Federal Financial Management Systems

JANUARY 1988

Core Financial System Requirements

MEMORANDUM FOR HEADS OF DEPARTMENTS AND MAJOR AGENCIES
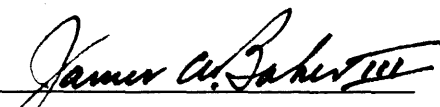
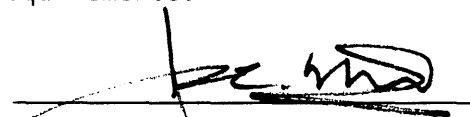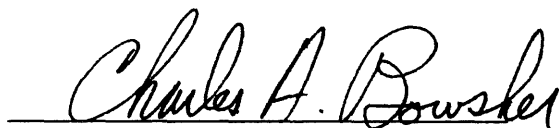**Subject:** Federal Financial Management Systems   January 12, 1988

Improving financial management in the federal government has been an important objective of the central agencies. In our August 14, 1986, memorandum to you on Federal Financial Management Systems, we expressed our belief that improvements are critical to enhancing management efficiency in the government. Therefore, we asked the JFMIP steering committee, in cooperation with representatives from the operating agencies, to build upon prior initiatives and set forth standard requirements for federal financial systems.

We believe the standards contained in this document represent a major step toward improving federal financial management systems. These standards will help provide greater consistency and reliability to department and agency financial systems and improve financial reporting. Therefore, we are directing all departments and agencies to begin implementing systems that meet the minimum requirements included in this document. Each of our respective agencies will also begin incorporating the requirements into our standards and policy guidance. You should certify your department's or agency's level of compliance with these requirements as part of the Federal Managers' Financial Integrity Act reports beginning with fiscal year 1989.

Significant progress has been made through this project as well as through the previous reporting requirements and standard general ledger projects. However, many more steps remain to bring about the comprehensive financial system improvements we need. Future projects will be directed toward further standardization of financial data and systems requirements.

James A. Baker III
Secretary of the Treasury

James C. Miller III
Director, Office of
Management and Budget

Charles A. Bowsher
Comptroller General of the
United States

JOINT FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM

TO   :   James A. Baker III, James C. Miller III, and Charles A. Bowsher

SUBJECT: Federal Financial Management Systems   December 28, 1987
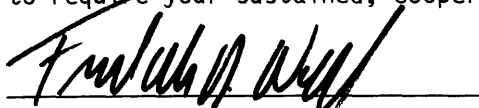
As the government's top financial officials, you have worked to modernize and upgrade the financial systems upon which we rely to control costs and demonstrate accountability for public funds. Your August 1986 memorandum to the heads of departments and agencies supported Treasury's revised financial reporting requirements and the U.S. Government Standard General Ledger, and urged further improvements in federal financial management.

Responding to your commitment, we, as the JFMIP steering committee, established an interagency task force to develop uniform requirements for financial management systems of federal departments and agencies. This document is the result of the task force's work. In transmitting this document, the steering committee would like to recognize the coordination and direction provided by the project's director, John R. Cherbini, of the General Accounting Office, whose efforts were instrumental in bringing this project to fruition.
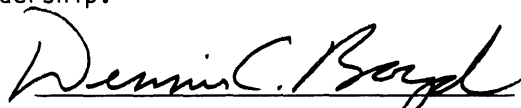
These requirements will result in greater consistency in department and agency financial systems and information. The requirements outlined in this document establish minimum standards that must be met by all financial systems in the federal government. Therefore, we believe it is important that these requirements be incorporated in GAO's accounting principles and standards, in Treasury's reporting requirements, and in OMB circulars. We also believe that departments and agencies should report on compliance with these standards, beginning with their fiscal 1989 Federal Managers' Financial Integrity Act reports.

These detailed requirements are a major step in bringing about important improvements; however, additional projects are required. Projects that are currently in the formulation stages include further standardization of financial data and expanding this standards document to cover additional financial functions.
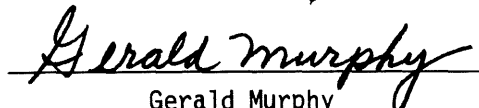
Implementing the results of these efforts can improve the financial systems upon which the government must rely. However, achieving the objective of modern, effective, and reliable federal financial management systems continues to require your sustained, cooperative leadership.
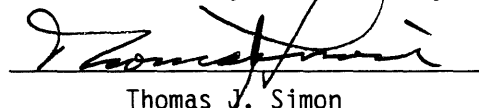
Frederick D. Wolf
General Accounting Office

Gerald Murphy
Department of the Treasury
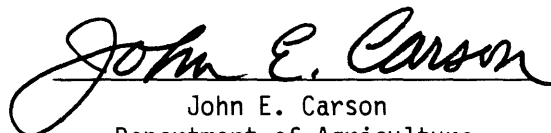
Dennis Boyd
Office of Management and Budget

Thomas J. Simon
Office of Personnel Management

John E. Carson
Department of Agriculture

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Throughout this document, acronyms and short names have been used to reduce long titles. In many cases, the acronyms and short names are quite familiar to readers and are not spelled out in the text. Those which are not as well known have been completely identified within the text. Appendix D provides a complete list of acronyms and short names that have been used in the text, along with their corresponding titles.

Introduction

T here are presently several hundred financial management systems in operation in the federal government. In general, each department and agency has independently designed and implemented its own financial management systems. Further, over the years, many unique bureau and division systems have been developed, and, for the most part, these systems have not been integrated with department or agency level systems. The result is that federal government financial management systems are fragmented and antiquated.

Successful reform of these systems requires that an integrated approach be taken to develop a comprehensive financial structure. The structure should be governmentwide in scope to ensure that consistent financial data are available across agency and department lines. Such a structure should also incorporate performance measures to establish an environment that encourages financial accountability for the results of operations. Financial plans and reports should be developed and provided at levels to which spending authority has been delegated.

The ability to summarize management information at successively higher levels within the accounting classification code structure will provide the mechanism to evaluate results. However, a management system that measures only financial resources is incomplete. A truly effective system ultimately incorporates meaningful output measures for the comparison of the cost of government activities with what is produced or accomplished.

In the President's fiscal 1988 report on Management of the United States Government (Management Report), the Office of Management and Budget (OMB) outlined an aggressive plan to begin the modernization of the federal government's financial management systems. The Management Report calls for the implementation of modern, effective, primary accounting systems based on uniform requirements that implement the U.S. Government Standard General Ledger (SGL), provide for uniform financial information, comply with the Federal Managers' Financial Integrity Act, GAO Policy and Procedures Manual for Guidance of Federal Agencies, and executive branch implementing regulations and reporting requirements. This plan is responsive to some of the concerns that have been raised by GAO regarding the lack of adequate financial systems and is consistent with Treasury's efforts to implement more timely and comprehensive financial reporting.

Under the direction of the Joint Financial Management Improvement Program (JFMIP), an interagency task force developed the uniform requirements which identify the basic financial system needs of federal departments and agencies. The task force included members from the central agencies (GAO, GSA, OMB, OPM, and Treasury) as well as representatives from the operating agencies (Agriculture, EPA, HHS, Interior, and VA). In addition, a Technical Advisory Committee, with representatives from major operating departments and agencies, provided additional review and advice regarding the requirements. This document represents the results of these efforts.

* * * * * * *

The next sections of this document set the framework for the integration of federal financial management systems and provide a summary of the Core financial system requirements. These requirements are presented in detail in chapters I - IV. Four appendices provide the following additional information to clarify and supplement the material in the text: Terminology, Summary of External Reporting Requirements, Software Documentation, and Acronyms and Short Names.

Federal Management Framework

Establishing Federal Financial Management Systems standards is only a part of the process to improve financial systems governmentwide. As shown in Illustration 1, the ultimate responsibility for improvement rests with each agency and its implementation of these standards.

To date, two standards have been published, the SGL and the standard reporting requirements. This document, which presents the Core financial system requirements, is a continuation of the efforts to promote consistency in department and agencywide financial systems, information, and financial reporting. Additional efforts will be required in the future to expand upon the Core financial system requirements and to define minimum data requirements for federal financial systems.

Agencies are to use these existing standards in planning their financial system improvement projects. As with the SGL, agencies will have to include their unique requirements, both technical and functional, with the requirements in this document. Further, each agency must develop its own integration strategy detailing how it will either interface or integrate existing program and subsidiary systems with the Core financial system. Once these parameters are established, an

FINANCIAL SYSTEM IMPROVEMENT PROJECTS

Standards
- Standard Reporting Requirements
- U.S. Government Standard General Ledger
- Core Financial System Requirements
- Other Standards

Agency Implementation
- Additional Agency Functional Requirements
- Additional Agency Technical Requirements
- Integration Strategy
- Software/Hardware Evaluation

- Software Selection

- Adaptation
- Procedures
- Training
- Documentation
- Conversion
- Maintenance

Illustration 1   ⌐--¬ Subject of this report

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agency can evaluate and select appropriate software, and install and adapt the system to its environment. Implementing the system will require establishing procedures, training users, modifying documentation, converting data from old systems, and maintaining new systems.

This approach to implementing financial systems improvement projects will save agencies the time and effort that would be necessary to develop system specifications to meet central agency accounting and reporting requirements. In addition, the Core financial system requirements and the standard reporting requirements will in turn require that information passed from subsidiary financial systems to the primary financial systems be consistent. The consistency brought about by implementation of financial system improvement projects using these standards will enhance the overall completeness, reliability, and comparability of financial data used to manage the government.

Improving government financial systems requires a framework for integration. As shown in Illustration 2, integration requires standardization of both data and the way the system processes that data.

FRAMEWORK FOR THE INTEGRATION OF FEDERAL FINANCIAL SYSTEMS

STANDARD DATA   STANDARD PROCESSING

Defined

To Be Defined
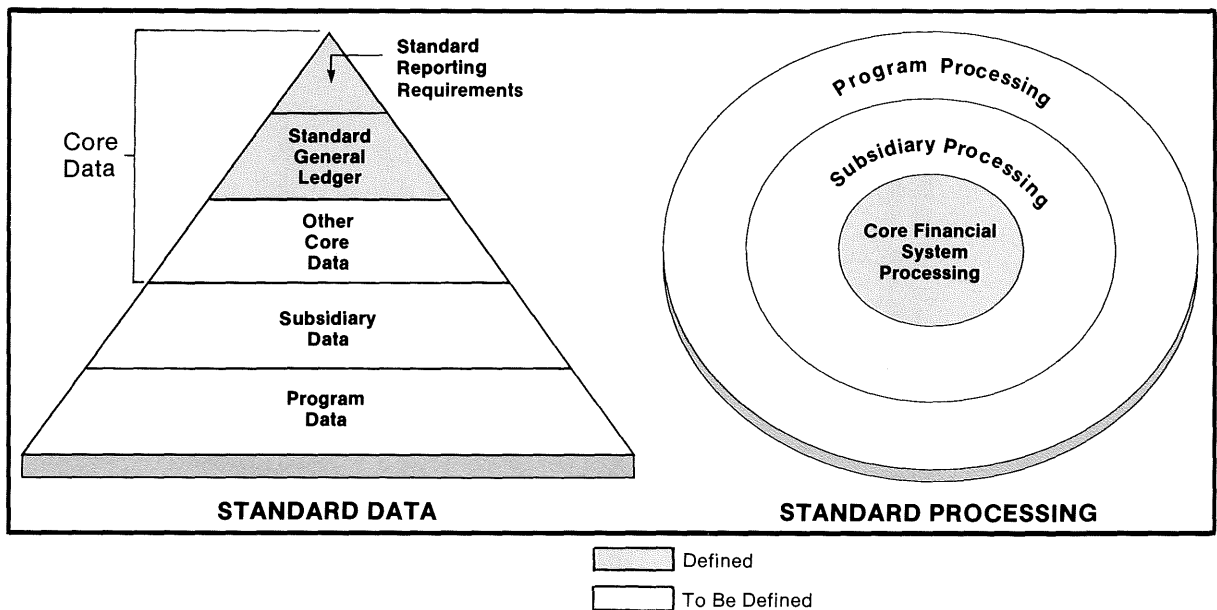
Illustration 2

Efforts to continue the improvements brought about by the establishment of the SGL and reporting requirements must address further data standardization. This standardization must occur first for the remaining functions within Core, including the classification structure, and ultimately for the subsidiary data and program data. Similarly, the development of the requirements for a Core financial system completes the first major milestone in the corresponding standardization of processing. Not all of the functional areas which will eventually fall within the scope of the Core financial system are currently defined. This document addresses the Core requirements as defined to date. Although they may remain as separate systems, other subsidiary systems and the program systems not included in the Core financial system will also be addressed as the standardization of processing is continued through future efforts.

With the SGL and the standard reporting requirements firmly in place as a driving force for data standardization efforts, and with the present components of the Core financial system definitively set forth, the groundwork has been laid for the successful standardization and future integration of both data and processing in federal financial management systems.

T o facilitate the review of these requirements, a model was developed to show the components of the Core financial system as currently defined. As shown in Illustration 3, the model is presented as a series of four rings.

The General Functional Requirements have been placed in the center of the model because these requirements will apply to all activities within the system. They consist of the accounting classification code structure, reporting, and audit/internal controls. These requirements are detailed in chapter I.

The Accounting Functional Requirements are shown next under the following headings: general ledger, budget execution/funds control, accounts payable, accounts receivable, and cost accumulation. These requirements are detailed in chapter II.

The General Support Requirements are addressed in four areas: training and user support, documentation, technical support services, and maintenance/updates. These requirements have been included to demonstrate that as important as the software is, it must be adequately supported by these four items to ensure that the department or agency is able to utilize the software properly. The detailed requirements under these headings are specified in chapter III.

CORE FINANCIAL SYSTEM MODEL
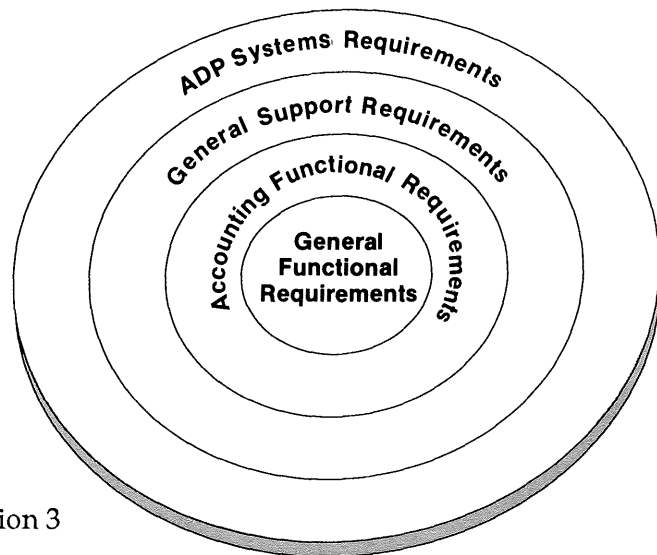
Illustration 3

The outermost ring of the model represents the ADP Systems Requirements, the final component in the Core financial system. The ADP Systems Requirements presented are the general requirements that apply governmentwide and are not intended to identify all of the ADP Systems Requirements for specific departments or agencies. The governmentwide requirements that could be identified are specified in chapter IV.

* * * * * * *

The following summary presents the principal features of each of the components of the Core financial system, as discussed in this document. The components are presented below in the same order as in chapters I through IV, which provide a more detailed listing of the specific requirements identified by the project team. These requirements reflect the GAO Policy and Procedures Manual for Guidance of Federal Agencies, Treasury Financial Manual, and applicable OMB circulars.

General Functional Requirements

As shown in Illustration 4, the General Functional Requirements consist of the accounting classification code structure, reporting, and audit/internal controls. Each set of these requirements is discussed below.
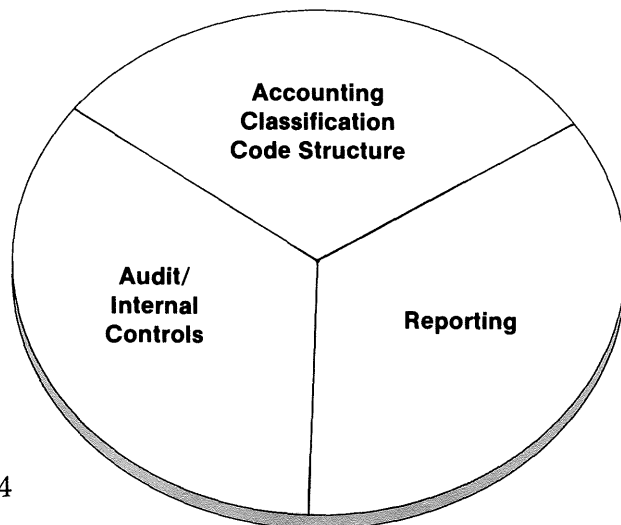
Illustration 4

Accounting Classification Code Structure

The accounting classification code structure is a methodology for consistently recording each transaction. At a minimum, this overall structure must accommodate fund, program, organization, project, and object classification structures. The software must:

- Permit minimal user input and have the system derive the expanded accounting classification code structure based on this input.

- Categorize transactions by fund, program, organization, project, and object classification structures and report at any level within any structure and any combination of structures.

- Classify transactions, consistent with preestablished standards, such as the Treasury Federal Account Symbols and Titles (FAST), and the OMB standard object class codes.

- Expand or otherwise easily revise the accounting classification code structure to meet changing requirements.

Reporting

The system must accommodate specific standard federal government reports and reporting requirements within each agency. In order to produce reports at prescribed intervals, the system must access all of the data elements necessary to completely satisfy all report requirements. The reporting function must:

- Provide for predefined external reports, such as all Treasury and OMB reports, at the prescribed intervals.

- Provide for the preparation of accrual based financial statements, in accordance with GAO's Title 2, at user-specified intervals.

- Produce predefined internal reports, including exception reporting, on a recurring or periodic basis.

- Provide an ad hoc reporting capability for both current and historical data.

Audit/Internal Controls

The purpose of an adequate system of internal controls is to provide a framework to help ensure that accounting transactions are executed in

accordance with prescribed standards and procedures and that financial statements accurately reflect the results of operations and financial position. The system must:

• Provide document and transaction-level controls to ensure that an entire document is processed as coded and that all transactions are fully and correctly recorded and controlled.

• Provide controls to ensure that only authorized personnel have access to data for the purpose of recording, changing, or reporting information.

• Provide overall system controls to ensure that the Core financial system accurately reflects the processing standards established.

Accounting Functional Requirements

As shown in Illustration 5, the second ring of the Core financial system depicts the Accounting Functional Requirements and consists of five components. Each set of these requirements is discussed below.

Cost Accumulation

General Ledger

General Functional Requirements

Accounts Receivable

Budget Execution/ Funds Control

Accounts Payable
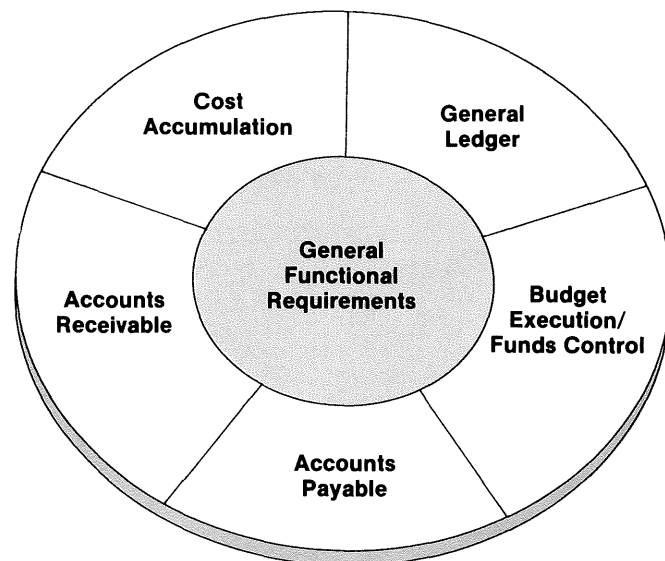
Illustration 5

| General Ledger | The general ledger contains accounting and fiscal information used for the preparation of financial reports. The general ledger function records budget, revenue, and expenditure activity; maintains asset, liability, and equity account balances; and controls subsidiary accounts. The general ledger function must: |

- Incorporate the self-balancing SGL and provide the capability for agency specified subsidiary accounts.

- Maintain budgetary accounts on the obligation basis and cash basis, in accordance with OMB guidance.

- Maintain proprietary accounts on the accrual basis, in accordance with Title 2 of the GAO Manual.

- Summarize, control, and report all financial transactions of the agency or entity.

- Record transactions, using an account code structure which, at a minimum, will include fund, program, organization, project, and object dimensions.

- Provide current accounting period processing, with automated month-end and year-end closing procedures, including consolidation and account balance carry forward.

- Generate all required year-end closing transactions.

- Maintain historical and comparative data.

| Budget Execution/Funds Control | Budget execution encompasses the funds control capabilities needed to help management ensure that resources are used only for approved purposes and that obligations and expenditures do not exceed amounts authorized. This function must: |

- Distribute, track, control, and report funds authorized at various funding levels.

- Handle funds control for those funds that receive reimbursement or other budgetary authority in addition to appropriations.

- Provide a mechanism for updating amounts available to detect and prevent incurrence of commitments/obligations/expenditures in excess of funds availability at the appropriate levels.

- Provide features which ensure that amounts reflected in the funds control structure agree with the general ledger.

- Provide for matching the appropriate budgetary and proprietary revenue accounts when dealing with reimbursable costs and related receivables.

- Comply with all aspects of OMB Circular A-34, "Instructions on Budget Execution."

- Report budget to actual comparisons at the operating-plan level or other summarized levels of control.

- Provide historical financial information for budget requests, as required by OMB Circular A-11, "Preparation and Submission of Budget Estimates."

Accounts Payable

This function records, tracks, and controls all transactions that require payments of funds to others. Accounts payable shall be integrated with funds control and with the general ledger functions. This function must:

- Maintain access to an entity's commitment and obligation information.

- Maintain information on the receiving, inspection, and acceptance of goods and services.

- Match requisitions, purchase orders, receiving documents, authorization documents, and invoices to accrue liabilities and ensure proper payment. (This includes automated payments for obligations which do not require invoices, e.g. lease agreements.)

- Process transactions for payments that are not part of the commitment, obligation, and matching process.

- Comply with the Prompt Payment Act, including consolidation of multiple payments to a single vendor, and collect information on discounts taken and lost and on interest penalties.

- Record the impact on both budgetary and proprietary accounts in the SGL upon the receipt, inspection, and acceptance of goods and services.

- Maintain a history file of accomplished payments and update vendor files.

- Interface with Treasury's processes and systems for making payments (e.g. checks, ACH, OPAC, TFCS, SIBAC).

- Generate reports such as transaction listings, aging reports, and reconciliation reports.

Accounts Receivable	The accounts receivable function accounts for various types of receivables and controls cash collections. This includes the proper billing, recording, and monitoring of collections and the liquidation of receivables when payments are received or amounts are reserved or written-off. The accounts receivable function must:

- Identify detailed accounts receivable information and maintain activity information by account.

- Accrue receivables and generate billing documents, including interest and penalties, when appropriate, for debtors within and outside the federal government.

- Match collections and waivers received to billings, and categorize as to penalties, interest, and principal, as appropriate.

- Record transactions affecting accounts receivable to appropriate budgetary and proprietary accounts in the SGL and maintain historical information on transactions and account updates.

- Interface with Treasury's systems for payments, deposits, and collections.

- Generate reports, on a recurring or one-time basis, which allow management to monitor the receivable status and processes.

- Generate information required for compliance with the Debt Collection Act, other applicable legislation, and central agency reporting requirements.

Cost Accumulation

Cost accumulation refers to the financial measurement of resources used in accomplishing a specified purpose, such as performing a service, providing a product, or carrying out a project or a program. The number of cost accumulation features and the specific features to be used by an agency will depend on the operational nature of the funds (such as appropriation only, appropriations with reimbursable authority, or revolving funds) or programs involved. Cost accumulation must:

- Provide for capturing, matching, and allocating costs associated with resources acquired and/or consumed by the entity for programs and/or projects undertaken, including the application of overhead.

- Develop information for the establishment of fees and charges for goods provided and services rendered.

- Provide for interfaces with subsidiary systems, such as travel, payroll, and property to capture and allocate costs to managerial units.

- Compare planned costs with actual results.

General Support Requirements

In addition to the functional requirements, there are General Support Requirements which must be met to ensure that the system operates effectively and efficiently. As shown in Illustration 6, the third ring depicts the four General Support Requirements. Each of these is briefly discussed below.
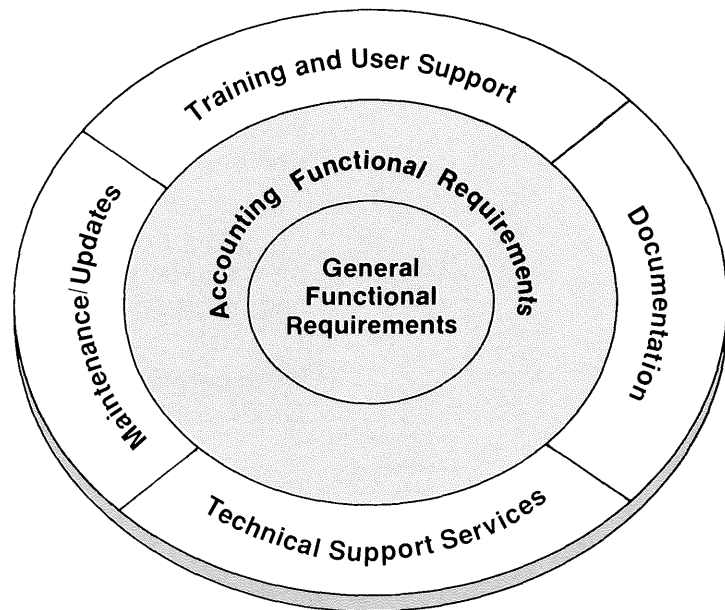
Illustration 6

Training and User Support

Proper training and adequate user support are essential to the successful operation of the Core financial system. The software provider must:

- Train varied audiences which include:

  – Top Management

  – Project Team

– Users

- Provide training using a variety of methods, including lecture, workshop, and self-study.

- Provide written materials and visual training aids.

- Assign instructors who are knowledgeable in the Core financial system and possess the skills to communicate this knowledge to others.

Documentation

These requirements identify the scope and intent desired in the documentation delivered with the Core financial system. Although specific requirements are not stated definitively, the following types of documentation are addressed:

- System Documentation

- Operations Documentation

- User Documentation

- Other Documentation

Technical Support Services

In addition to user support, the software provider must furnish technical support services to include:

- Installing the software

- Interfacing with existing administrative systems

- Preparing customized reports

- Developing bridges to management support systems

- Converting current and historical data

Maintenance/Updates	The software provider must maintain and provide updates for all software associated with the Core financial system. This includes:

- Responding to user requested enhancements

- Fixing software errors when the system does not operate as documented

- Providing information and explanations to supplement the documentation and training

- Installing software updates

ADP Systems Requirements

Although specific software selection will often ultimately be influenced by the hardware configuration installed at a specific agency or department, certain general operating environment characteristics were assumed in developing the requirements. The areas addressed are:

- Hardware, Software, and Communications

- Functional Integration

- Data Entry

- Edit and Update

- Outputs

- Operating Capability

- System and Data Management

- Back up and Recovery

- Security

The outermost ring, as shown in Illustration 7, is titled ADP Systems Requirements, and completes the components of the Core financial system requirements.
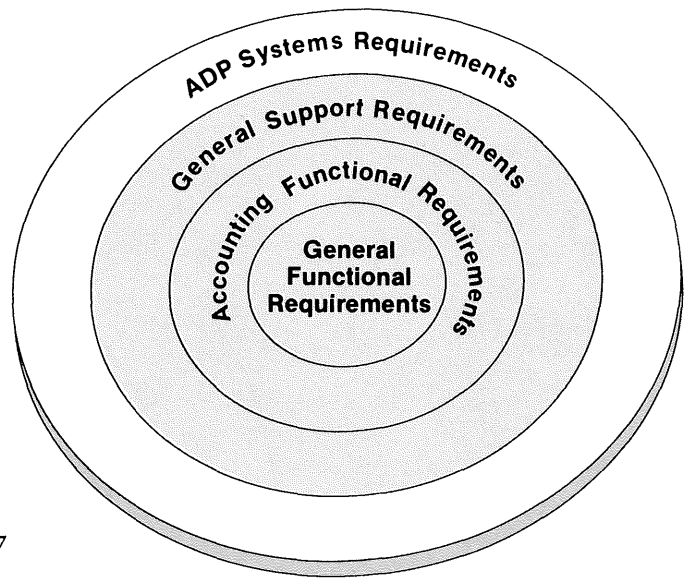
Illustration 7

Model of Core Financial System

Illustration 8 depicts the Core financial system in its entirety. This illustration can be used by the reader while reviewing the chapters to determine where specific requirements fit within the overall Core financial system.

Illustration 8

ADP Systems Requirements

General Support Requirements

Accounting Functional Requirements
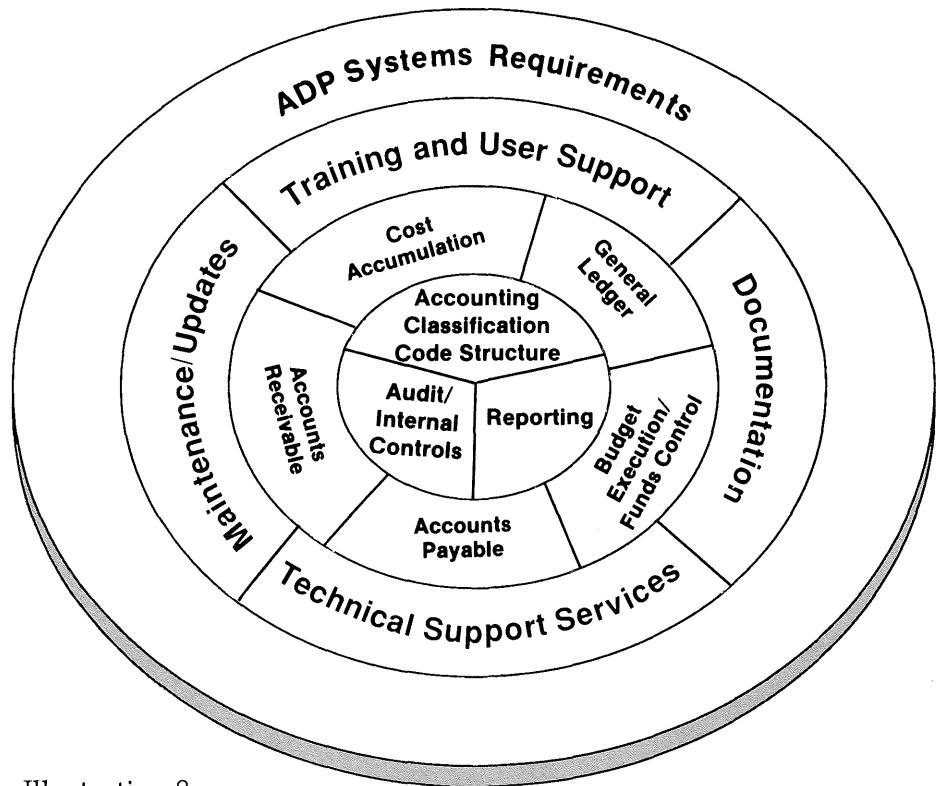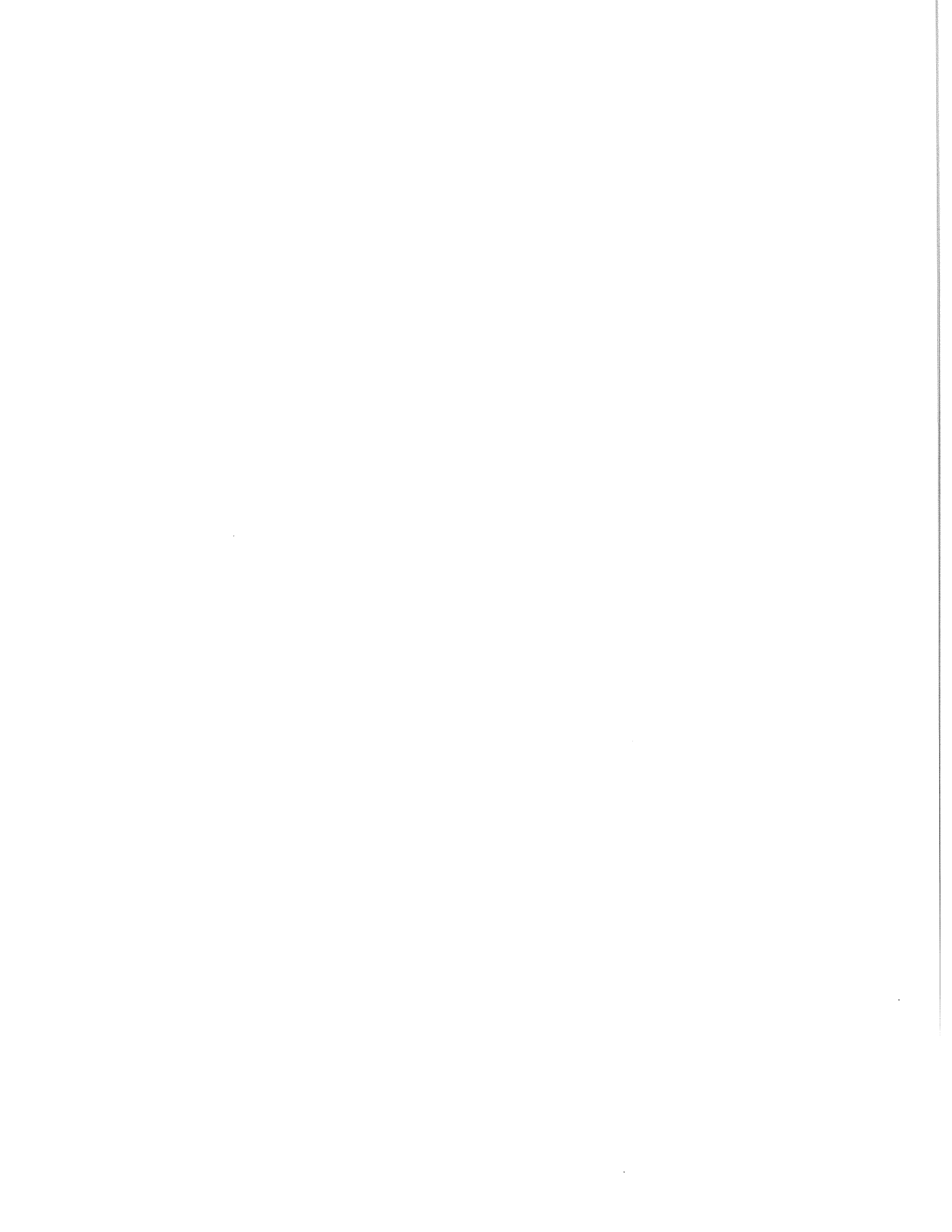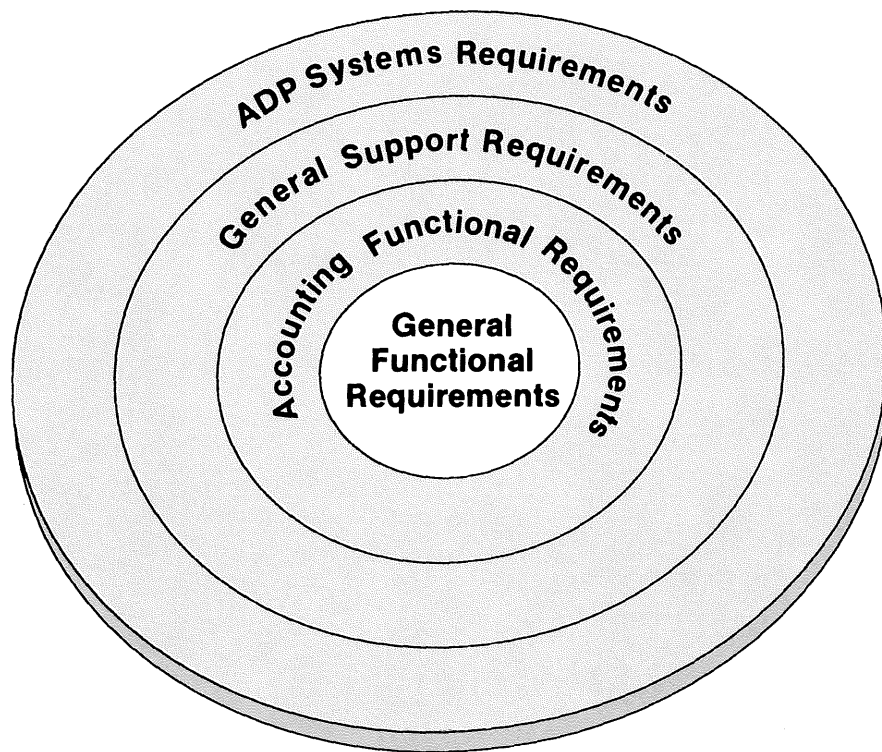
General Functional Requirements

The General Functional Requirements chapter addresses overall requirements which apply to all of the accounting functions of the Core financial system. This chapter is organized as follows:

- Accounting Classification Code Structure

- Reporting

- Audit/Internal Controls

The balance of this chapter discusses each of these areas and lists the general requirements which, at a minimum, the system must support.

Accounting Classification Code Structure

The accounting classification code structure identifies each accounting transaction by fund, program, organization, project, and object. Currently, a variety of different accounting classification code structures are used by different departments and within departments of the federal government. A standard, governmentwide classification code structure will provide a consistent basis for:

- Consolidating governmentwide financial information.

- Integrating planning, budgeting, and accounting on a consistent basis.

- Capturing data at the lowest level of detail--at the point of data entry--on a consistent basis throughout the agency in a manner that ensures that when data is rolled up to the level that is standardized, it is consistent at the standardized level.

- Comparing and combining similar programs across agencies and calculating overall program results.

The accounting classification code structure requirements, which are based on the SGL, will be discussed under the following classification structures:

- Fund

- Program

- Organization

- Project

- Object

Fund Classification Structure	Appropriation or Fund accounts are established by OMB and Treasury through the budget process for control of funds and prevention of violations of the Anti-Deficiency Act. The fund structure must be capable of handling the Federal Account Symbols and Titles (FAST) structures established by Treasury. The major components of fund classification are the department or agency, the period of availability (fiscal year, multiyear, no-year) and the main account number. The Core financial system must handle the Treasury symbol for all accounts, including merged (M) year accounts.
Program Classification Structure	The program classification structure must be in sufficient detail to allow reporting of results for all categories on which budgetary decisions are made, whether legally binding, as in appropriation limitations, or in the nature of policy guidance, as in presidential passbacks, congressional mark-up tables, or internal agency decisions. At a minimum, the budget program structure must provide for:

- Decision Unit

- Program Element

- Subprogram

- Activity

- Subactivity

- Sub-subactivity

Organization Classification Structure

The organization classification structure must be based on responsibility assignments. At a minimum, the organizational structure must provide for:

• Department or Agency

• Administration or Bureau

• Office

• Division

• Branch

• Unit

In addition to identifying the performing responsibility centers, it is also necessary to identify benefitting responsibility centers when they are other than the performing cost centers. Consequently, the structure must also provide for:

• Budget Center

• Cost Center

Finally, it is necessary to identify which of the following organizational units has financial responsibility. These are:

• Accounting Office

• Agency Location Code

Project Classification Structure

Projects can be related either to organizations or programs and, as such, should have a classification structure independent of these two structures. At a minimum, the project structure must provide for:

• Project

• Subproject

* Task/Work Order

* Work Unit/Job Order

* Function

Object Classification Structure

The object classification structure identifies the goods and services and other items involved. This structure also identifies revenue, where applicable. At a minimum, the object structure must provide for:

* Object

* Subobject

* Sub-subobject

Other Requirements

The system must not only have the capability to categorize transactions by fund, program, organization, project, and object classification structures, but must also have the capability to report at any level within any structure and any combination of structures.

Additionally, the classification structure must:

* Expand the codes which are entered by the user and derive the expanded accounting classification code structure so that user input is minimized.

* Categorize transactions, consistent with the standard object class codes contained in OMB Circular A-11, "Preparation and Submission of Budget Estimates."

* Categorize transactions, consistent with the FAST established by Treasury.

* Expand or revise the accounting classification code structure to meet changing requirements.

* Maintain, in one system, different definitions and values of agency account classification coding structures.

- Accept data from existing agency systems where different accounting classification code structures may be maintained, e.g., payroll. (This requires a standard interface capability.)

Reporting

The reporting function must retrieve and format information from data maintained in the Core financial system. The reporting function must also support management's fiduciary role by generating reports which provide management the necessary information to ensure the system's integrity. The reporting function must support the various legal and regulatory requirements by generating reports at regular, recurring intervals or on an "as needed" basis. Finally, the system must produce reports to meet special needs or requirements. At a minimum, the system must:

- Report information using multiple basic concepts. In addition to reporting budgetary information on an obligation basis and a cost basis, and accounting information on an accrual basis, the system also must report the same data on a cash basis.

- Report events and transactions according to the accounting classification code structure.

- Produce information at specific time intervals or upon request, including reports that span fiscal years for multiyear projects.

- Produce information in various media, including:

  - Record formats or files available for computer-to-computer transfer

  - Output available for subsequent processing or production of microfiche

  - Computer generated standard forms or predefined hard copy formats

  - Ad hoc formats designed by management

  - Terminal screen display for visual inspection and/or hard copy printout

- Accommodate additions, deletions, or changes to report content or format without major interruption to normal processing, including the ability to reclassify and reformat historical data for reporting purposes only.

- Produce external reports in the prescribed format at the required interval. (See Appendix B - Summary of External Reporting Requirements.)

- Include a report writer with capability to:

  - Allow user-defined reports without intervention of a programmer

  - Support multiple sort key sequences

  - Produce output files as well as hard copy reports

  - Produce standard accounting reports

  - Save report requests in files for future use, unless changed or deleted

  - Produce hierarchical levels of summarization data

  - Permit modeling to include budget forecasting and costing

  - Permit table look-up and expansion of codes

  - Permit logic for selection criteria in order to support flexible record selection

Audit/Internal Controls

The system must have internal controls to ensure that accounting transactions are processed in accordance with prescribed standards and procedures. These controls must also ensure that the information used to produce financial statements and reports accurately reflects balances in accounts and the results of operations. The system must:

- Provide audit trails to trace transactions from source documents, original input, system-generated transactions, and internal allocation transactions through the system. Provide transaction details to support account balances.

- Provide audit trails to trace source documents through successive levels of summarization to the financial statements and the reverse.

- Provide audit trails to identify changes made to system parameters and tables which would affect the processing or reprocessing of any financial transactions.

- Provide that the authorization for access to specific system functions be defined by individual user and by class of user so that segregation of duties is maintained for system maintenance, transaction input, approval of transactions, and retrieval of information. (Class of user should be defined by the agency upon implementation and may range from an individual to an organization.)

- Allow specific transactions to be controlled by individual user.

- Provide control over the processing and reprocessing of all erroneous transactions.

- Maintain and report a history of all changes to tables.

ADP Systems Requirements

General Support Requirements

Accounting Functional Requirements
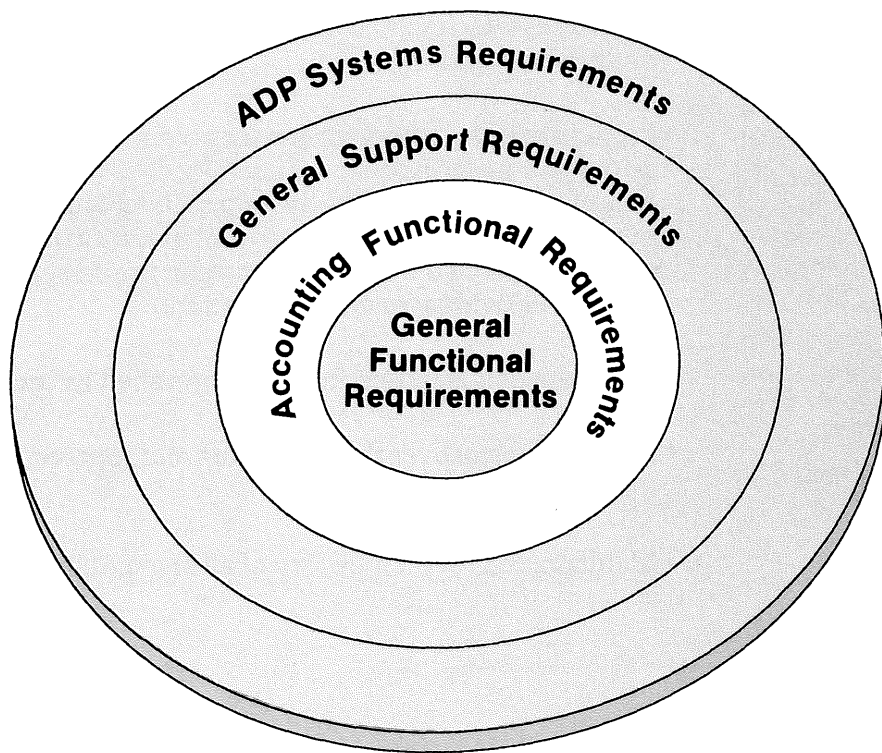
General Functional Requirements

The Accounting Functional Requirements chapter provides detailed requirements on the following functions of the Core financial system:

- General Ledger

- Budget Execution/Funds Control

- Accounts Payable

- Accounts Receivable

- Cost Accumulation

This chapter discusses each of these functions and lists the general requirements which, at a minimum, the system must support.

The order in which the functions are addressed indicates the priority which has been attributed to each function. The General Ledger is the most crucial accounting function of the Core financial system. Budget Execution/Funds Control is closely related to the General Ledger and, as such, is the second most essential function of the Core financial system.

The following two areas, Accounts Payable and Accounts Receivable, are the next most logical functions to include within the scope of the Core financial system in that they involve a very large number of transactions which affect the first two functions. The relationship between transactions in these activities and the receipt and disbursement of funds also warrants a high priority.

The final area of Cost Accumulation requirements is included as an indication of the intent to bring additional functions within the scope of the Core financial system in the future. Although such other areas as travel and procurement were considered and not included at this time, it is anticipated that they will be addressed at a later date.

General Ledger

The General Ledger is the central function of the Core financial system. It is the highest level of summarization and must maintain real, nominal, and statistical accounts by appropriation or fund and by individual general ledger accounts. The

General Ledger is supported by subsidiary ledgers at various levels of detail.

The impact of accounting transactions, regardless of the source of the data, must be recorded in the General Ledger. These include transactions entered directly into the General Ledger, those accepted from other functions of the Core financial system, and those from ancillary systems which interface with the Core financial system.

The following are the General Ledger functional requirements which, at a minimum, the system must support. It must:

• Use the SGL, which provides a uniform chart of accounts and related transactions.

  – The SGL prescribes a four-digit chart of accounts which serves as a basic structure for the budgetary and proprietary accounts. The numbering scheme for the classifications of accounts is as follows:

    • 1000 Assets

    • 2000 Liabilities

    • 3000 Equity of the U.S. Government

    • 4000 Budgetary

    • 5000 Revenue

    • 6000 Expense

    • 7000 Gains/Losses/Extraordinary Items, etc.

    • 9000 Statistical/Memorandum

  – Each SGL account must be supported by subsidiary accounts. The subsidiary accounts, which provide detailed information, may be as detailed as the agency deems appropriate for asset protection, management information, and fund accounting.

- Support an account structure for multiple appropriations or funds and multiple fiscal years within the appropriations, including multi-year and no-year appropriations.

- Report, automatically, a comparison between the amounts in the other components of the Core financial system and the related control accounts in the General Ledger and annotate those accounts which are out of balance.

- Provide control accounts in the General Ledger to maintain a balance between the General Ledger and ancillary systems, such as, property, travel management, etc.

- Provide for the automatic month-end and year-end closing and rollover of the General Ledger account balances.

- Maintain historical and comparative data, at a minimum, to produce comparative financial statements, and retain the data for as long as the agency needs the data.

- Provide the capability to post to two months concurrently. At year-end, provide for the capability to post to the current year by month, as well as to the prior year, regardless of when year-end closing occurs.

- Provide for multiple preliminary closings before final closing, while maintaining the capability to post current period data.

- Provide for electronic transfer of account balances to Treasury.

- Identify those transactions which would be eliminated for both intra-agency and interagency consolidations.

- Provide for automatic generation of recurring accrual entries and reversals in the next fiscal period.

- Update all other applicable functions in the Core financial system.

The accounting requirements for the federal government (as stated in Title 2 of the GAO <u>Policy and Procedures Manual for Guidance of Federal Agencies</u>, <u>U.S. Standard General Ledger</u>, and OMB guidance)

require a single accounting event to update multiple budgetary and proprietary accounts. The following requirements outline the functional aspects necessary to fully satisfy the above-named guidelines. Although certain aspects of these requirements may be used in only one functional accounting area, the requirements have been consolidated into the General Ledger requirements so that all requirements with General Ledger impact are addressed together.

- Allow each transaction to update at least four pairs of debits and credits to General Ledger accounts, ensuring that debits equal credits. With this capability, most accounting events will be covered by a single transaction.

- Allow transactions to generate other transactions in those cases where a single transaction is not sufficient. This means that, although the user enters a single transaction, the system knows that every time this transaction is entered, an additional transaction(s) must be created and then posted.

- Allow the user to define the liquidation logic for transactions which must liquidate the balance of existing documents. For specific transactions, the user will identify the General Ledger accounts to be affected each time the transaction is posted. For transactions identified as partial, the liquidation should be for the amount entered. For those transactions identified as final, the entire balance should be liquidated. This would result in the amount of the generated transaction being equal to the balance on the existing document. This capability will be used in the liquidation of commitments, obligations, or other items, as appropriate.

In order to properly account for the capital assets of the federal government, the system must:

- Provide for capturing, classifying, summarizing and reporting current year and cumulative data on capital acquisitions, disposals, and assets on hand.

Budget Execution/Funds Control

Each agency of the federal government is responsible for establishing a system for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The system must support an integrated process that will:

- Provide budget execution capability by recording the funding and related budget execution documents.

- Establish and track the use of funds against limitations assigned.

- Track the use of these funds through operating or financial plans.

- Maintain current information on commitments and obligations according to the classification structure, on a fund by fund basis.

- Provide for certification of funds availability prior to the issuance of a commitment, obligation, or expenditure.

  The following are the specific requirements which, at a minimum, the system must provide to support the Budget Execution/Funds Control function.

- Conform to requirements of OMB Circular A-34, "Instructions on Budget Execution."

- Distribute, track, control, and report funds authorized at various funding levels, based on the SGL and accounting classification code structure.

- Maintain the original funding amounts separate from the reprogramming amounts, yet combine the two at the appropriate levels for funds control checking.

- Change, retroactively, the accounting classification code structure and the funding limitations to reflect the approved appropriation after a continuing resolution.

• Maintain funds control for those funds that receive other budgetary authority in addition to appropriations. Separately maintain each amount of budgetary authority.

• Provide for maintaining operating plans at any level of the classification structure.

• Input operating plans either directly into the Core system or as an interface from another system.

• Report budget to actual at the level of the operating plans.

• Summarize, compare, and report the operating plans to the appropriate level of funds control.

• Update amounts available to help prevent the incurrence of commitments/obligations/expenditures in excess of available fund balances. In particular, the system must:

   − Provide for the user to define the level of funds control using elements of the classification structure, including object class, budget activity, and organization.

   − Provide for the user to define the type of administrative funds control (either absolute or warning).

   − Provide the capabilities and controls for authorized users to override funds certification tests.

   − Reject transactions failing the availability of funds test or any other critical edit, and place them in an error file, for corrective action.

   − Allow authorized personnel to reallocate funds at designated levels.

   − Permit designated authorities to establish and modify mandatory processes for the administrative control of funds by both type and level.

— Record the impact of all transactions which affect the availability of funds, such as commitments, liquidations, obligations, and expenditures.

— For those obligations created outside of the Core financial system and entered directly into the accounting system, provide fund control warnings on a separate listing if available fund balances are exceeded.

— Update all appropriate accounts to ensure that the system always maintains the current status of funds.

• Provide control features which ensure that amounts reflected in the fund control structure agree with the General Ledger account balances at the end of each update cycle.

• Accept and hold commitment documents to be applied against future or current year fund availability and automatically enter the transactions into the proper accounting period when the funds are available.

• Accept and hold future year obligations for subsequent recording through funds control.

• Generate required transactions as needed by the year-end closing procedures.

• Update all other applicable functions in the Core financial system.

Accounts Payable

The primary objective of the accounts payable function is to control all disbursements centrally. These payments are for the purchase of goods and services, as well as for other activities, including advances, loans, and grants.

In addition to the actual payment process, all of the activities leading up to the payment must also be covered. Therefore, detailed transactions from other systems (such as procurement or travel) which did not originate in the Core financial system must be included in the disbursement process. The requirements for the accounts payable function are grouped under the following headings:

- Vendor File

- Commitments

- Obligations

- Receiving, Inspection, and Acceptance Process

- Matching Process

- Other Disbursements

- Other Systems

- Schedule for Disbursements

- Information Maintained

- Inquiry

- Reporting

- Other Capabilities

    The following are the requirements which, at a minimum, the system must meet to support the accounts payable function.

Vendor File

- Maintain a vendor file that includes data to support the accounts payable process.

- Maintain data related to employee payments which have been made through the Core financial system.

- Provide the capability to support payments made to financial institutions acting as agent for the vendor. Provide the capability to report IRS 1099 data to the vendor instead of to the financial institution.

- Accommodate more than one vendor address.

- Allow new vendors to be added to the vendor file if there is proper authorization.

- Permit users to define criteria for deleting vendors from the vendor file.

- Reject ancillary system transactions which do not have a valid vendor identified, except when overrides are properly authorized.

Commitments

- Provide an interface for entry of commitment documents from existing agency systems.

- Provide the capability to enter commitment documents into the Core financial system on-line and from multiple locations.

- Check the commitment document against funds control and generate the commitment transaction.

- Capture, at a minimum:

  – Requisition Number

  – Line Item

  – Classification Structure

  – Estimated Amount

  – Desired Delivery Date

- Allow for commitment documents to be future-dated, archived, and posted at the appropriate date.

- Close commitment documents either (1) by the system upon issuance of an obligating document, (2) by the user with appropriate authorization, or (3) as part of the year-end closing.

Obligations

- Provide an interface for entry of obligating documents from other systems.

• Check funding limits for obligating documents (including amend-
ments to obligating documents resulting in a change to dollar amounts
or to the classification structure).

• Generate obligation transactions and the liquidation of related commit-
ments.

• Partially liquidate commitments in the case of partially ordered requi-
sitions.

• Maintain information related to each obligation document, including
amendments. (Only obligations which will be vouchered through the
Core financial system will be maintained in the Core financial system
at a line-item level of detail.) At a minimum, the Core financial system
must capture:

– Obligating Document Number

– Line Item

   • Line number

   • Stock number

   • Description

   • Quantity

   • Unit price

   • Total price

   • Estimated freight charges

   • Classification Structure

– Expiration Date

– Expected Receipt Date

– Vendor Number

- Allow for an obligation document to be entered into the Core financial system on-line and from multiple locations.

- Verify extensions and computations.

- Allow multiple requisitions to be combined into one obligating document and one requisition to be split between multiple obligating documents.

- Provide for properly authorized cancellations of posted obligating documents.

- Maintain an on-line history file of closed out documents for a user-defined period of time.

- Record distribution of individual obligation line items to multiple classification structures.

- Track the status of obligating documents throughout the acquisition process.

- Retain (for audit trail purposes) the original machine readable records along with all amendments.

- Close obligating documents either (1) by the system automatically, upon complete performance/delivery or (2) by the user, with appropriate authorization.

- Record various intra-governmental acquisition types such as GSA Personal Property Center, FEDSTRIP, reimbursable work agreements (RWA's), and printing from the Government Printing Office (GPO).

- Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented.

- Record Blanket Purchase Agreements (BPA's) and records of call.

- Generate status and procurement history for documents such as multi-task contracts, grants, and BPA's.

- Record delivery orders on contracts.

Receiving, Inspection, and Acceptance Process

- Record receipt records upon receipt of goods or services.

- Record inspection and approval of goods or services.

- Generate an accrual transaction and liquidate the appropriate undelivered order once the goods or services are received, inspected, and accepted. A partial liquidation of the appropriate undelivered order will result when an inspected and accepted receipt is less than the order.

- Record date when a shipment has been received, inspected, and accepted and use this date to determine payment due date.

- Define tolerances used for quantity variances between receiving reports and the obligating documents. The system should identify goods or services rejected if this tolerance is exceeded and provide for overrides by authorized personnel.

- Track quantity variances between the receiving report and the obligating document. Provide inquiry and reporting of this information.

- Meet the requirements of the Prompt Payment Act (P.L. 97-177) related to the receiving and acceptance process.

- Match obligating document, receiving report, and invoice.

- Communicate through the system those instances where a receiving report or acceptance is missing for an invoice, or where goods or services have been received and accepted, but an invoice has not been entered.

- Process purchase returns, including rejection of part of a shipment. The appropriate resulting transactions should be generated.

• Provide for interfacing of receiving data from other systems, for example, inventory and property systems.

Matching Process

• Provide for the tracking and warehousing of vendor invoices from receipt of the invoice through disbursement, including those invoices returned to the vendor.

• Provide a matching capability by document. Various matching techniques should be available:

– Establish matching criteria for noncommodity orders such as subscriptions, memberships, and training.

– Establish, at a minimum, a three-way match (purchase order, receiving report, and invoice) for commodity orders.

• Allow orders to be reopened by authorized staff after final payment has been made.

Other Disbursements

In addition to the transactions related to the procurement of goods and services, the system must be capable of processing those transactions within the Core financial system which are related to other disbursements. These other disbursements include payments for advances, grants, loans, and letter of credit drawdowns. (Any transactions which originate in ancillary systems are addressed under the heading following this section, entitled, Other Systems.)

• Allow transactions to be entered directly for those events that will result in payment but are not part of the commitment, obligation, and matching processes.

• Perform all necessary edits and validations.

• Perform fund control checks for all authorized payment transactions.

• Establish the information so that the transactions can be included in the scheduling for disbursement. (See Schedule for Disbursement heading below for more detail.)

Other Systems

- Accept transactions from external systems in standard format for entry into the Core financial system.

- Subject all transactions to edits, validations, and error correction procedures.

- Apply funds control tests to appropriate transactions.

- Update the Core financial system based on the same accounting rules used for transactions entered directly in the Core financial system.

Schedule for Disbursement

- Schedule payments in accordance with the Prompt Payment Act. Compute payment amounts, deducting discounts or withholdings and adding interest or penalties when appropriate.

- Generate the appropriate transactions to reflect the above deductions and additions.

- Provide for automated approval of payment schedules.

- Include for each payment all relevant identification information, such as:

  - order number

  - invoice number

  - disallowance (reason for and amount of)

  - interest penalty amount

- Automatically calculate totals by appropriation symbol for inclusion on the payment schedule.

- Allow the system, through user-defined criteria, to establish the date to be used for warehousing payments or have the system default to the system date.

- Warehouse payments until appropriate scheduling date so that all payments are made on time, not early or late.

- Allow changes to payment schedules by authorized personnel. For example, the system must allow an authorized individual to change the due date for a particular payment. In addition, the number of payments on a particular schedule or the due date of a whole schedule may need to be changed.

- Consolidate multiple payments to a single vendor, up to the prescribed limitation, in order for Treasury to produce one check and itemize all payments covered by the one check.

- Collect information on discounts taken and lost and on interest penalties.

- Verify transactions to avoid payment of duplicate invoices.

- Keep track of the number of payments to be scheduled on the same day. At present, Treasury requires that a payment schedule tape contain at least 100 payments.

- Exclude certain transactions from the payment process (e.g., payrolls, letters of credit, SIBAC).

- Allow a payment to be removed from the automated scheduling stream and to be manually scheduled on a typed SF-1166. To do this, the system should generate a hard-copy listing of all relevant payment data to be typed on the SF-1166. The system must then perform all the other necessary functions related to that payment, such as updating the payment history, the general ledger function, and funds control function.

- Provide techniques to handle voided checks by reversing the accounting transactions leading to the disbursement and reestablishing the obligation, if appropriate.

- Provide information about each payment to reflect the stage of the scheduling process that the payment has reached and the date each step was reached:

– Payment warehoused

– Schedule sent to Treasury

– Payment issued by Treasury

- Provide for the automated comparison of the agency's payment schedule and Treasury's accomplished payment schedule.

- Update the agency's records with the following when payment information is received from Treasury:

  – the paid schedule number

  – check or input message acknowledgement (IMA) numbers

  – date and amount of payment

Information Maintained	- Maintain historical data on all commitment, obligation, receiving, and payment transactions.
	- Maintain open documents for unapplied credit memoranda and adjustments for over payments.
	- Maintain open documents to show status of commitments, obligations, accruals, and disbursements by document line item. Provide the capability to archive closed documents after user-defined accounting cycle is completed.
	- Maintain payment history of every payment by authorizing document number, payment schedule number, check number, payment date, invoice number, vendor number, and appropriation charged.
Inquiry	- Provide on-line access to vendor activity by vendor name, vendor short name, and vendor number.
	- Provide on-line access to all documents by selection criteria, e.g., document number.

• Provide search capability for vendor information.

Reporting

• Generate aged requisitions.

• Generate aged receiving reports without acceptances.

• Generate aged outstanding obligating documents by entry date and expected receipt date.

• Generate aged, unmatched vendor invoice report.

• Produce detailed listing by level of funds control for the commitment documents, obligation documents, and expenditure of funds.

• Generate vendor listing by vendor name and number.

• Generate a cash requirement projection report indicating the dollar amount of disbursements due to be made on a particular day.

• Generate a report listing the payments to be scheduled on a particular day.

• Produce IRS 1099's.

• Produce audit trail reports to support data transferred from external systems to the Core financial system, including an error listing.

Other Capabilites

• Identify and store information related to reimbursements made to employees or others when the payment is considered miscellaneous income which is subject to federal tax and which must be reported to the Internal Revenue Service.

• Provide the capability to handle credit memoranda for returned goods or other adjustments. The capability must allow applying a credit memorandum to a payment due to the vendor issuing the credit or, if there are no outstanding payments to the vendor and no pending orders, establish an account receivable.

• Provide, based on data provided by Treasury, for reestablishing obligations for checks that have not been negotiated but that have been returned (P.L. 100-86).

• Automatically schedule and control recurring payments so that the timing of the transfer to Treasury avoids both early and late payments.

• Provide the ability to select items for audit, based on user-defined criteria, by type of transaction.

• Provide the capability to identify those transactions which meet the user-defined capitalization criteria, and, when these criteria are met, generate the appropriate transactions.

• Provide the capability necessary to interface to a non-Treasury check writing system.

• Report, in accordance with OMB Circular A-125, "Prompt Payment," the:

  – Number of interest penalties paid.

  – Amount of interest penalties paid.

  – Relative frequency, on a percentage basis, of interest penalty payments to the total number of payments.

  – Number, total amount, and relative frequency, on a percentage basis, of payments made 5 days or more before the due date, except where cash discounts were taken.

• Determine, when a vendor submits cost reports to be reimbursed, whether this vendor has an outstanding advance, and, if so, follow user-identified actions.

• Update all other applicable functions in the Core financial system.

Accounts Receivable

The Accounts Receivable function supports those activities associated with servicing business debt. Functions associated with servicing and collecting program debt, such as loans, would be included in a subsidiary system and interfaced with the Core financial system. Accounts Receivable are accounted for as assets from the time there is a right to receive funds until these funds are collected, converted into other resources, or determined to be uncollectible in whole or in part. The accounts receivable function includes recording, billing, monitoring, and collecting amounts due the government. The accounts receivable activity must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

The requirements for the receivable function are grouped under the following headings:

- account file

- processing

- bill generation

- aging

- reporting

The following are the minimum requirements that must be supported by the receivable function.

Account File

- Maintain detailed information by account, such as, individual, employee, private sector organization, state or local government, or other federal agency.

- Maintain data for each account, such as identification and address, balances, billing cycles, aging information, and account history data.

- Maintain accounts for reimbursable orders and identify government and nongovernment accounts.

- Update each account when billing documents are generated and collections are received.

- Provide the ability to add, change, or modify nonfinancial account data by authorized personnel, according to user-defined criteria.

- Maintain individual accounts receivable and access existing agency files required to support accounts receivable processing.

Processing

- Control and identify all collections (including lock box collections, credit card collections, and collections by electronic funds transfer) and update accounts receivable accordingly.

- Process data from various sources, such as manually prepared billings, Treasury's Simplified Intragovernmental Billing and Collection system (SIBAC), Online Payment and Collection (OPAC), and other Treasury systems.

- Accept transactions from external agency systems in a standard format for entry into the Core financial system.

- Provide the ability to produce OPAC billings and SIBAC billings for receivables from other government agencies.

- Maintain a history of billings and receipts.

- Record complete and partial receipts according to user-defined criteria.

- Match receipts to account number and apply to appropriate billing document.

- Provide the ability to apply receipts to more than one outstanding bill.

- Update accounts receivable balances on a document-by-document basis.

- Provide for the calculation and assessment of interest, administrative charges, and penalty charges on overdue receivables. Allow for the waiver of these charges with appropriate authority.

- Provide for automatic reversal for nonsufficient funds (NSF) checks.

- Provide for the processing of cash or credit card sales for goods and services.

- Provide for the automated reporting of delinquent accounts to commercial credit bureaus and collection agencies or other appropriate governmental organizations.

- Provide for administrative offset of funds due to delinquent indebtedness.

- Provide for the generation of repayment schedules for delinquent indebtedness.

Bill Generation

- Support the calculation and generation of customer bills based upon billing source and type of claim.

- Produce bills based upon events and/or time periods.

- Print bills using different methods, e.g., standard forms such as SF-1080's or SF-1081's, and turnaround documents to be used as a remittance advice.

- Accept billing data from other systems, such as SIBAC or OPAC. Ensure that the Core financial system does not produce bills for these transactions.

- Accept required data from the cost accumulation function to generate a customer's bill.

- Allow transactions related to manually prepared bills to be entered directly.

- Record adjustments to bills and post to customer accounts.

- Date the bills with the system generated date or with the date supplied by an authorized user.

	• Print statements as well as bills.

Aging	• Track and age receivables in accordance with user requirements.
	• Identify and report selected accounts which meet predetermined criteria for bad debt provisions or write-off.
	• Maintain data for those accounts referred to other federal agencies and/or outside organizations for collections.
	• Record the write-off of delinquent or uncollectible receivables and maintain data to monitor closed accounts.
	• Produce dunning (collection) letters for overdue receivables, in accordance with Treasury requirements and existing legislation.
	• Provide the user the ability to customize the dunning process parameters and dunning letter text.

Reporting	• Generate reports and information for internal management and for external reporting requirements.
	— Provide information for multiple levels of agency management and at various intervals, such as daily, weekly, monthly, quarterly, and annual.
	— Provide one-time management reports.
	— Maintain and record information on collections, receivables, and write-offs needed to meet the requirements of existing legislation, OMB circulars, Treasury reporting requirements, and agency management's needs.
	• Provide on-line inquiry capability into the accounts receivable account file by selection criteria.
	• Track debit vouchers related to deposits and reconcile them to confirmation reports provided by Treasury.

- Produce aging reports of all accounts receivable.

- Produce transaction listings and error listings for transactions entered directly into the Core financial system.

- Produce audit trail reports to support data transferred from external systems to the Core financial system, including error listings.

- Update all other applicable functions in the Core financial system.

Cost Accumulation

Cost Accumulation refers to the financial measurement of resources used in accomplishing a specified purpose, such as performing a service, providing a product, or carrying out an activity such as a project or a program. In addition to cost classification, the Cost Accumulation function involves the distribution of incurred cost to the unit receiving the benefit, including the use of inventory or depreciation. Cost Accumulation provides meaningful comparisons which may be used to measure compliance with management policies as well as to evaluate the efficiency and economy of resources used in the various activities. The number of Cost Accumulation features to be used by an agency will depend on either the operational nature of the funds (appropriation only, appropriation with reimbursable authority, revolving fund) or the programs involved.

The following are the general requirements which, at a minimum, the system must have to support the Cost Accumulation function.

- Use the accounting classification code structure (discussed in chapter I) to identify the fund, program, organization, project, and object associated with each applicable transaction.

- Record the allocation of resources, based on the accounting classification code structure, including the ability to:

  − Input cost-based budgets directly into the Core financial system, including direct costs and indirect costs, if applicable.

– Identify and record direct costs incurred, including input from feeder systems, such as fixed assets/property, inventory, supplies, payroll etc.

– Allocate indirect costs using one of the following or any combination of:

- percentages

- absolute values

- calculations

– Apply interim and/or annual overhead rates.

– Allow for multilevel allocation and reallocation.

– Perform periodic allocations to adjust from estimated to actual cost.

• Support the reimbursable billing process by:

– Matching revenues with related costs, according to the accounting classification code structure.

– Accessing accounts receivable account file for billing information for reimbursable orders.

– Calculating (based on billing information):

- all direct costs

- depreciation, if applicable

- overheads, if applicable

– Calculating amount of bill, including a breakdown by line items, according to the requirements of the reimbursable order.

– Providing billing data to the receivable function for production of the bill.
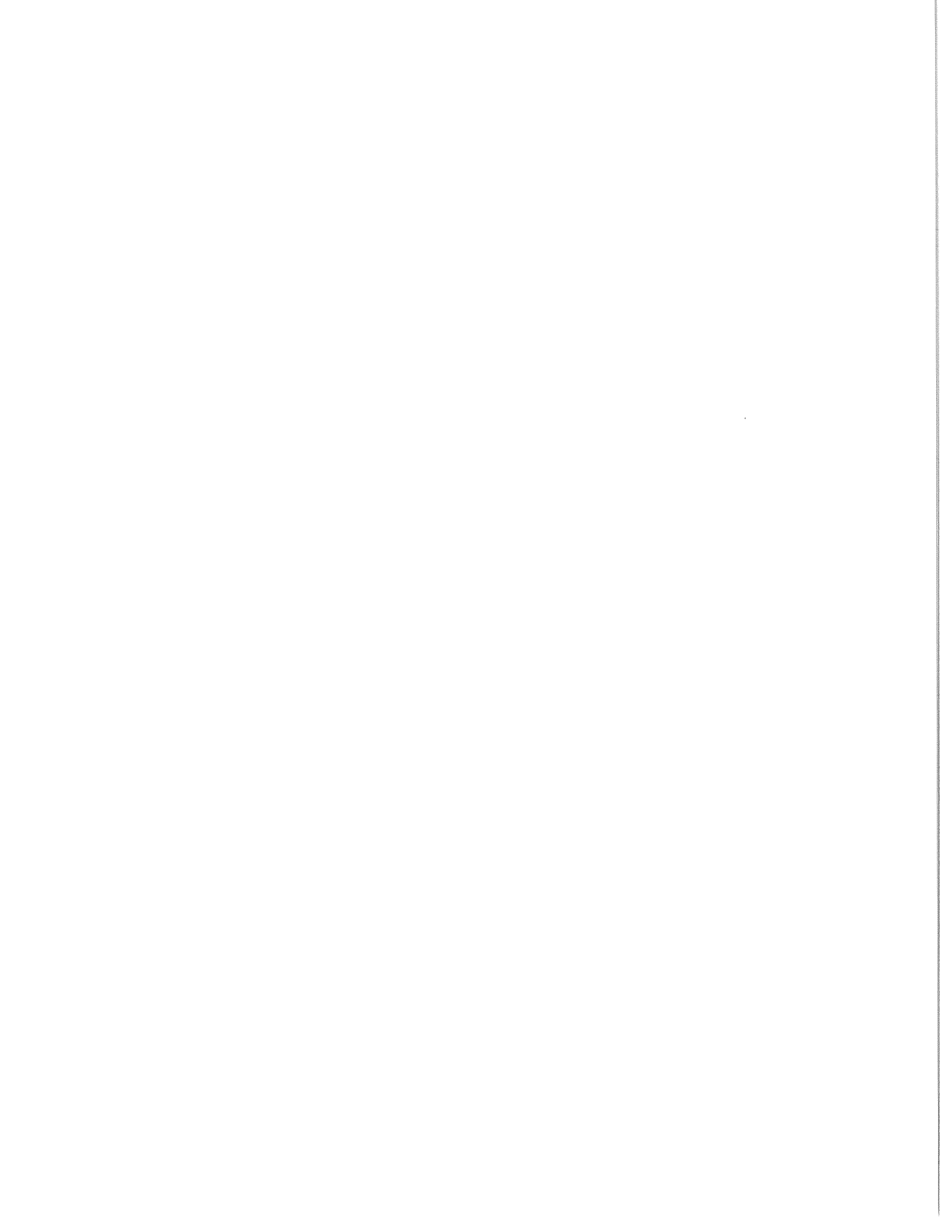
• Retrieve a variety of data utilizing multiple selection criteria in order to generate cost reports as required by agency management or for external reporting. This will include:

— Itemized statements for reimbursable activities, designating what factors were used to create the billing transaction sent to Accounts Receivable.

— Labor distribution report, if applicable.

— Costs incurred. These costs must be identified using the full accounting classification code structure.

— Remaining costs to complete a product or project.

• Update all other applicable functions in the Core financial system.

The Cost Accumulation function must be capable of supporting the President's Productivity Improvement Program, as outlined in the Management Report. To accomplish this objective, costs must be classified so that they can be compared to units of productivity. The comparison will be accomplished by having the units in the Core financial system. The system must:

• Capture targeted units

• Capture outputs

• Associate costs with outputs

• Provide unit costs

• Use the same accounting periods for units as for dollars

• Maintain historical data

• Compare targets to actuals

• Provide the above information through reports, on-line inquiries, and downloaded data.

The importance of capturing and maintaining these units in the Core financial system is so that the units are subject to the same classification structure, internal controls, and time periods as is the remainder of the Core financial system.

ADP Systems Requirements

General Support Requirements

Accounting Functional Requirements

General
Functional
Requirements
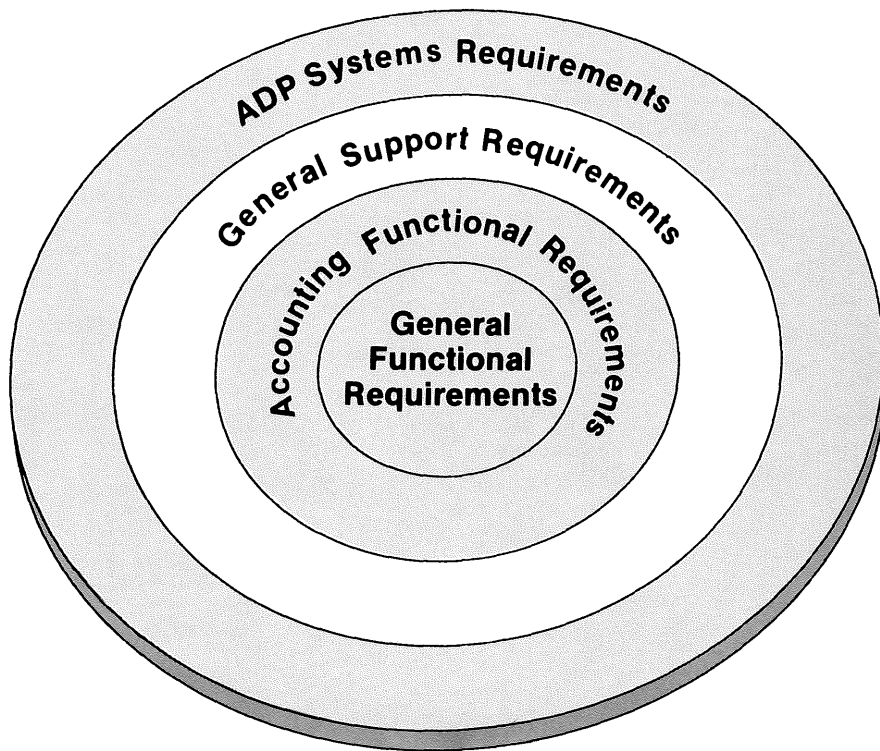
General Support Requirements

The successful implementation of a Core financial system is not only dependent on the software provided, but is also a function of the General Support provided. A full-service implementation revolves around well designed, developed, and tested software, but it does not end there. The following areas of General Support must be covered:

- Training and User Support.

- Documentation.

- Technical Support Services.

- Maintenance/Updates.

This support must be provided by the developer of the software or other knowledgeable entity, which, for the purpose of our discussion, is referred to as "the software provider." Each of the above areas of General Support will be covered in the following paragraphs.

Training and User Support

Complete training of personnel and support of the Core financial system are required for smooth and efficient implementation of the software. A training plan which includes course offerings, instructors, and schedules must be prepared. Training must be conducted in a modular manner and must be addressed to agency personnel from top-level management to actual users and to those responsible for the maintenance of the software. As described below, each stage of training must address the particular "need-to-know" of its audience.

Top Management

Agency executive management personnel should be presented an overview of the system to be implemented. This overview should clearly define the scope of the project and explain how the new system will interface or integrate with existing systems. It is important to provide top management with specific information that demonstrates the importance of the project so that it can ensure that the appropriate resources are dedicated to the project. Therefore, this presentation should be given as soon as possible after the beginning of the project.

Project Team	Training for the project team should also begin when the project starts. The team should be thoroughly trained in the concepts, operations, and use of the application software in order to implement the system effectively, establish acceptance test criteria, and serve as the in-house experts. This training should continue throughout the project and should include formal classroom instruction coupled with actual "hands-on" demonstrations. The functional and data processing members of the project team must work together with the software provider's personnel to ensure a smooth transition at the completion of the project.

Users

With a central group of individuals fully trained in the system and experienced in the implementation, the remaining users must be trained. This training will focus on the day-to-day operation of the system and on the manner in which the users will accomplish their respective tasks. This training will have audiences different in several respects from earlier ones. It will

- have a larger audience,

- be targeted to the specific responsibilities of groups of users,

- include agency specific aspects developed during the project,

- cover those areas beyond the system capability which are also affected by the implementation.

The agency (specifically the project team) has the option of becoming very involved in the development and presentation of this training. For the earlier training, the software provider was necessarily the expert; however, the knowledge acquired during the project and the extensive understanding of the operations of the agency will now allow the project team to be a valuable resource.

Method of Training

All training must be available as both programmed instruction and self-study. The government must also have the option of obtaining training through the lecture or workshop method.

Materials

All training must be supported by written materials (manuals, handbooks, text). At least one camera-ready copy of these materials must

be available to permit reproduction of an unlimited number of copies. To enhance and facilitate lecture and workshop training, visual training aids (slides or overhead transparencies) must also be available.

Qualifications of Instructors

Personnel selected to train agency employees in the operation and maintenance of the software shall be knowledgeable of the Core financial system and possess the skills necessary to communicate this knowledge to others. Audience diversity will require instructors to be resourceful in their presentations. The instructors' technical knowledge must be sufficient to enable them to address questions and situations which may arise in the classroom concerning the software and the use of the software in the particular agency.

Documentation

Documentation is detailed information which describes the product software. It is directed toward meeting the needs of managers who will supervise operations which will use the software, system analysts and programmers who may maintain or enhance the system, computer center staff, and end users who enter data or retrieve information from the system. To meet the requirements, the documentation provided must include all the information needed to effectively operate the software within an agency environment.

Examples of the types of documents and their expected contents are contained in Appendix C. While documentation does not have to be structured as presented in Appendix C, the available documentation should satisfy the scope and intent of the specified requirements. The documentation must comply with the standards in GAO's Title 2, Appendix III.

Technical Support Services

The software provider must furnish to the agency technical services in support of the Core financial system. These services may continue to be required following the installation of the software.

The software provider's tasks would include, but not be limited to, assisting with:
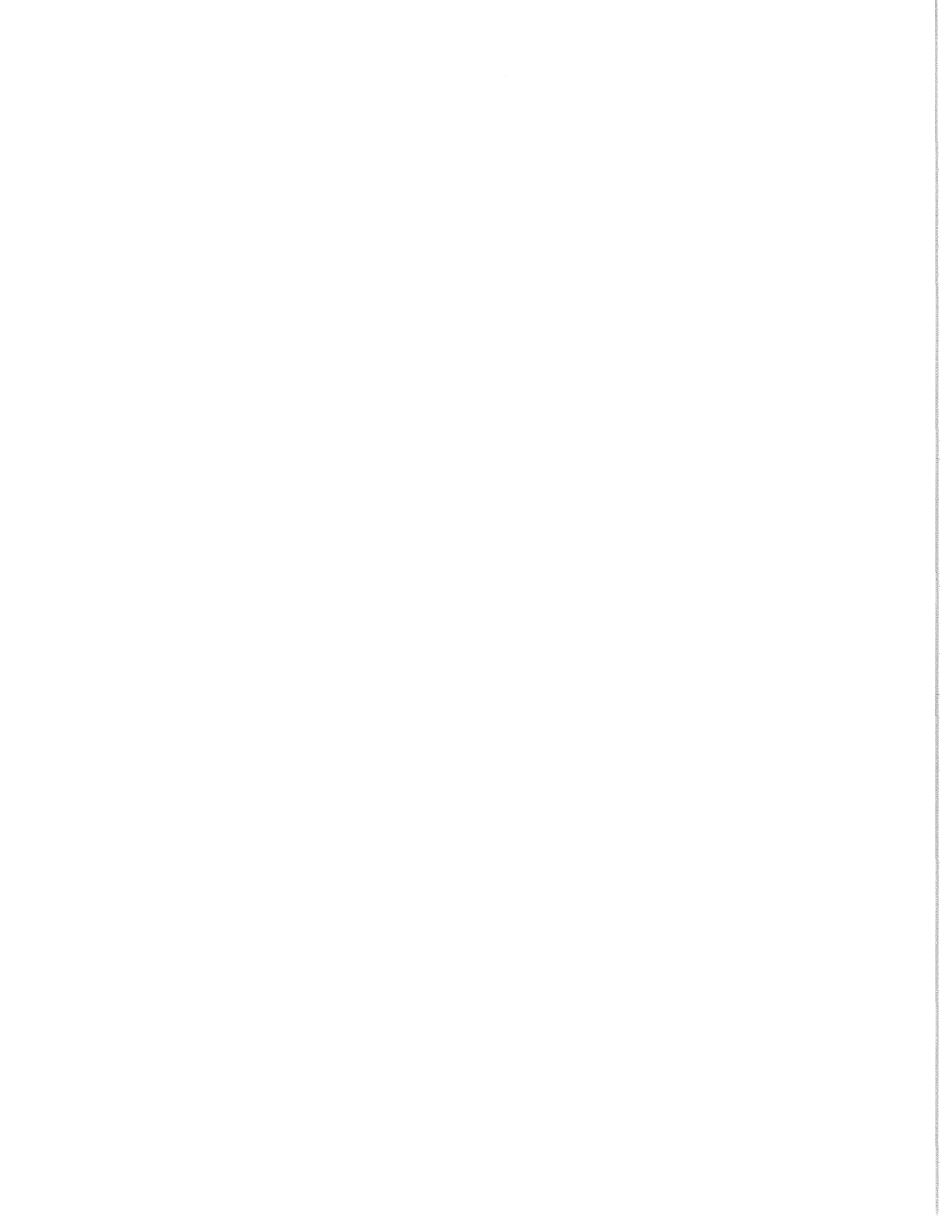
• Installing the software

- Interfacing with existing administrative systems

- Preparing customized reports

- Developing bridges to management support systems

- Converting current and historical data

Maintenance/Updates

The software provider must fully maintain and support all software installed. The maintenance and support services provided shall include assistance in all types of maintenance and support situations, from both a technical and functional perspective, including, but not limited to, the following:

- User contact logging and monthly status information on open problems.

- Software problems, including system ABENDS and software responses that are not consistent with system documentation.

- Information and procedural assistance requests from a maintenance contact point.

- Installation of software updates, including uploading and recompiling program modules.

ADP Systems Requirements

General Support Requirements

Accounting Functional Requirements

General Functional Requirements
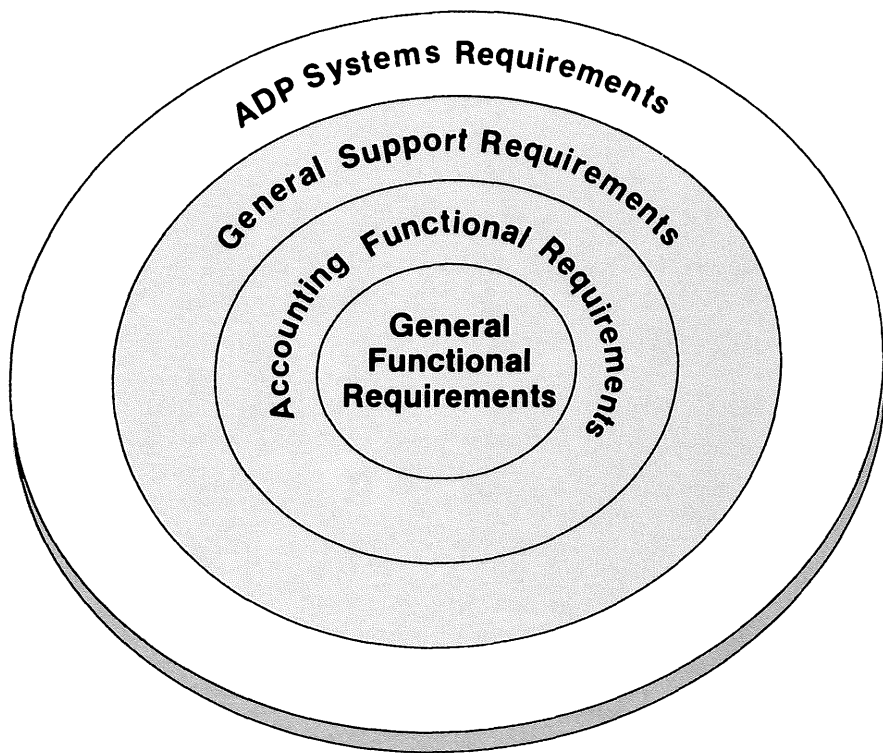
ADP Systems Requirements

From a data processing perspective, the federal government is unique. The size, complexity, and diversity of the components of the government have resulted in data processing environments which contain the products of many different vendors.

Specific software selection is generally constrained by the data processing configurations available. Eventually, the agency or department must consider its ADP environment. A single hardware, software and communications environment, and the related requirements were not identified for this document. Rather, the requirements that are generally applicable to all of these environments have been specified below. The ADP Systems Requirements are addressed under the following headings:

- Hardware, Software, and Communication

- Functional Integration

- Data Entry

- Edit and Update

- Outputs

- Operating Capability

- System and Data Management

- Backup and Recovery

- Security

In each of these areas, more specific requirements will be necessary to fully identify the individual needs of an agency or department.

Hardware, Software, and Communication

The system must be capable of:

- Operating on a mainframe and/or minicomputer.

- Using telecommunications.

- Using microcomputers and/or minicomputers as distributed processors.

- Uploading and downloading of data, including applicable expanded tables and titles to and from microcomputers and/or minicomputers.

Functional Integration

The system must:

- Automatically synchronize and balance files and accounts.

- Provide standard record format(s) for interface of subsidiary/program subsystems to the Core financial system, including labor distribution.

Data Entry

The system must:

- Provide for prompted input mode and for an expert mode as data entry skills increase.

- Provide arithmetic operations for line extensions, etc.

- Support both batch and on-line, real-time data entry.

- Support simultaneous data entry/access by multiple users in a variety of modes.

- Provide for interface capabilities which incorporate all of the data elements available on data entry screens, and provide system identifiers

which specify the application system from which a transaction originated.

- Subject interfaced transactions to the same edit and validations as on-line transactions.

Edit and Update

The system must:

- Provide user control over data editing criteria.

- Edit in both a batch mode and on-line, real-time mode.

- Edit individual data fields and relationships between and among fields.

- Identify, in a single pass, all errors in a transaction.

- Retain transactions with errors until corrected or deleted.

- Allow correction of current or previously identified errors.

- Provide user control of update rules and criteria.

- Create records dynamically as transactions are entered and new accounts are posted.

- Update records in both a batch mode and an on-line, real-time mode.

- Provide user control of update priority and mode.

- Accumulate data by various time periods such as daily, weekly, monthly, fiscal year-to-date, calendar year-to-date, and inception-to-date.

Outputs

The system must:

- Transmit output to other systems and devices.

- Upload and download data to other systems.

- Support user-specified routing to a specific output device.

- Provide on-line inquiry to all data.

- Provide hard copy reporting of all data.

Operating Capability

The system must:

- Accommodate concurrent users.

- Simultaneously support local and remote sites.

- Allow multiple data processing environments to be supported and operated simultaneously, for example, production, testing, and training.

- Provide simultaneous data entry and access/retrieval operations.

System and Data Management

The system must:

- Provide safeguards to avoid or prevent damage of the accounting data from such events as operator errors, simultaneous changes, or system failures.

- Maintain productivity statistics on application usage.

- Provide or interface with capabilities to facilitate reorganization and restructuring.

Backup and Recovery

The system must work in conjunction with the operating system, the transaction processing system, and the data base management system to assist in:

- Identifying data files that have been changed and which will be saved for recovery purposes.

- Notifying users when their jobs have been aborted due to a system failure.

- Determining appropriate backup and recovery procedures based on the types (on-line, batch, etc.) of processing in progress when the failure occurred.

- Enabling authorized personnel to determine the point of failure and to initiate recovery procedures.

- Backing out all incomplete accounting transactions, restoring the system to its last consistent state, and reapplying transactions that have not been successfully posted since the last backup.

- Archiving and subsequently retrieving selected documents and files.

Security

The system must:

- Employ appropriate edits to ensure that all required data have been entered and to validate the accuracy of the data prior to acceptance.

- Allow entry only to those individuals who are authorized and only during times authorized.

- Accept certain kinds of transactions only through authorized terminals and by authorized users.

- Maintain records of the actions of every user and every terminal and include the time and date of use, the type of transaction, the user, and the terminal.

- Maintain a record of, and generate alerts regarding, the detection of attempted unauthorized uses of the system.

- Provide the capability to limit or dedicate terminals to specific functions.

- Require the use of passwords for application system log-on to the Core financial system.

- Have passwords which are capable of periodic change and, if desired by the agency, have a mandatory change after a specified amount of time.

- Have the capability of limiting users to selected functions.

- Have functional accessibility which is capable of change.

- Record the user's identification as part of the transaction record.

- Have the capability to limit access to data files and programs by individuals attempting to access them both through the system and through access methods external to the system.

- Prevent the alteration of financial data except through the posting of transactions that are entered through the normal edit and update process under proper security.
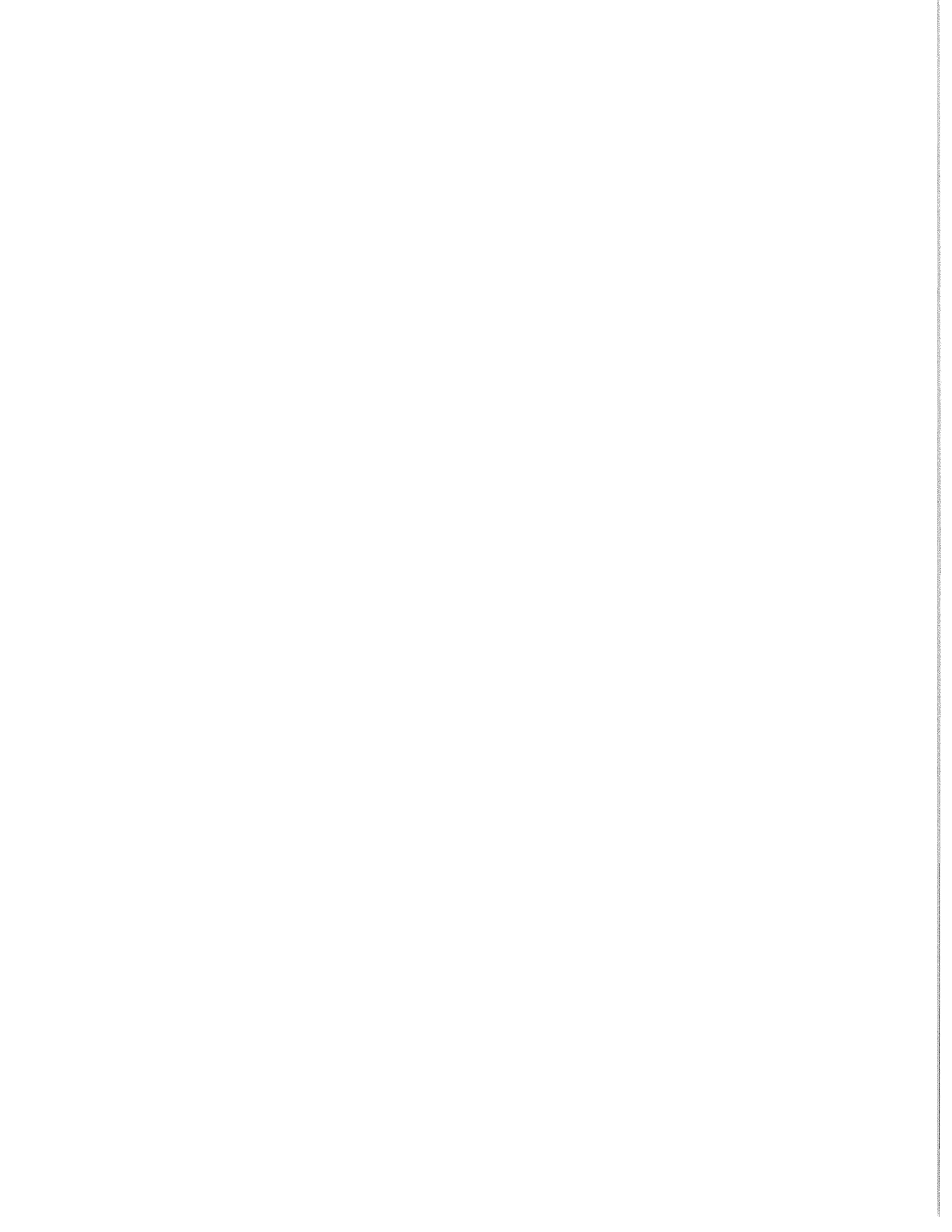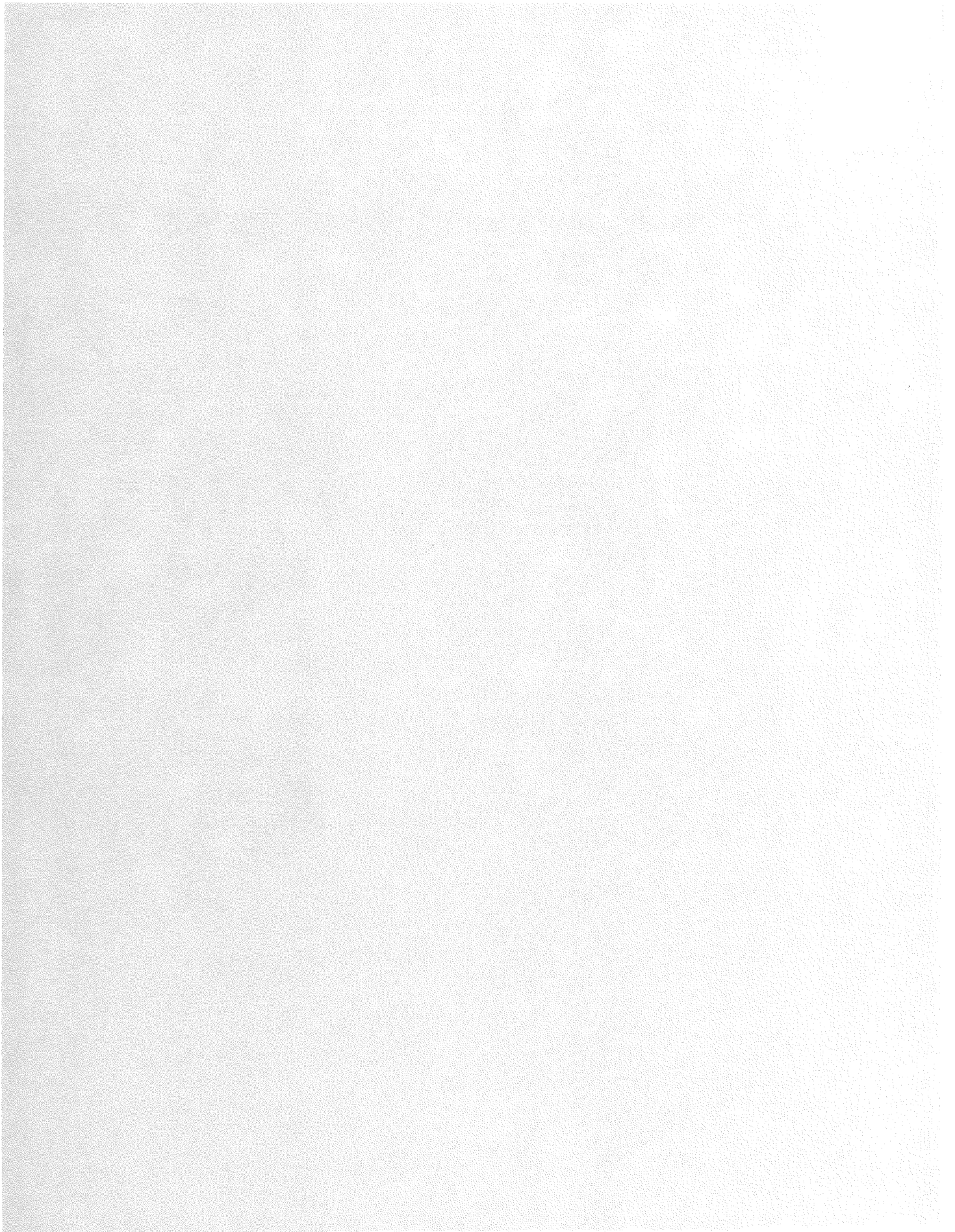
This section prescribes certain terms that have been used throughout this document. All of these terms are found in one of the following sources:

- U.S. Government Standard General Ledger, as of September 1987; hereafter referred to as SGL.

- OMB Circular A-34, "Instructions on Budget Execution," as of August 1985; hereafter referred to as A-34.

- GAO Policy and Procedures Manual for Guidance of Federal Agencies--Title 2, as of November 1984, and Title 7, as of July 1983; hereafter referred to as Title 2 and Title 7.

- A Glossary of Terms Used In The Federal Budget Process, Third Edition, dated March 1981; hereafter referred to as the Glossary.

- Commonly used terms within the federal sector; hereafter referred to as Common Terms.

The source of each definition is identified in parentheses.

Terminology

ACCOMPLISHED PAYMENTS A term used by Treasury and agency personnel to refer to payments requested by an entity and made by Treasury on the behalf of that entity. The detailed accomplished payment data, provided by Treasury, are used by the entity to reconcile the agency SF 224 to Treasury's 6653. (Common Term)

ACCOUNTING OFFICE An organizational unit with financial responsibility for maintaining all accounts for funds or property of the organization. (SGL p. IV-3)

ADMINISTRATION OR BUREAU The principal subordinate organizational unit within a department or agency. (SGL p. IV-3)

ADMINISTRATIVE CONTROL OF FUNDS The control over the use and management of fund appropriations to ensure that (1) funds are used only for authorized purposes, (2) funds are economically and efficiently used, (3) obligations and expenditures do not exceed the

amounts authorized and available, and (4) the obligation or disbursement of funds is not reserved or otherwise withheld without congressional knowledge and approval. To control funds adequately, there must be an effective verification of available funds (positive knowledge) before creating an obligation, and obligation information must be accumulated and reported promptly and accurately. (Title 2, Appendix I, p. F50)

AGENCY (See DEPARTMENT OR AGENCY).

AGENCY LOCATION CODE (ALC) Code assigned by Treasury to each reporting unit requiring the preparation of a SF-224. The first two digits of the symbol identify the department or agency, the third and fourth digits identify the particular bureau within that department, and the remaining four digits identify the lowest level of reporting required for the particular agency accounting station within that bureau (e.g., Letter of Credit, Trust Funds, all other, etc.). The ALC must be shown on all documentation forwarded to Treasury's disbursing centers, and on all SF-215 "Deposit Ticket" and related SF-5515 "Debit Voucher" documents. (SGL p. IV-3)

ALLOTMENT Authority delegated by the head or other authorized employee of an agency to agency employees to incur obligations within a specified amount, pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation. (A-34, Part II, p. II-1)

ALLOWANCE Allowances are subdivisions of allotments. (SGL p. IV-4)

ANTI-DEFICIENCY ACT VIOLATION The incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds. The basic actions that are prohibited by the Anti-Deficiency Act can be found at Subsections (a), (b), and (h) of 31 USC 665. (Recodified as Sections 1341a, 1342, and 1517a of Title 31 of the U.S. Code.) (Glossary, p. 34)

APPORTIONMENT A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combination thereof. The amounts so apportioned limit the obligations that may be incurred. (A-34, Part II, p. II-1)

<u>APPROPRIATION ACCOUNT OR FUND ACCOUNT</u> A summary account established in the Treasury for each appropriation and/or fund showing transactions to such accounts. Each such account provides the framework for establishing a set of balanced accounts on the books of the agency concerned. (Glossary, p. 35)

<u>APPROPRIATIONS</u> Statutory authority that allows federal agencies to incur obligations and to make payments out of the Treasury for specified legislation. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority. (A-34, Part II, p. II-3)

<u>BRANCH</u> A subdivision of a division. (SGL p. IV-5)

<u>BUDGET ACTIVITY</u> Categories within most accounts that identify the purposes, projects, or types of activities financed. They are presented in the Program by Activities section in the Program and Financing Schedule of the Budget of the United States Government. (SGL p. IV-5)

<u>BUDGET CENTER</u> The lowest level of responsibility and/or control for which costs are accumulated. A budget center equates to an organization performing a mission where the supervisor has a degree of control over resource consumption. Cost centers are normally subdivisions of budget centers. (SGL p. IV-5)

<u>BUDGET DECISION UNIT</u> In budgeting, that part (or component) of the basic program or organizational entity for which budget requests are prepared and for which managers make significant decisions on the amount of spending and the scope or quality of work to be performed. (SGL p. IV-5)

<u>BUDGET EXECUTION</u> Apportionments, reapportionments, financial plans, deferrals, proposed and enacted rescissions, systems for administrative control of funds, administrative division of funds, allotments, reports on budget execution, and reports on violations of the Antideficiency Act. (A-34, Sec. I, p. 1)

<u>BUDGET PROGRAM ELEMENT</u> A portion of a departmental budget submitted to OMB to reflect estimated receipts, obligations, and expenditures pertaining to a particular program of an agency or department, (usually relating to a particular function of the agency or department). (SGL p. IV-5)

BUDGET SUBACTIVITY A subdivision of Budget Activity. (SGL p. IV-5)

BUDGET SUBPROGRAM A subdivision of Budget Program Element. (SGL p. IV-5)

BUDGET SUB-SUBACTIVITY A subdivision of Budget Subactivity. (SGL p. IV-5)

COMMITMENT A commitment is a reservation of a specific amount of available funds which provides for a later issuance of an obligation. (Common Term)

COST CENTER The lowest organizational unit or activity to benefit from costs that are incurred. Cost centers are normally subdivisions of budget centers. (SGL p. IV-6)

DEPARTMENT OR AGENCY Any department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the government, including any corporation wholly or partly owned by the United States that is an independent instrumentality of the United States, not including the municipal government of the District of Columbia. (A-34, Part II, p. II-2)

DISBURSEMENTS Disbursements are checks issued or cash paid, net of refunds. Note that disbursements are not the equivalent of expenditures. Also, note that disbursements include funds used to make advance payments. (Common Term)

DIVISION A subdivision of an office. (SGL p. IV-6)

EXPENDITURE TRANSACTIONS Expenditure transactions are transactions between appropriation and fund accounts which represent payments, repayments, or receipts for goods or services furnished or to be furnished. Expenditure transactions are recorded as obligations or outlays of the transferring accounts and as reimbursements or receipts of the receiving accounts, as specifically authorized by law. (Title 7, Sub. Sect. 7.3, p. 7-9)

EXPENSE Cost of operations, including depreciation/amortization of capitalized assets. (Common Term)

FINANCIAL OPERATING PLAN A one-year plan, sometimes called a Budget Execution Plan, that is developed by components having responsibility for administrative and program resources. It is developed in advance of the apportionment process, on the basis of anticipated and actual funding levels, and, as a minimum, will identify the programs by budget activity and salaries and wages for staff and operations. It must ultimately be modified to be consistent with available obligational authority. The quantifying basis will be net obligations unless the nature of the operation permits better measurement through use of cost basis. Where used, the cost-based plan must be bridged to obligations. Approved financial operating plans and the obligational authority available will determine the allotments and allowances to be issued. Offices should design and implement systems to satisfy the uniqueness of their programs. (Common Term)

FUNCTION Additional breakdown below project. (SGL p. IV-1)

FUND ACCOUNT (See APPROPRIATION OR FUND ACCOUNT)

FUND CERTIFICATION A test for available funds to cover the commitment and obligation documents prior to official release of such documents. (Common Term)

FUNDING CONTROL STRUCTURE The levels at which funding resources are allocated to a government agency and its operating components (by either OMB or the agency budget office) and at which those resources must be tracked, controlled, and reported. (Common Term)

FUNDS CONTROL (See ADMINISTRATIVE CONTROL OF FUNDS)

GOALS Government Online Accounting Link System. The electronic network which ties agencies to Treasury and each other for the exchange of information. Over the network, agencies can transfer funds to each other and receive notification that Treasury has accomplished disbursements. Also, agencies and Treasury can submit and receive reports once exchanged in hard copy format by mail. The GOALS network can be used with a wide variety of terminals and modems. (Common Term)

LIMITATION A funding restriction, imposed by OMB, a department, or an agency, that places a ceiling for obligational/spending authority.

The limitation may exist at any level within a funding structure or may be imposed by an independent structure. (Common Term)

OBJECT CLASS CODES A combination of two codes used to classify financial transactions:
Major Object Classes The major object classifications prescribed by the OMB and certain prescribed subobject classifications are used uniformly throughout the government in submitting budget estimates and budget reports to the Congress. (Common Term)
Subobject Classes These are subdivisions of the major object classes to permit more detailed review or analysis of common or special interest classes of object and to ensure uniform reporting of certain data. (Common Term)

OBJECT CLASSIFICATION A method of classifying obligations and expenditures according to the types of services, articles, or other items involved, e.g., personal services, supplies and materials, and equipment. See OMB Circular A-11 for current object classifications. (SGL p. IV-7)

OBLIGATIONS Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions for bona fide needs existing during a given period that will require payments during the same or a future period and that comply with applicable laws and regulations. Such amounts will include outlays for which obligations had not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations. (Title 2, p. 7)

OFFICE A subdivision of an administration or bureau. (SGL p. IV-7)

OPERATING PLAN The operating plan is developed by holders of obligational authority and is the basis for constructing the allottee's financial operating plan. It is used to assign funds to and control operations of organizations. (Common Term)

PROJECT A planned undertaking of something to be accomplished, produced, or constructed, having a finite beginning and a finite end. Examples are a construction project or a research and development project. (SGL p. IV-7)

REIMBURSABLE AUTHORITY Apportioned authority for income from customers' orders anticipated to be earned during a fiscal year. (A-34, Sec. 21.1, p. 8&9)

SUBOBJECT CLASSIFICATION A subdivision of an object. (SGL p. IV-7)

SUBPROJECT CLASSIFICATION A subdivision of a project. (SGL p. IV-7)

SUB-SUBOBJECT CLASSIFICATION A subdivision of a subobject. (Common Term)

TASK/WORK ORDER Additional breakdown below project. (SGL p. IV-1)

UNIT A subdivision of a branch. (SGL p. IV-2)

WARRANTS Official documents which are issued pursuant to law by the Secretary of the Treasury and which establish the amount of moneys authorized to be withdrawn from the Treasury. (A-34, Sec. 21.1 p. 9)

WORK UNIT/JOB ORDER Additional breakdown below project. (SGL p. IV-1)
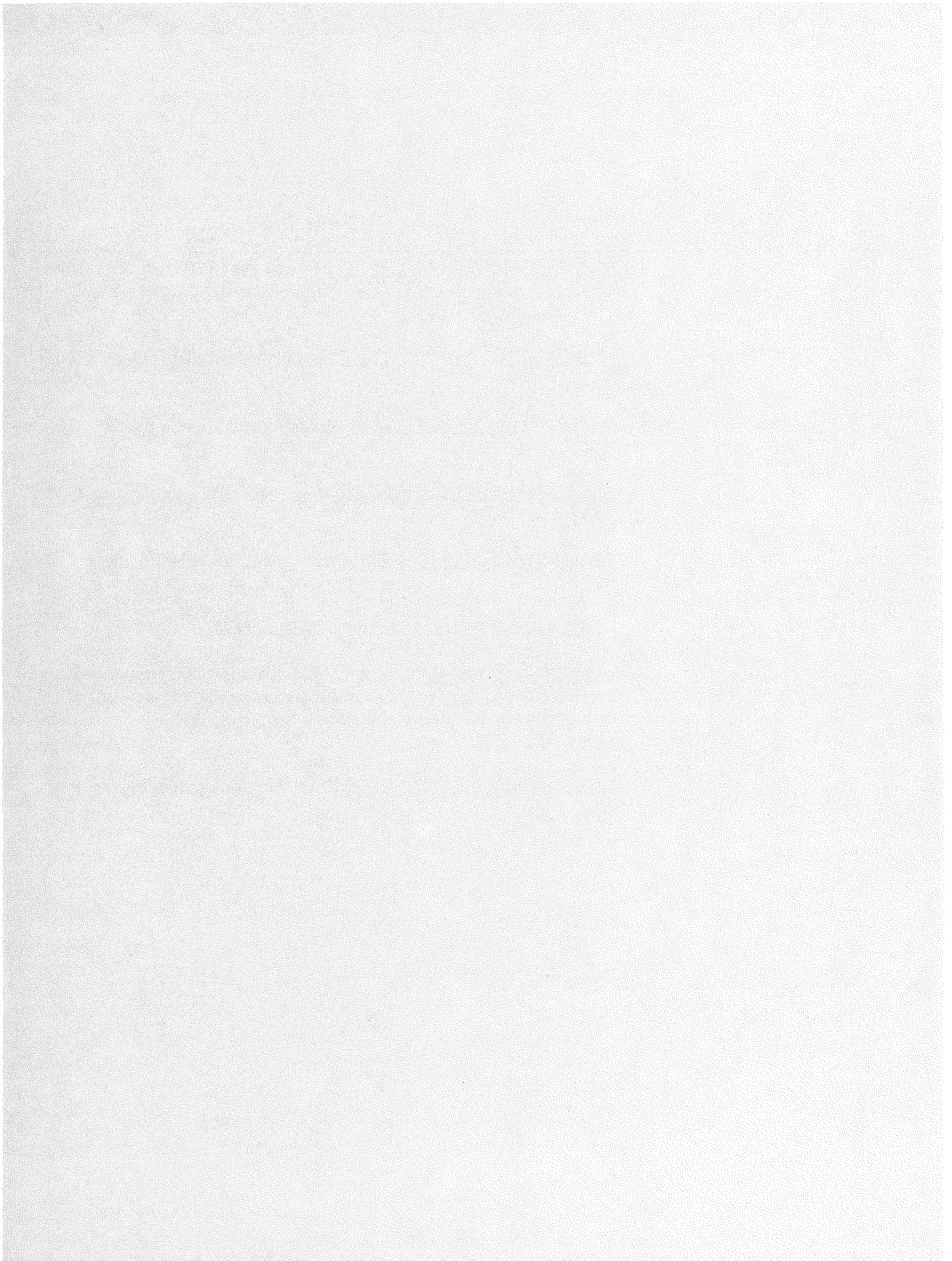
Summary of External
Reporting Requirements

This appendix describes the minimum specific external reports to be generated by the Core financial system. These reports are presented in a summary chart, which identifies report title, form, purpose, level, basis, frequency, medium, and guidelines. A more detailed discussion of these reporting requirements, broken down by agency, follows. The reports must be produced using the specific instructions referenced and must conform to the GAO Title 2.

It should be noted that the report descriptions reflect the current reporting standards of the central financial agencies. These descriptions do not provide the detailed specifications of the report contents. To obtain this information and verify that the requirements have not been changed, it will be necessary to refer to the guidelines identified.

Summary Chart of External Reporting Requirements

Title	Form	Purpose	Level	Basis	Frequency	Medium	Guidelines
Annual Budget Request	---	Requests and justifies budget authority	Appropriation/Fund Account	Cash	Annually	Hard copy	OMB Cir A-11 SGL Crosswalk
Report on Budget Execution	SF-133	Reports utilization and status of budget resources	Appropriation/ Fund Account	Cash/ Obligation	Monthly/Final	Hard copy	OMB Cir A-34 SGL Crosswalk
Report on Financial Position	SF-220	Reports all assets, liabilities, and equity of the U.S. Government	Each revolving fund. Each trust revolving fund. Each of the 15 major trust funds. All other trust funds combined. All other activities combined. Consolidated reports.	Accrual	Annually	Computer-to-Computer	I TFM 2-4100 SGL Crosswalk Bulk Transfer User's Guide
Additional Financial Information	SF-220-1	Provides format for fair presentation disclosures to SF-220	Supporting form required for the SF-220	Accrual	Annually	Computer-to-Computer	I TFM 2-4100 Bulk Transfer User's Guide
Direct and Guaranteed Loans Reported by Agency and Program Due from the Public	SF-220-8	Provides Federal Reserve Board information to monitor flow of funds	Supporting form required for the SF-220	Accrual	Quarterly	Computer-to-Computer	I TFM 2-4100 Bulk Transfer User's Guide
Report on Accounts and Loans Receivable Due from The Public	SF-220-9	Provides information on the status of public receivables; required by OMB	Supporting form required for the SF-220	Accrual	Quarterly/ Annually	Computer-to-Computer	I TFM 2-4100 Bulk Transfer User's Guide
Report on Operations	SF-221	Reports on the financial results of all Federal programs and activities	Required for all reporting entities	Accrual/ Cash	Annually	Hard copy	I TFM 2-4100 SGL Crosswalk
Report on Cash Flow	SF-222	Shows the sources and uses of resources during the reporting period	Required for all reporting entities	Accrual	Annually	Hard copy	I TFM 2-4100 SGL Crosswalk

Summary Chart of External Reporting Requirements

Title	Form	Purpose	Level	Basis	Frequency	Medium	Guidelines
Report on Reconciliation	SF-223	Reconciles outlays and accruals for the reporting period	Required for all reporting entities	Accrual/ Cash	Annually	Hard copy	I TFM 2-4100 SGL Crosswalk
Statement of Transactions	SF-224	Reports disbursements, collections and status of collections	Agency location code by Appropriation/Fund Account	Cash	Monthly	Computer-to-Computer	I TFM 2-3300 Bulk Transfer User's Guide
Report on Obligations	SF-225	Reports obligations incurred and unpaid	Appropriation/Fund Account	Cash/ Obligation	Monthly	Hard copy	I TFM 2-4400 SGL Crosswalk
Year-end Closing Statement	TFS-2108	Reports financial results in terms of availability; excess/ restoration/transfer of funds	Appropriation/Fund Account	Modified Accrual/ Cash/ Obligation	Annually	Hard copy	I TFM 2-4200 SGL Crosswalk
Statement of Financial Position (Balance Sheet)	N/A	Disclosure Statement of Assets, Liabilities, and Equity	Agency	Accrual	Annually	Hard copy	GAO Title 2
Statement of Operations	N/A	Reports Financing Sources and Gains against Expenses, Losses, and Transfers Out	Agency	Accrual	Annually	Hard copy	GAO Title 2
Statement of Changes in Financial Position	N/A	Presents all Significant Sources and Uses	Agency	Cash	Annually	Hard copy	GAO Title 2
Statement of Reconciliation to Budget Reports	N/A	Comparison of Actual Amounts on Financial Statements to Actual Amounts on Budget Reports	Agency	Accrual/ Obligation	Annually	Hard copy	GAO Title 2
Statement of Budget and Actual	N/A	Comparison of Initial Budget, Final Budget and Actual Amounts	Agency	Cash	Annually	Hard copy	GAO Title 2

OMB Requirements

1. The agencies' annual budget requests include:

   – program and financing schedule,

   – schedules on status of direct loans and guaranteed loans,

   – schedule of object classification and personnel summary,

   – schedule on status of unfunded contract authority,

   – schedule of amounts available for appropriation.

   The financial data generally required on these schedules include prior year actual, current year estimate and the budget year estimate. Accordingly, the Core financial system must be able to provide information on prior year actual and current year-to-date. Since OMB requires reporting in various media (reprinted galleys, new print material, and key entry to the Budget Preparation System), and because estimates must be integrated with actual data, the Core financial system, in order of preference, must be able to:

   – interface with an automated budget formulation package, i.e. pass records or files in specified formats,

   – download data to a personal computer,

   – print hard copy reports.

   The budget reporting cycle varies from agency to agency and the extent of data varies from account to account. Hence, the system must be flexible enough to produce these reports upon request. Specific instructions for report preparation are in Circular A-11, "Preparation and Submission of Budget Estimates."

2. Report on Budget Execution - SF-133. This report is divided into three general sections: Budget Resources, Status of Budgetary Resources, and Relation of Obligations to Outlays and Accrued Expenditures. Where applicable, reporting is segregated for each account by unexpired and expired obligational authority and the total of the two parts. The financial data requested is available from the general ledger, but requires some computation of line items. The

preferred reporting is a computer generation of the standard form; alternatively, hard copy data listing must be produced for manual transfer to the standard form.

The reporting frequency is 12 monthly reports and a final report which must reconcile with the TFS-2108, Year-End Closing Statement. (See Treasury Requirements below.) Hence, the Core financial system should automatically generate each of the 12 month-end reports as a part of the month-end cycle and the final report as part of the year-end cycle. Specific instructions for report preparation are in Circular A-34, "Instructions on Budget Execution."

Treasury Requirements

1. Report on Financial Position - SF-220. This report includes the reporting entity's assets, liabilities, and equity as of the reporting date. The report requires disclosure of the valuation basis on which major categories of assets are reported, the nature of any significant contingent liabilities, and any other information related to assets, liabilities, and equity, considered necessary to fully and clearly disclose financial position. This report is prepared on the accrual basis.

The SF-220 is an annual report which is to be consolidated by an organization unit, with separate reports for:

— each revolving fund and trust revolving fund,

— each major trust fund (e.g. highway, civil service retirement, social security, etc.--15 in all),

— all other trust funds combined,

— all other accounts combined.

This report should be generated directly from the general ledger and certain supporting accounts. The report should be automatically generated as an output of the final annual closing cycle. The methods of reporting data to Treasury, in order of preference, are:

— computer-to-computer electronic transmission over GOALS,

— download of report to personal computer and electronic transfer to Treasury via GOALS,

– printing hard copy report in SF-220 format for key entry over GOALS.

Specific instructions for report preparation are in I TFM 2-4100. Also, a crosswalk between the SF-220 and the SGL is available in the SGL release.

2. Additional Financial Information - SF-220-1. This schedule includes disclosure of other financial information considered necessary to support the Report on Financial Position and provides an analysis of the composition of "Fund balances with Treasury and cash." The information requested in the schedule should be viewed as a guide to fair disclosure. Accordingly, circumstances may warrant additional disclosures which are not specifically provided for in this schedule. Each reporting entity is responsible for assuring that all appropriate disclosures considered necessary for fair presentation of its financial position are included in the schedule. An SF-220-1 should be prepared for each separate SF-220; a consolidated SF-220-1 is not required. The SF-220-1 should be submitted annually using the same transmission method as the SF-220. Specific reporting instructions are in I TFM 2-4100.

3. Direct and Guaranteed Loans Reported by Agency and Program Due from the Public - SF-220-8. This schedule provides information in support of the Federal Reserve Board's requirement for information related to loans receivable by program in U.S. dollars and in foreign currencies. The report covers amounts outstanding, maximum lending authority, and contingent liabilities. The SF-220-8 must be prepared quarterly for each SF-220 reporting level and applicable loan program. The report should be generated from the detailed loan receivable records, agree with the SF-220-9, and be transmitted like the SF-220 using GOALS. Specific reporting instructions are in I TFM 2-4100.

4. Report on Accounts and Loans Receivable Due from the Public - SF-220-9. This schedule provides information in support of OMB's Circular A-129, "Managing Federal Credit Programs," requirements for disclosure of governmentwide receivables from the public. The report is in two parts: Status of Receivables and Administrative Actions. The Status of Receivables section covers aging, current fiscal year activity and write-offs. The Administrative Actions section covers collection referrals, reschedules, interest, and penalties. The report should be generated from the detailed receivable records and certain general

ledger accounts (e.g. interest and penalty revenue accounts). The SF-220-9 is to be prepared annually by all accounts in support of the SF-220. Also, approximately 50 major funds must report quarterly. The report should be prepared in the same manner as the SF-220 and transmitted to Treasury via GOALS. Specific reporting instructions are in I TFM 2-4100.

5. Report on Operations - SF-221. The Report on Operations should be prepared for each reporting entity and should include the financial results of activities, including revenue and other financing sources, and operating expenses. Revolving and trust revolving funds are required to prepare the report on the accrual basis. For all other entities, the accrual basis is preferred, especially where there are significant differences between accruals and the cash basis. This report satisfies requirements of the GAO Title 2. The SF-221 is to be prepared annually. The report should be generated directly from the general ledger accounts and be in a format to send directly to Treasury. (For FY 1988 reports, Treasury plans for bulk transfer or key entry of SF-221 data via GOALS.) A crosswalk is available in the SGL release and detailed instructions are in I TFM 2-4100.

6. Report on Cash Flow - SF-222. This report reconciles the beginning and ending "Fund balances with Treasury and Cash" accounts by presenting all sources and uses of resources during the fiscal year. The report should be prepared at the same level of the SF-220; a consolidated report is also required. The report should be generated from the general ledger accounts in a hard copy format to be sent to Treasury. (For FY 1988, Treasury plans for bulk transfer or key entry of SF-222 data via GOALS.) A crosswalk is available in the SGL release and detailed instructions are in I TFM 2-4100.

7. Report on Reconciliation - SF-223. This report reconciles operating expenses on the accrual basis to cash outlays for the fiscal year. The report should be prepared at the same level as the SF-220; a consolidated report is also required. The report should be generated from the SF-221 and certain general ledger accounts in a hard copy format and should be sent to Treasury (For FY 1988, Treasury plans for bulk transfer or key entry of SF-223 date via GOALS.) A crosswalk is available in the SGL release and detailed instructions are in I TFM 2-4100.

8. Statement of Transactions - SF-224. This report represents the agencies' monthly cash transactions and is divided into three general sections: Classification of Disbursements and Collection by Appropriation Fund and Receipt Accounts, Control Totals of Disbursement and Collections, and Status of Collections. The first section represents a classification of cash received and disbursements accomplished by fund and overall net total. The second section represents totals of cash collected, cash disbursed and overall net total. Section three tracks cash collected, cash deposited, and cash on hand (undeposited). The report should be produced based on activity in the general ledger accounts "Fund Balance with Treasury" and "Cash," and system-maintained collection registers and disbursement logs. Three methods of reporting the SF-224 data to Treasury, in order of preference, are:

   – electronic transmission computer-to-computer over GOALS,

   – download of report to personal computer and electronic transfer to Treasury via GOALS,

   – printing hard copy report in SF-224 format for key entry over GOALS.

   The report should be generated automatically on a monthly basis.

   Specific instructions for report preparation are in the Treasury Financial Manual, Volume I, Part 2, Chapter 3300 (I TFM 2-3300).

9. Report on Obligations - SF-225. This report contains the amounts of gross obligations incurred by object classification, total net obligations incurred, and net unpaid obligations outstanding. The data on gross obligations incurred are to be in two categories: total gross obligations incurred and gross obligations incurred within the federal government. The report is prepared on an account-by-account basis for transactions this fiscal year-to-date. The report is generated from the general ledger accounts: expended appropriations, undelivered orders, reimbursements and other income earned, unfilled customer orders that have been obligated, and actual recoveries of prior year obligations. Also, amounts must be consistent with the SF-133, "Report on Budget Execution."

   The format of the report is a computer generated printout in the standard format. The report should be generated automatically on a monthly basis. Specific instructions for report preparation are in I TFM 2-4400.

10. Year-end Closing Statement - TFS-2108. This report provides the official annual financial results of appropriation and fund accounts in terms of availability (i.e. obligational authority). The report allows for withdrawal of excess funds, restorations on prior withdrawals, and transfer of obligations from expired accounts to "M" (merged) accounts. This report represents integration of the agency's accounts with data maintained by Treasury and OMB. The report must contain each appropriation and fund account at the level of availability. Also, the starting point for each report is the Treasury pre-closing account balance, which should agree with the general ledger account, "Fund balance with Treasury."

The data needed to prepare the TFS-2108 is contained in the SGL accounts. The report should be automatically generated as a part of the annual closing of accounts cycle. Preferably the report would be generated in the standardized format and be ready for mailing to Treasury. If not, all necessary data should be provided in a separate data listing for manual transfer to the Treasury provided format.

Detailed instructions for preparation of the TFS-2108 are in I TFM 2-4200 and a crosswalk is provided in the SGL release.
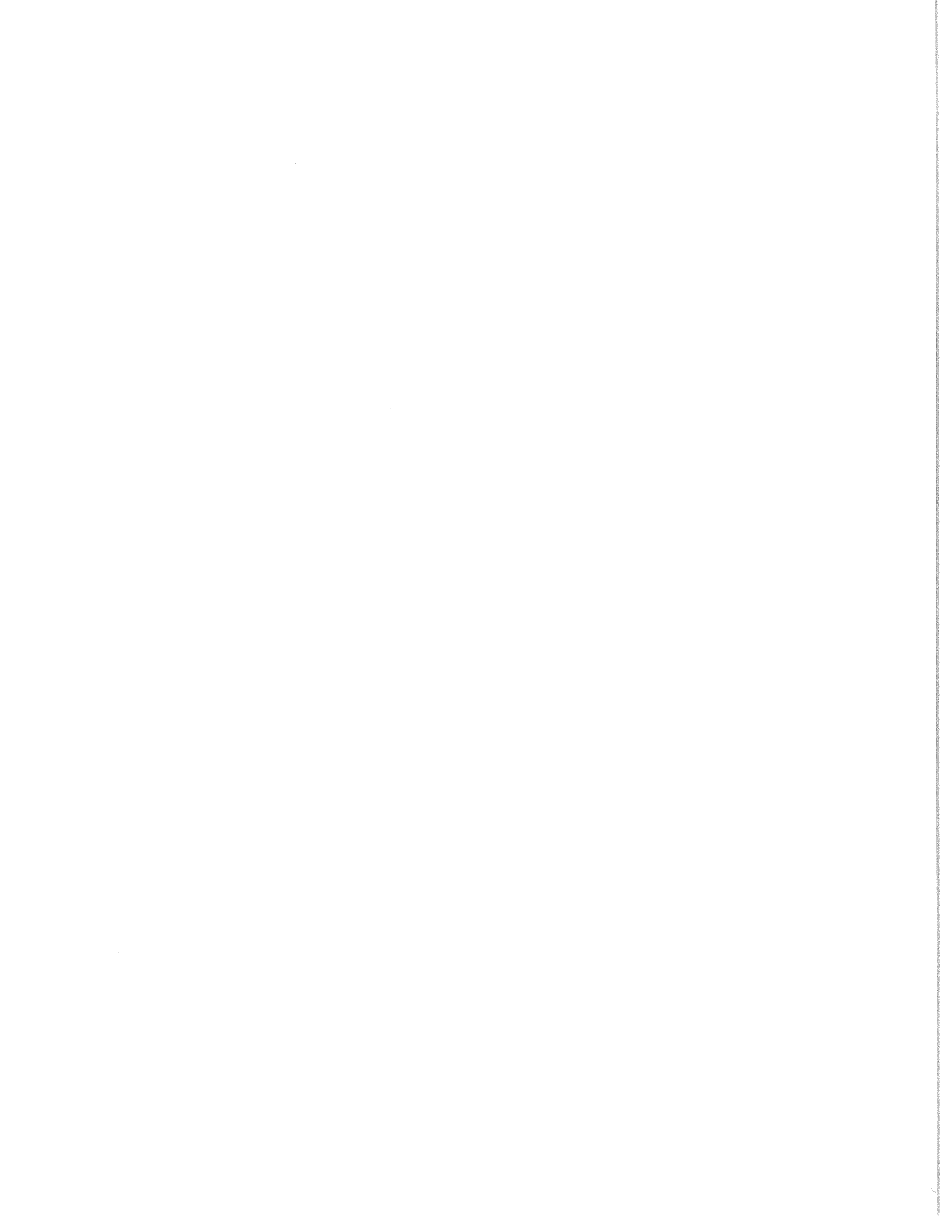
GAO Requirements

1. Statement of Financial Position (Balance Sheet) - All departments and independent agencies shall prepare a Statement of Financial Position. Such a statement, including footnotes thereto, shall disclose the bases on which major categories of assets are accounted for and reported, the nature of any significant restrictions on the use of assets, the amount and nature of significant contingent liabilities, and such explanatory information on the assets, liabilities, and equity as is necessary to fully and clearly disclose the financial position of the agency.

2. Statement of Operations - Departments and independent agencies shall prepare a Statement of Operations, reporting expenses, losses, transfers out, and financial sources (i.e., appropriations and revenues) and gains. Other standards in this document discuss specific transactions that flow through the Statement of Operations.

3. Statement of Changes in Financial Position - A Statement of Changes in Financial Position shall be a part of the financial statements. This statement shall show the changes on a cash basis and shall present all significant sources and uses of resources. Related sources and uses shall not be netted.

The statement shall begin with the results of operations before unusual and infrequent items and add back (or deduct) items recognized in determining operating results that did not use or provide resources (depreciation, amortization on intangible assets, etc.). The statement shall also include all significant changes in the elements of financial position.

Unusual and/or infrequent items affecting operations or changes in elements of financial position shall be reported separately.

The totals of sources and uses of resources shall be shown with the net change in "Funds with the U.S. Treasury and Cash" from the beginning of the period to the end of the period.

4. Statement of Reconciliation to Budget Reports - Department and independent agencies shall prepare a Statement of Reconciliation to Budget Reports to ensure that the financial information presented in the financial statement is consistent with similar amounts presented in budget reports. This statement shall reconcile the information presented in financial statements to that reported in its Year-End Closing Statements (TFS Form 2108). Material items of reconciliation shall be disclosed in either the financial statements or notes thereto.

5. Statement of Budget and Actual - Agency financial statements should include a comparison of budget to actual amounts. This statement will include the initial, approved budget and the final, approved budget.
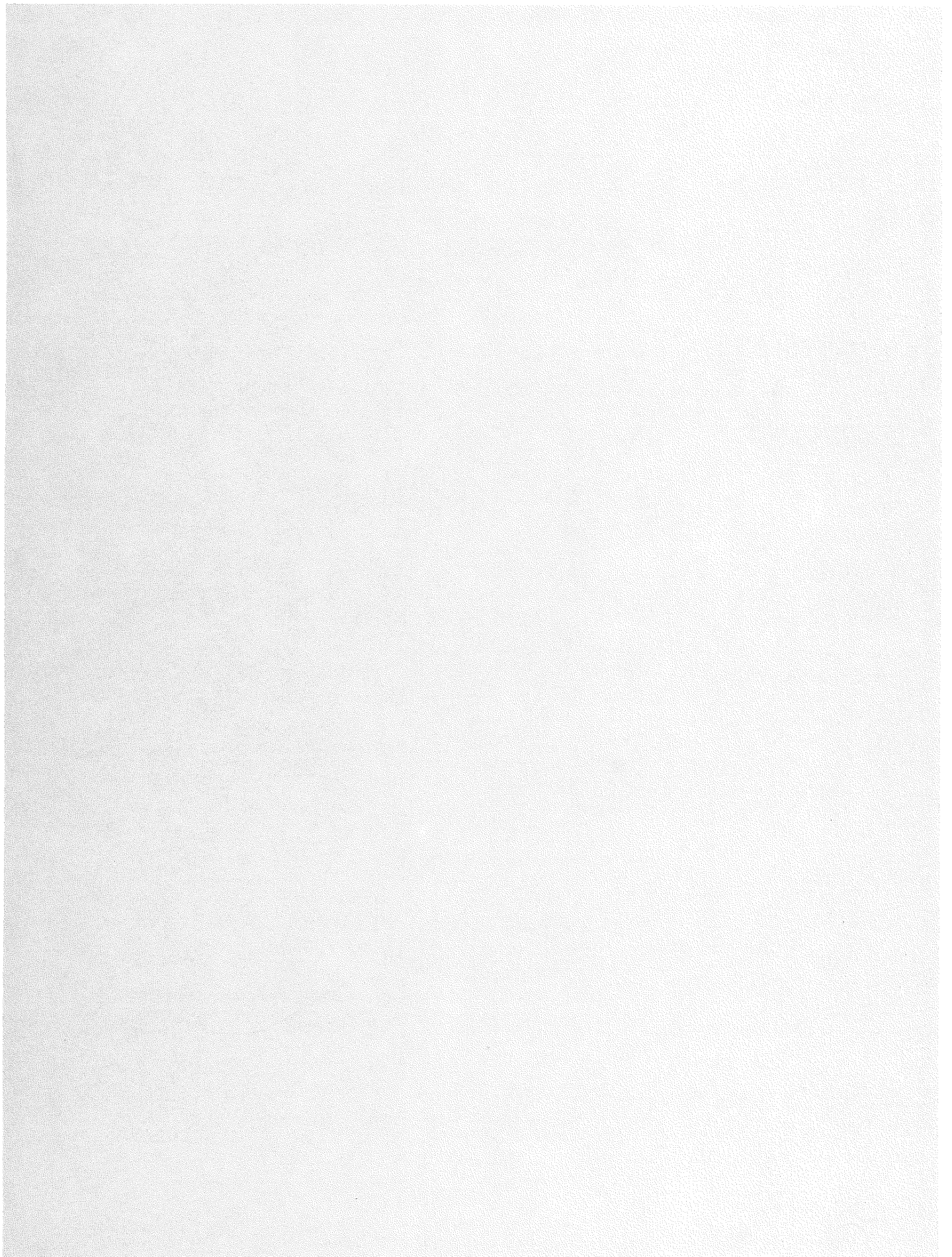
Software Documentation

As identified in chapter III, General Support Requirements, one of the key elements in the successful implementation and operation of the Core financial system is the software documentation. The items listed in this appendix are intended to identify the scope and intent of the documentation requirements rather than to state them definitively. If the scope and intent are satisfied, then the content and format of the documentation may be different. The types of documentation addressed are:

- System Documentation

- Operations Documentation

- User Documentation

- Other Documentation

System Documentation

The system documentation should contain the following:

- Table of contents and index.

- System narratives - a brief statement of the objectives of each system functional component, a description of the major inputs, files, algorithms, and outputs of the system, and an indication of the processing sequence and timing requirements.

- Overall system flow charts showing input procedures and the associated manual processes as well as the individual program functions.

- Report definitions with layouts of the contents and descriptions of the controls, e.g., distributions, frequencies, and breaks.

- Transaction and master file/record definitions indicating field size, class (alpha vs. numeric), type (computational vs. display), relative record position, range or values, and dependent fields.

- A list of system programs, their functional descriptions and job streams.

• Data descriptions of data elements, validation criteria, location of data use, and security provisions.

• Screen formats describing layouts, screen edits, correction procedures, and cursor positioning.

Operations Documentation

Documentation regarding operations should include:

• Table of contents and detailed index.

• Installation instructions, including a description of how to load and update the system.

• Operating instructions, including a description of any special command languages, regular start-up and back-up procedures, recovery procedures, etc.

• Security procedures, including access controls via passwords, relevant data encryption, levels of security, procedures for changing passwords, etc.

• Peripheral device requirements, including necessary system/user storage volumes, etc.

• System message and troubleshooting guides.

• Schedules and names of batch jobs, including projected run times.

User Documentation

User documentation must include:

• Table of contents and detailed index.

• System overviews describing each application and highlighting any dependencies or integration with other applications.

• Description of inputs:

− Screen display layouts.

— Text and explanation of error messages and follow-up action to be taken.

— Explanation of preparation and input of source documents (if applicable).

— Explanation of establishment of input controls.

— Explanation of use of input edit listings.

• Description of outputs:

— Types of reports.

— The relationship of reports to processing cycle.

— The ways to reconcile the report control totals.

• Data control and error correction procedures describing the procedures that are to be used to control, correct, and balance data with respect to:

— Input data control.

— Key transcription.

— Computer editing and validation.

— Computer processing.

• User guides describing how to design and generate nonrecurring reports and inquiries.

• Documentation to address the different classes of users.

• Description of menu options and menu maps.

• Description of the SGL debit/credit for each accounting transaction processed in the system.

Other Documentation

In addition to the above-mentioned requirements, the documentation must also:

- Provide any information that would support the agency's implementation of it, including:

  - Implementation requirements.

  - Conversion aids and control procedures.

  - Parameters for customization of screens and reports.

  - Guidelines for developing acceptance tests.

- Include any printed materials (diagnostic aids, user newsletters, etc.) or automated documentation (e.g., graphic descriptions, data bases or structured analysis tools), in addition to those outlined above, which have been provided to other customers.

- Include administrative controls used by the vendor prior to, during, and after a new release of the software.

- Be the latest version, updated to reflect software changes and their operational effects.

- Be detailed, well-organized, and well-presented, and contain features that make it easy to use as reference and training materials.
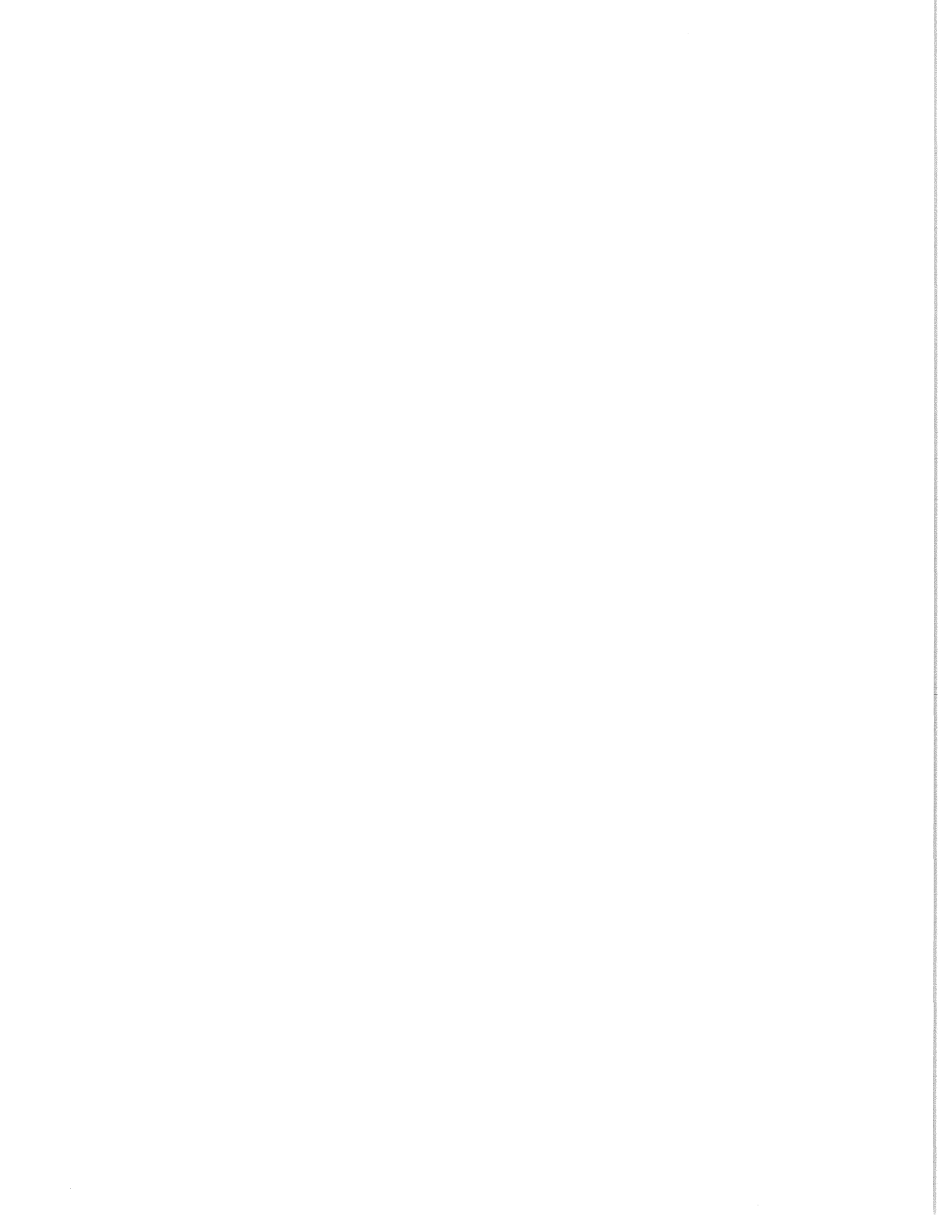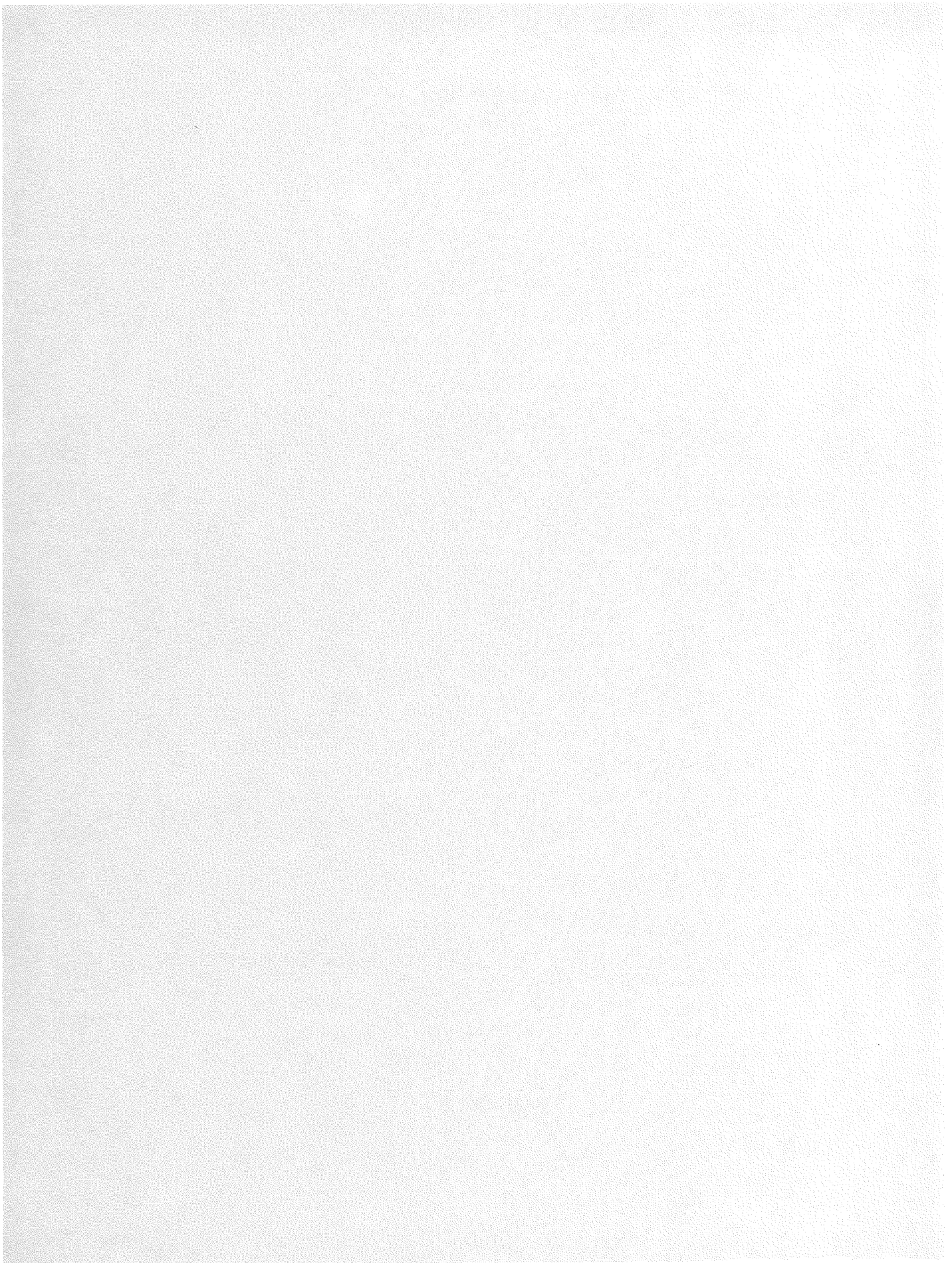
Acronyms and Short Names

ACH	Automated Clearing House
ADP	automated data processing
Agriculture	Department of Agriculture
ALC	Agency Location Code
BPA's	blanket purchase agreements
EPA	Environmental Protection Agency
FAST	Federal Account Symbols and Titles
FEDSTRIP	Federal Standard Requisitioning and Issue Procedures
GAO	U.S. General Accounting Office
GOALS	Government On-line Accounting Link System
GPO	Government Printing Office
GSA	General Services Administration
HHS	Department of Health and Human Services
IMA	input message acknowledgment
Interior	Department of the Interior
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
Management Report	Management of the United States Government
NSF	nonsufficient funds

OMB	Office of Management and Budget
OPAC	On-line Payment and Collection
OPM	Office of Personnel Management
RWA's	reimbursable work agreements
SGL	U.S. Government Standard General Ledger
SIBAC	Simplified Intragovernmental Bill and Collection system
TFCS	Treasury Financial Communication System
TFM	Treasury Financial Manual
Title 2	GAO Policy and Procedures Manual for Guidance of Federal Agencies--Title 2, as of November 1984
Title 7	GAO Policy and Procedures Manual for Guidance of Federal Agencies--Title 7, as of July 1983
Treasury	Department of the Treasury
VA	Veterans Administration