors, Financial Management Subsystem
7.5 Associate Director for Management
8.0 Effective date

1.0 AUTHORITIES

Chief Financial Officers Act of 1990 (P.L. 101-576) (31 U.S.C. 501, et seq.); The Government Performance and Results Act of 1993 (P.L. 103-62) (5 U.S.C. 306, 31 U.S.C. 1115-1119, 39 U.S.C. 2801-2805); The Government Management Reform Act of 1994 (P.L. 103-356) (31 U.S.C. 101 et seq.); Federal Financial Management Improvement Act of 1996 (P.L. 104-208) (31 U.S.C. 801 et seq.); Budget and Accounting Procedures Act of 1950, as amended, (31 U.S.C. 3511-3515, 3521); and Office of Management and Budget (OMB) Circular A-127, Financial Management Systems, as revised (Circular A-27). Additional references are

available in OFFM publications which can be found at:
http://www.whitehouse.gov/omb/financial/ffs_branch.html

2.0 PURPOSE

This manual section sets out the policies and procedures governing the development, operation, evaluation, and reporting of the Peace Corps Financial Management System (FMS).

The purpose of the Peace Corps Financial Management System is to support the financial functions required to track financial events, provide financial information significant to the financial management of Peace Corps and/or required for the preparation of financial statements. The FMS encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. In addition, the system includes multiple applications that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

3.0 DEFINITIONS

For the purposes of this manual section:

3.1 Financial system means an information system, comprised of one or more applications, that is used for any of the following:

- (a) Collecting, processing, maintaining, transmitting, and reporting data about financial events;
- (b) Supporting financial planning or budgeting activities;
- (c) Accumulating and reporting cost information; and
- (d) Supporting the preparation of financial statements.

3.2 Financial Management System (FMS) means the financial system and the financial portions of mixed systems necessary to support both financial and non-financial functions of Peace Corps. The Financial Management System is comprised of the following:

- (a) Purchasing;
- (b) Accounts Payable;
- (c) Accounts Receivable;
- (d) Asset Management;
- (e) General Ledger;
- (f) Budget Administration;
- (g) Human Resource Management System;
- (h) Project Accounting; and
- (i) Contract Administration.

3.3 Financial event means any occurrence having financial consequences to Peace Corps related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or

collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities.

4.0 POLICIES

4.1 It is the policy of the Peace Corps to establish and maintain a single, integrated financial management system, which may be supplemented by subsidiary systems. Data needed in this system shall be entered only once and transferred automatically to appropriate accounts or other parts of the system or subsystems. New or substantially revised systems shall be explored on an inter-agency basis and, if feasible, designed to meet the needs of all participating agencies.

4.2 A review of the FMS will be conducted annually in accordance with the guidance in Circular A-127. The review will build upon prior reviews required in OMB Circular A-123, Internal Control Systems and result in a documented management assessment of how well the Agency's FMS and subsystems conform to the objectives established in OMB Circular A-127.

4.3 The Agency FMS shall provide for complete disclosure of the financial results of the activities of the Agency and provide sufficient financial information to allow management to formulate and execute the budget and provide effective control over revenues, expenditures, and funds.

4.4 It is the responsibility of the Director to establish and maintain systems of accounting and reporting.

5.0 FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS

The Peace Corps' FMS must comply with the requirements set out in Sections 5.1 to 5.11.

5.1 Agency-Wide Financial Information Classification Structure

The design of the FMS shall reflect an Agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger (SGL). The FMS provides for the tracking of specific program expenditures, and includes financial and financially related information. The structure minimizes data redundancy, ensures that consistent information is collected for similar transactions throughout the Agency, encourages consistent formats for entering data directly into the FMS, and ensures that consistent information is readily available at all levels within the organization.

The FMS supports the Agency's budget, accounting, and financial management reporting processes through programmatic and financial management, performance measurement, and financial statement preparation.

5.2. Integrated Financial Management System

The FMS must be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the system. In doing so, the system shall have the following characteristics:

- (a) Standard data classifications (definitions and formats) shall be established and used for recording financial events. Common data elements shall be used to meet reporting requirements and, to the extent possible, used throughout the Agency for collection, storage, and retrieval of financial information. Government-wide information standards set out in the SGL and other external reporting requirements shall be incorporated into the Agency's standard data classification requirements;
- (b) Common processes shall be used for processing similar kinds of transactions throughout the system to enable these transactions to be reported in a consistent manner;

- (c) Internal controls over data entry, transaction processing, and reporting shall be applied consistently throughout the system to ensure the validity of information and protection of Federal government resources; and
- (d) Financial system designs shall eliminate unnecessary duplication of transaction entry. Wherever appropriate, data needed by the system to support financial functions shall be entered only once and other parts of the system shall be updated through electronic means consistent with the timing requirements of normal business/transaction cycles.

5.3 Application of the SGL at the Transaction Level

Financial events shall be recorded by the Agency throughout the FMS applying the requirements of the SGL at the transaction level. Application of the SGL at the transaction level means that the FMS will process transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires that:

- (a) The data in the financial reports be consistent with the SGL. Reports produced by the systems that provide financial information, whether used internally or externally, shall provide financial data that can be traced directly to the SGL accounts;
- (b) The criteria (e.g., timing, processing rules/conditions) for recording financial events in the FMS shall be consistent with accounting transaction definitions and processing rules defined in the SGL; and
- (c) The transaction details supporting SGL accounts shall be available in the FMS and directly traceable to specific SGL account codes.

5.4 Federal Accounting Standards

The Agency's FMS shall maintain the accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of OMB, and reporting requirements issued by the Director of OMB and/or the Secretary of the Treasury. The Agency's FMS must be designed to be flexible to adapt to changes in accounting standards.

5.5 Financial Reporting

The Agency's FMS shall meet the following Agency reporting requirements:

- (a) The Agency's FMS shall be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support the legal, regulatory and other special management requirements of the Agency; (3) support budget formulation and execution functions; (4) support fiscal management of program delivery and program decision making; (5) comply with internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB and reporting requirements required by Treasury; and (6) monitor the FMS to ensure the integrity of financial data; and
- (b) The Agency's FMS shall be able to capture and produce financial information required to measure program, financial, and financial management performance, as needed to support budgeting, program management, and financial statement presentation. As new performance measures are established, the Agency shall incorporate the necessary information and reporting requirements, as appropriate and feasible, into the Agency's FMS.

5.6 Budget Reporting

The Agency's FMS shall enable the Agency to prepare, execute, and report on the Agency's budget in accordance with the requirements of OMB Circular No. A-11, Preparation and Submission of Budget Estimates, OMB Circular No. A-34, Instructions on Budget Execution, and other circulars and bulletins issued by the Office of Management and Budget.

5.7 Functional Requirements

The Agency's FMS shall conform to existing applicable functional requirements for the design, development, operation, and maintenance of the FMS. Functional requirements are defined in a series of publications entitled Federal Financial Management Systems Requirements issued by the Office of Federal Financial Management (OFFM).

5.8 Documentation

The Agency's FMS and processing instructions shall be clearly documented in hard copy or electronically in accordance with the requirements set out in the Federal Financial Management Systems Requirements or other applicable requirements. All documentation (software, system, operations, user manuals, operating procedures, etc.) shall be kept up-to-date and be readily available for examination. System user documentation shall be in sufficient detail to permit a person, generally knowledgeable of the Agency's programs and systems, to obtain a comprehensive understanding of the entire operation of each system. Technical system documentation such as business requirements, system specifications, and operating instructions shall be adequate to enable technical personnel to operate the system in an effective and efficient manner.

5.9 Internal Controls

The Agency's FMS shall include a system of internal controls that ensure resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and disclosed in reports. Appropriate internal controls shall be applied to all system inputs, processing, and outputs. Such system related controls form a portion of the management control structure required by Circular A-123.

5.10 Training and User Support

Adequate training and appropriate user support shall be provided to the users of the FMS, based on the level, responsibility and roles of individual users, to enable the users of the system at all levels to understand, operate, and maintain the system.

5.11 Maintenance

On-going maintenance of the FMS is performed to enable the system to continue to operate in an effective and efficient manner. The Agency shall periodically evaluate how effectively and efficiently the FMS supports the Agency's changing business practices and makes appropriate modifications.

6.0 FINANCIAL MANAGEMENT SYSTEM IMPROVEMENTS

An FMS five-year improvement plan shall be developed and maintained and shall:

- (a) Feature specific milestones and outlay estimates for each financial subsystem making up the Agency's FMS. It shall feature a review and change approval process and be coordinated with the information technology five-year plan as required by OMB Circular A-11. Preparation and Submission of Budget Estimates; and

- (b) Results of the reviews of the FMS required by OMB Circular A-127 shall be communicated to the President and the Congress as required by Section 4 of the Federal Managers Financial Integrity Act and according to the procedures established in Circular A-123 and MS 784, Internal Control System.

7.0 RESPONSIBILITIES

7.1 Peace Corps Director

The Peace Corps Director is responsible for establishing and properly maintaining the FMS and for providing the various reports required for the President, Congress, and OMB.

7.2 Chief Financial Officer

The Chief Financial Officer (CFO) is the designated senior official responsible for coordinating the overall Agency-wide effort of reviewing, improving, integrating, and reporting on the Agency's FMS.

7.3 Director, Office of Financial Systems

The Director of the Office of Financial Systems is responsible for managing the FMS by providing technical assistance and advice to the Agency's effort to review and improve the Agency's FMS; advising the Peace Corps Director and the Office of the Chief Financial Officer (CFO) whether the Agency's financial management review has been conducted in accordance with OMB guidelines; and at the request of the Peace Corps Director or CFO, conducting reviews of the FMS, subsystems, and reports, as appropriate.

7.4 Directors, Financial Management Subsystem

Directors of all financial management activities are responsible for ensuring that their subsystems are established, maintained, reviewed, improved and reported upon, and generally managed within the framework of applicable legislation, published guidance, and the Peace Corps Manual.

The Directors of the financial management subsystems are listed below:

- (a) Global Accounts Payables, Director;
- (b) Volunteer and PSC Services, Director;
- (c) Budget and Analysis, Director;
- (d) Financial Policy and Compliance, Director;
- (e) Accounts Receivable and Cash Management, Director; and
- (f) Accounting and Financial Reporting, Director

7.5 The Associate Director for Management

The Associate Director for Management, as the senior official designated to coordinate the requirements of A-127, is responsible for seeing that the implementation of this manual section is carried out and shall take the necessary steps annually to assess compliance with this policy and will incorporate the results of the findings in the Internal Control System annual report to the President and Congress.

8.0 EFFECTIVE DATE

The effective date is the date of issuance.