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Financial Management Series

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Core Financial System Checklist

Systems Reviewed Under the Federal
Financial Management Improvement
Act of 1996

Exposure Draft

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PREFACE

The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain management systems that comply with federal financial management systems requirements. These requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and in the Office of Management and Budget (OMB) guidance referred to in those documents.

To help agencies review their financial management systems and assist auditors with their responsibilities under FFMIA,[1] we have developed eight checklists, which we are issuing concurrently for comment as exposure drafts. Seven of the checklists reflect the system requirements defined by JFMIP. The eighth checklist, based on the JFMIP framework document, describes a single integrated financial management system and is primarily a reference tool rather than a standard-setting document.

As more system requirements are issued, we intend to develop additional checklists. When these checklists are issued in final form, they will be available on the Internet on GAO's Home Page (**www.gao.gov**).

Additional copies of the exposure draft of this checklist can be obtained from Room 1100, 700 4th St. NW, U.S. General Accounting Office, Washington, D.C. 20548, or by calling (202) 512-6000. Please send comments by February 28, 1998 to Robert W. Gramling, Director, Corporate Audits and Standards, Accounting and Information Management Division, at

U.S. General Accounting Office
441 G Street NW, Room 5089
Washington, DC 20548

Gene L. Dodaro
Assistant Comptroller General
Accounting and Information Management Division

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[1]The final form of this checklist will be included in GAO's Financial Audit Manual.

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CONTENTS

Abbreviations

ACH   automated clearing house
BPA   blanket purchase agreements
CFO   chief financial officer
FFMIA Federal Financial Management Improvement Acto of 1996
GPO   Government Printing Office
JFMIP   Joint Financial Management Improvement Program
NARA   National Archives and Records Administration
OMB   Office of Management and Budget
OPAC   online payment and collection system

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OVERVIEW

The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain financial management systems that comply with federal financial management systems requirements. These system requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and Office of Management and Budget (OMB) Circular A-127, Financial Management Systems. The JFMIP requirements documents identify (1) a framework for financial management systems, (2) core financial systems requirements, and (3) 16 other systems supporting agency operations. Figure 1 illustrates how these elements fit together in an agency systems architecture.

Figure 1: Agency Systems Architecture
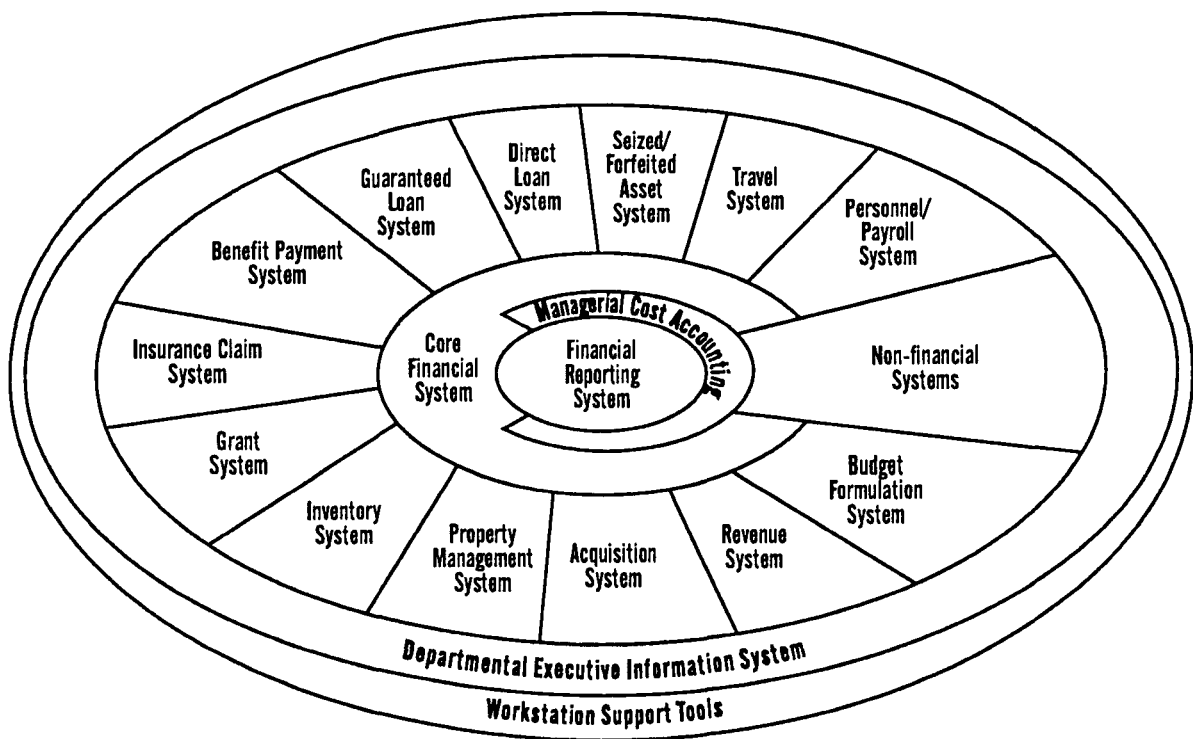
Source: JFMIP Federal Financial Management System Requirements documents.

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To date, JFMIP has issued the framework and core documents and 6 of the 16 systems identified in the architecture.[2]

GAO is issuing this and seven other checklists that correspond to the JFMIP documents as part of its Financial Management Series. GAO will issue other checklists as additional systems requirements are defined.

Authoritative Guidance

OMB Circular A-127 and OMB's Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996, issued September 9, 1997, provide the basis for assessing compliance with the FFMIA requirement for agencies to implement and maintain financial management systems that comply substantially with federal requirements. OMB's September 1997 implementation guidance identifies various criteria that an agency must meet to be in substantial compliance with these requirements.

The source of all the questions in this checklist is the Joint Financial Management Improvement Program Federal Financial Management System Requirements Core Financial System Requirements (FFMRS-1, September 1995).

Purpose of This Guide and How to Use It

The purpose of this document is to provide a checklist to assist (1) agencies in implementing and monitoring their systems and (2) management and auditors in reviewing the systems to determine if they are in substantial compliance with FFMIA. The checklist, the JFMIP source document, and the two previously mentioned OMB documents (Circular A-127 and the September 9, 1997 implementation guidance) should be used concurrently by experienced staff.

OMB's 1997 implementation guidance provides indicators for chief financial officers and inspector generals to assist them in determining whether the agency's financial management systems substantially comply with federal financial management systems requirements. Filling out this checklist will allow agencies to systematically determine whether specific systems requirements are being met. Agencies can assess the significance of any noncompliances in determining substantial compliance by considering the "indicators" in OMB's 1997 implementation guidance. For example, the annual agency assurance statement issued pursuant to section 4 of the Federal Managers' Financial

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[2]Thus far, the series includes the (1) Framework for Federal Financial Management Systems, (2) Core Financial System Requirements, (3) Inventory System Requirements, (4) Seized/Forfeited Asset System Requirements, (5) Direct Loan System Requirements, (6) Guaranteed Loan System Requirements, (7) Travel System Requirements, (8) and Personnel-Payroll System Requirements.

Integrity Act is one of those indicators. Agencies can use GAO's checklists to help determine annual compliance with the section 4 requirement.

The following Core Requirements section contains a brief narrative followed by the checklist, which is organized by functions contained in the source JFMIP document.

In the checklist, two columns follow each question. Use the first column to answer each question "Yes," "No," or "NA." Use the second column to explain your answer. A "Yes" answer should indicate that the agency's system or systems provide for the capability described in the question. For each "Yes" answer, briefly describe how the system(s) contain the capability and refer to a source that explains or shows the capability.

A "No" answer indicates that the capability does not exist. For a "No" answer, the second column should provide an explanation and a reference to the supporting documentation. Such explanations could include the following: (1) The agency is working on modifying or implementing its system(s) to have the capability available in subsequent years. (2) Management believes the capability is not cost effective and will not enhance the systems' ability to manage operations. Refer to any cost-benefit studies that support such explanation. If there are none, provide a full explanation.

Not every guide may apply to an agency. Further, while a guide may be applicable to an agency, certain questions within the guide may not be applicable. Answer such nonapplicable question(s) with an "NA" and provide an appropriate explanation in the second column.

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CORE FINANCIAL SYSTEM REQUIREMENTS

The core financial system requirements document helps agencies meet government requirements by establishing standard requirements for the "backbone" modules of an agency's integrated financial management system in accordance with laws and policies.

The seven function of the core financial system are discussed below.

1. Core Financial System Management consists of the processes necessary to maintain system processing rules consistent with established financial management policy. This function sets the framework in which all other core financial system functions operate. (The checklist questions for this area are drawn from pp. 19-26 of the source document.)

2. General Ledger Management is the central function of the core financial system. The general ledger is the highest level of summarization and must maintain account balances by the fund structure and individual general ledger accounts established in the core financial system management function. (The checklist questions for this area are drawn from pp. 27-29 of the source document.)

3. Funds Management is a system for ensuring that the agency does not obligate or disburse funds in excess of those appropriated and/or authorized. (The checklist questions for this area are drawn from pp. 30-35 of the source document.)

4. Payment Management is a function that provides appropriate control over all payments made by or on behalf of an agency. (The checklist questions for this area are drawn from pp. 36-41 of the source document.)

5. Receipt Management is the function that supports activities associated with recording agency cash receipts, including servicing and collecting receivables. (The checklist questions for this area are drawn from pp. 42-45 of the source document.)

6. Cost Management attempts to measure the total cost of performing an activity. (The checklist questions for this area are drawn from pp. 46-49 of the source document.)

7. Reporting is the function that provides financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support budget formulation and execution functions: (3) support fiscal management of program delivery and program decision making: (4) support internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements

Core Financial System Requirements

prescribed by Treasury, and legal, regulatory and other special management requirements of the agency; and (5) monitor the financial management system. (The checklist questions for this area are drawn from pp. 50-52 of the source document.)

The checklist questions follow the JFMIP source document. It should be noted that not all questions will apply in all situations and, as with the use of any checklist, professional judgment should be exercised. Using the JFMIP source document along with the two previously mentioned OMB documents will help ensure that the user is cognizant of the background information and definitions necessary to fully understand the questions.

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
Does the system: 1. Provide the capability to classify accounting transactions by the following structures: fund, program, organization, project, object, and any other structure needed to meet the data classification and reporting needs of the agency?		
2. Achieve, to the extent possible, consistency in budget and accounting classifications and synchronization between those classifications and the agency's organizational structure?		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
3.	Provide a fund structure that defines each entity for which separate accounting and reporting are needed to meet legal and assigned responsibilities and reporting requirements? This structure should provide for identification of appropriation or fund accounts established by OMB and Treasury through the budget process, receipt accounts, credit program and financing accounts, deposit funds, clearing accounts, and other accounts as may be deemed necessary. The fund structure must provide for additional detail below the appropriation level to support fiscal year accounting, appropriation subaccounts used for reporting to Treasury, and financial statement preparation.		
4.	Relate Federal Account Symbols and Titles (FAST) structures established by Treasury to the system's fund structure for reporting purposes?		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
5.	Identify the type of budgeting, accounting, and reporting treatments to be used for each fund (e.g., 1 year appropriation, no-year appropriation, revolving fund, trust fund, receipt account)?		
6.	Provide a program structure with sufficient levels of detail to allow reporting 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?		
7.	Provide an organization structure based on responsibility assignments, such as offices, divisions, and branches?		

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Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
8.	Use agency location codes assigned by Treasury for all transactions and reports involving Treasury disbursing centers, such as SF-224 "Statement of Cash Transactions," SF-215 "Deposit Ticket," and SF-5515 "Debit Voucher"?		
9.	Provide a project structure that is independent of the other classification structures to allow multiple organizations, programs, and funding sources to be associated with a project? Projects are used to plan and account for undertaking something that is to be accomplished, produced, or constructed, and having a finite beginning and a finite ending, such as a construction project or a research and development project.		

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
10. Provide an object class structure consistent with the standard object class codes contained in OMB Circular A-11, <u>Preparation and Submission of Budget Estimates</u>? This structure must also accommodate additional levels (higher and/or lower) needed to support agency management reporting and control needs.		
11. Provide a revenue source code structure to identify and classify types of revenue and receipts received by an agency so that they may be represented properly on the agency's financial statements?		
12. Support other classification structure elements necessary to meet agency management reporting and control needs?		

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
13. Derive the expanded accounting classification structure from abbreviated user input so that user input is minimized, data entry is easier, and errors are reduced? Examples of methods include entering "shorthand codes" using a keyboard function to look up additional elements, "clicking" on entries in a "look-up table" or "pop-up menu," and scanning a bar code.		
14. Be flexible enough to handle additions, deletions, and changes to accounting classification structure codes without extensive program or system changes? Table-driven systems, where frequently changed information is kept in tables separate from program logic under a system administrator's control, and database management systems are two examples of ways to provide such flexibility.		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
15.	Use a chart of accounts consistent with the basic numbering structure provided in SGL? Any expansion to the numbering system must roll up to the accounts provided in SGL.		
16.	Incorporate both proprietary and budgetary accounts in the system and maintain the appropriate relationships between accounts as described in SGL?		
17.	Use account titles consistent with the account titles provided in SGL?		
18.	Provide subsidiary support for SGL accounts? This support, whether provided by subsidiary accounts or additional data elements, may be as detailed as the agency deems appropriate for asset protection, management information, and fund accounting.		

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
19. Support an account structure for multiple appropriations or funds and multiple fiscal years within the appropriations, including single-year, multiyear, and no-year appropriations? Other classification structure elements should be used to break out account balances as deemed appropriate by the agency for reporting or control purposes.		
20. Use the chart of accounts as the basis for preparing external reports to OMB and Treasury?		
21. Use standardized transactions identified by reference codes to control transaction editing, posting to the appropriate general ledger accounts, and updating of other information maintained in the system, such as document balances and available funding?		

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
22. Provide an easily accomplished capability for a knowledgeable person with proper authority to establish or modify standardized transactions, including system-generated transactions?		
23. Provide the capability for transactions to update both budgetary and proprietary accounts based on a single input?		
24. Provide the capability for generating all of the appropriate debit and credit entries (at least four pairs) to the general ledger from a single line of information with a transaction reference code?		

Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
25. Process system-generated transactions, such as automated accruals, closing entries, cost allocation transactions, recurring payments, and transactions that generate other transactions in those cases where a single transaction is not sufficient, using transaction definitions that may be easily maintained by a knowledgeable and authorized person?		
26. Provide the capability for transactions to liquidate, partially or in full, the balance of existing documents? This capability will be used in the liquidation of commitments, undelivered orders, payables, receivables, or other items, as appropriate.		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
27.	Provide audit trails to trace transactions from source documents, original input, other systems, system-generated transactions, and internal allocation transactions through the system? Provide transaction details to support account balances?		
28.	Provide audit trails to trace source documents through successive levels of summarization to the financial statements and the reverse?		
29.	Provide audit trails to identify changes made to system parameters and tables that would affect the processing or reprocessing of financial transactions?		
30.	Provide the ability to select items for review based on user-defined criteria by type of transaction? Examples of reasons to select items are payment certification and financial statement audits.		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
31.	Provide the capability to post to the current and prior months concurrently until month-end closing and to maintain and report balances separately for the current and prior months? For example, a user could post transactions in early December for events that apply to November. At the same time, transactions for events occurring in December should be posted to affect December balances; these transactions would be reflected in December reports but not November reports. Barring unusual circumstances, this overlap should be of limited duration (a few days) at the beginning of each month.		
32.	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? For example, a user should be able to post to the previous fiscal year, while also posting transactions to the new year.		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
33.	Provide control over the processing and reprocessing of all erroneous transactions through the use of error file(s) and/or suspense accounts? Erroneous transactions must be maintained and tracked until either corrected and posted or deleted at the request of an authorized user.		
34.	Provide standard record format(s) for interface of transactions from other systems to the core financial system and subject all transactions from interfacing systems to the core financial system edits, validations, and error correction procedures?		
35.	Support both batch and on-line data entry, and use the same edit and update rules as appropriate for each mode?		
36.	Support simultaneous data entry/access by multiple users in a variety of modes?		

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Core Financial System Requirements

Core financial system management function	Yes/no NA	Explanation
37. Comply with management controls designed to ensure that transactions are processed in accordance with prescribed standards and procedures, the integrity of data in the system is maintained, and access is restricted to authorized users?		
38. Archive transactions and related information needed for audit trails in a format accessible by audit software?		
39. Provide the capability to archive or purge closed documents?		
40. Allow documents to be reopened?		
41. Purge (or archive) other core financial system data stores as needed to limit data maintained to that appropriately needed for analysis and control?		

Core Financial System Requirements

	Core financial system management function	Yes/no NA	Explanation
42.	Retain system records in accordance with federal regulations established by the National Archives and Records Administration (NARA), GAO, and others?		
43.	Archive data needed for comparative analysis and presentation of historical information?		

Core Financial System Requirements

General ledger management function	Yes/no NA	Explanation
Does the system: 1. Post transactions to the General Ledger in accordance with the transaction definitions established by the core financial system management function?		
2. Maintain historical data to produce comparative financial reports for management use?		
3. Provide for month-end and year-end closing and rollover of the General Ledger account balances under the control of an authorized system administrator?		
4. Provide the capability for multiple preliminary year-end closings before final year-end closing while maintaining the capability to post current period data?		

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Core Financial System Requirements

General ledger management function	Yes/no NA	Explanation
5. Provide the capability for selective, automatic generation of recurring accrual entries and reversals in the next fiscal period?		
6. Allow for accruals of contracts or other items that cross fiscal years?		
7. Selectively generate required transactions as needed by the year-end closing procedures?		
8. Separately identify amounts which would be eliminated when preparing intra-agency and interagency consolidations?		
9. Prepare trial balances and other supporting information needed for external reports and financial statements, including consolidated statements?		

Core Financial System Requirements

General ledger management function	Yes/no NA	Explanation
10. Report 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 on the report those accounts that are out of balance?		
11. Provide control accounts in the General Ledger to balance between the General Ledger and other systems, such as, property and travel management?		
12. Provide mechanisms for users with the proper authorization to correct out-of-balance conditions discovered during the reconciliation process? Maintain an audit trail of any such corrections, either internal or external to the system?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
Does the system: 1. Provide the capability to record the funding and related budget execution documents?		
2. Establish limitations and control the use of funds against them consistent with appropriation and authorization language?		
3. Establish limitations in accordance with credit reform objectives for loan programs, including program lending limits and available subsidy amounts?		
4. Distribute, track, control, and report funds authorized at various funding levels based on SGL and accounting classification structure?		
5. Modify limitations in accordance with apportionment actions, reprogramming, rescissions, and other adjustments?		

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Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
6. Record and control funds that receive other budgetary authority in addition to appropriations and identify the type of authority?		
7. Record the expiration and cancellation of appropriation authority in accordance with OMB Circular A-34 and SGL?		
8. Provide for maintaining operating plans at or below the funds control level of the classification structure?		
9. Allow authorized personnel to reallocate funds at designated levels?		
10. Provide the ability to account for budgetary resources at a lower level in the accounting classification structure than that for which they are budgeted and controlled?		
11. Provide for notification of funds availability prior to the issuance of a commitment, obligation, or expenditure?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
12. Update funds available to help prevent the incurrence of commitments/obligations/ expenditures in excess of available fund balances? In particular, the system must: -- provide for designated authorities to establish and modify the level of funds control using elements of the classification structure, including object class, program, organization, project, and fund. -- provide for designated authorities to establish and modify the system's response (either reject transaction or provide warning) to the failure of a funds availability edit for each transaction type. -- provide the capabilities and controls for authorized users to override funds availability edits.		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
– provide notification to users, in the appropriate manner, of transactions failing the funds availability edit? In some cases (such as a request for goods and services not filled yet), the appropriate action is to place the transaction in an error file and/or suspense account for corrective action. In other cases, where the actual event has already occurred (such as labor hours worked or a contract already signed), the transaction should be recorded and a warning or report issued to alert the user to the need for follow-up action. – record the financial impact of all transactions that affect the availability of funds, such as commitments, liquidations, obligations, and expenditures? – update all appropriate accounts to ensure that the system always maintains the current status of funds?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
13. Use the appropriate calculations for determining funds availability on adjustments to obligations or expenditures based on whether the funds cited are current, expired, or cancelled?		
14. Check commitment transactions against available funds?		
15. Check available funds for obligating documents (including amendments to obligating documents resulting in a change to dollar amounts or to the classification structure)?		
16. Check available funds when the expenditure exceeds the obligating document due to quantity or price variances within tolerances, additional shipping charges, etc.?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
17. Adjust available funds balances as reimbursable orders are accepted? In the case of reimbursable orders from the public, an advance must also be received before additional funding authority is recorded.		
18. Check available funds for commitments and obligations incurred in support of reimbursable agreements?		
19. Provide the capability to enter commitment documents into the core financial system on-line and from multiple locations, as well as through an interface with other systems?		
20. Capture, at a minimum: – requisition number? – accounting classification structure(s)? – estimated amount(s)?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
21. Provide for modifications to commitment documents, including ones that change the dollar amount or the accounting classification structure cited? Invoke funds availability editing for the changed amounts?		
22. Allow for commitment documents to be future-dated, stored, and posted at the appropriate date?		
23. Close commitment documents under the following circumstances: (a) by the system upon issuance of an obligating document, (b) by the user with appropriate authorization, and (c) as part of the year-end closing?		
24. Record obligations based on obligating documents and liquidate the related commitments, either partially or fully at the user's request?		

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Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
25. Record obligations for which there is no related commitment?		
26. Maintain information related to each obligation document, including amendments? At a minimum, the core financial system must capture: -- obligating document number? -- vendor number? -- accounting classification structure(s)? -- dollar amount(s)?		
27. Allow obligation documents to be entered into the core financial system on-line and from multiple locations as well as through an interface with other systems?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
28. Allow for transactions creating anticipated obligation documents to be entered early, stored, and posted at the appropriate date in order to aid in distributing workload? If the anticipated obligation does not occur, permit the user to delete the transaction without posting it?		
29. Allow multiple commitments to be combined into one obligating document and one commitment document to be split between multiple obligating documents?		
30. Provide for properly authorized cancellations of posted obligating documents?		
31. Provide on-line access to all obligations by selection criteria, e.g., document number?		
32. Maintain an on-line history file of closed-out documents for a user-defined period of time?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
33. Retain (for audit trail purposes) the original machine-readable records along with all amendments?		
34. Close obligating documents either (a) by the system automatically upon complete performance/delivery or (b) by the user, with appropriate authorization?		
35. Record various intra-governmental acquisition types such as a GSA Personal Property Center, reimbursable orders, and printing from the Government Printing Office (GPO)?		
36. Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented?		
37. Record Blanket Purchase Agreements (BPA's) and records of call?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
38. Record delivery orders on contracts?		
39. Record expenditures related to payments made out of an imprest fund, using third-party drafts, and using government credit cards?		
40. Record expenditures claimed against advance payments made, such as travel advances, contract advances, and grant payments made in advance?		
41. Maintain current information on commitments and obligations according to the classification structure on a fund by fund basis?		
42. Track the use of funds against operating or financial plans?		
43. Report plan to actual at the level of the operating plans?		

Core Financial System Requirements

Funds management function	Yes/no NA	Explanation
44. Summarize, compare, and report the operating plans to the appropriate level of funds control?		
45. Provide the ability to produce detailed listings and summary reports by the defined level of funds control for those documents that represent commitments, undelivered orders, and expenditures?		
46. Provide control features that ensure that amounts reflected in the fund control structure agree with the General Ledger account balances at the end of each update cycle?		
47. Maintain historical data on all commitment, undelivered order, payable, and payment transactions?		
48. Maintain open documents to show status of commitments, undelivered orders, accruals, and disbursements by document line item?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
Does the system: 1. Maintain payee information that includes data to support obligation, accounts payable, and disbursement processes?		
2. Support payments made to third parties that act as an agent for the payee?		
3. Maintain information needed to support IRS 1099 reporting, including taxpayer identification numbers and payee type (e.g., sole proprietorship, partnership, corporation)? In cases where a third party acting as agent receives the payment, maintain 1099 information for the principal party rather than the agent?		
4. Allow multiple payment addresses and/or bank information for a single payee?		
5. Provide search capability for payee information?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
6. Produce payee listings based on agency defined criteria, e.g., payee name and number?		
7. Warehouse and schedule payments in accordance with applicable regulations, for example, OMB Circular A-125, the Cash Management Improvement Act of 1990, as amended, and travel regulations?		
8. Record an accrued liability upon receipt and acceptance of goods and services and properly identify them as capital asset, expense, prepaid expense, or construction?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
9. Access previously entered information and/or record additional information necessary to determine the due date and amount of vendor payments in accordance with OMB Circular A-125, based on invoices, receiving reports, and contracts or purchase orders? Due date determination should consider special situations such as contract provisions specifying non-standard acceptance periods, laws specifying payment terms for certain commodities such as meat or dairy products, failure to return a defective invoice in a timely fashion, and other situations specified in OMB Circular A-125.		
10. Split an invoice into multiple payments on the appropriate due dates when items on the invoice have different due dates?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
11. Record discount terms and determine whether taking the discount is economically justified as defined in the <u>Treasury Financial Manual</u>, Volume I, section 6-8040?		
12. Record additional shipping and other charges to adjust the payment amount, if payments are authorized?		
13. Adjust the asset or expense recorded with the liability if the authorized payment (based on the invoice) is different from the amount accrued (based upon receipt and acceptance) using contract information and any increase is within agency tolerances? Adjust the obligation amount as well and edit for funds availability to cover increases?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
14. Update the funds control and budget execution balances to reflect changes in the status of undelivered orders and expended appropriations as well as changes in amounts? Amounts may be different because of changes in prices or other authorized charges.		
15. Establish payables and make payments on behalf of another agency citing the other agency's funding information?		
16. Allow orders to be reopened by authorized staff after final payment has been made?		
17. Allow changes to payment schedules by authorized staff prior to submission to the disbursing office?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
18. 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 pending orders, to a future payment, or, if there are no outstanding payments to the vendor and no pending orders, establish an accounts receivable.		
19. Reestablish payables for voided checks or checks that have been returned but have not been negotiated; allow for reversing the accounting transaction leading to the disbursement and reestablishing a payable, as appropriate?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
20. Record obligations, expenses, assets, etc., associated with payments made through use of imprest funds, third-party drafts, and government credit cards? Establish payables to replenish the imprest fund or pay the financial institution handling the third-party drafts and credit cards?		
21. Schedule payments of advances, prepaid expenses, loans, grants, etc., with the appropriate accounting entries for each?		
22. Record expenses, assets, etc., based upon performance funded by advances, prepaid expenses, and grants and make the appropriate liquidations? Update funds control balances to reflect obligation changes?		
23. Identify and select payments to be disbursed in a particular payment cycle based on their due dates? Provide the capability for review and certification by an authorized certifying officer?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
24. Allow specific payments selected for disbursement to be excluded from the payment cycle and held for later payment?		
25. Compute amounts to be disbursed to include discounts, withholdings, interest, or penalties in accordance with applicable regulations? Generate the appropriate transactions to reflect the above deductions and additions?		
26. Include on each payment relevant identification information (e.g., contract number, invoice number, and interest penalty amount and calculations)?		
27. Collect information on discounts taken, discounts lost, and interest penalties to comply with applicable prompt pay reporting requirements?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
28. Calculate totals by appropriation symbol for inclusion on the payment schedule, except unidentified appropriations?		
29. Provide for various forms of payment to be used, i.e., check or electronic transfer of funds (e.g., automated clearing house (ACH), wire)? The requirements related to these payments are: – consolidate multiple payments to a single payee up to the prescribed limitation in order for the disbursing office to produce one check and itemize all payments covered by the one check. Allow for separate checks to a payee in specific instances where needed.		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
-- allow a payment to be removed from the automated scheduling stream and to be scheduled as a manual payment. -- provide the capability to schedule and make payments in various forms (e.g., ACH, SF-1166) as required by an agency's disbursing office(s) including physical media (e.g., tape, electronic transfer).		
30. Prepare reports to Treasury on disbursements made by an agency with its own disbursing authority?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
31. Process transactions resulting from payments made using other systems, such as payroll? Record disbursements, assets, expenses, obligations, or other accounts as appropriate, but do not schedule a payment to be made by the core financial system, since the payment has already been accomplished by the other system?		
32. Record disbursements made through Online Payment and Collection system (OPAC) by another agency against the agency's funds?		
33. Record payments made by another entity, such as a finance center, on behalf of the agency using agency funds?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation

34. 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 scheduled?
  — schedule sent to appropriate disbursing office?
  — payment issued by appropriate disbursing office?		

35. Provide for the comparison of the agency's payment schedule and disbursing office's accomplished payment schedule?		
36. Update the agency's records when payment information is received from disbursing office to include: the paid schedule number, check numbers, and date and amount of payment?		

Core Financial System Requirements

Payment management function	Yes/no NA	Explanation
37. Maintain payment history of every payment by the core financial system authorizing document number, payment schedule number, payment date, invoice number, vendor number, and appropriation charged?		
38. Provide on-line access to vendor and payment information?		
39. Provide on-line access to open documents based on agency selection criteria, e.g., document number?		
40. Produce IRS 1099s?		
41. Produce the SF-224?		
42. Produce the SF-1219 and SF-1220?		
43. Produce supporting information needed to prepare the prompt pay report in accordance with requirements in OMB Circular A-125?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation

Does the system:
 	
 1. Support the calculation and generation of customer bills based upon billing source, event and/or time period, and type of claim in accordance with agency program requirements? Bases used for billing may include, but are not limited to:
 	
    – percentage of reimbursable obligations, accrued expenditures, or costs using data recorded by the cost accumulation function;
    – fee schedules for goods or services provided;
    – duplicate payments;
    – erroneous payments; and
    – payment schedules or other agreements with other entities		

2. Record the establishment of receivables along with the corresponding revenues, expenditure reductions, or other appropriate offsets?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
3. Support the establishment and tracking of receivables to be paid under installment plans, including plans for which payments have been rescheduled?		
4. Print bills using different methods to accommodate the generation of standard forms such as SF-1080s or SF -1081s and turnaround documents to be used as a remittance advice?		
5. Prepare and transmit billing data to the Online Payment and Collection (OPAC) system operated by the Treasury Financial Management Service to obtain funds from other federal agencies in accordance with interagency agreements? Provide supporting data for OPAC transactions to agencies billed that can be used by them to verify the OPAC charges?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
6. Allow transactions related to manually prepared bills to be entered by authorized personnel with proper internal control compliance?		
7. Record adjustments to bills and post to customer accounts?		
8. Date the bills with the system generated date or with the date supplied by an authorized user?		
9. Print statements as well as bills?		
10. Accept transactions from other systems in a standard format for entry into the core financial system?		
11. Maintain detailed information by account (e.g., individual, employee, private sector organization, state or local government, or other federal agency) sufficient to provide adequate audit trails and to support billing and research activities?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
12. Maintain accounts for reimbursable orders and identify government and nongovernment accounts?		
13. Update each account when billing documents are generated and collections are received?		
14. Provide the ability to add, modify, or delete nonfinancial account data by authorized personnel?		
15. Maintain individual receivables and references to appropriate supporting documentation?		
16. Provide on-line query capability to receivable and account information?		
17. Provide information, on a summary basis and on individual receivables, on the age of receivables to allow for adequate management and prioritization of collection activities?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
18. 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?		
19. Identify and report receivables that meet predetermined criteria for bad debt provisions or write-off?		
20. Maintain data for receivables referred to other federal agencies and/or outside organizations for collections?		
21. Record the write-off of delinquent or uncollectible receivables and maintain data to monitor closed accounts?		
22. Produce dunning (collection) letters for overdue receivables in accordance with Treasury requirements and existing legislation?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
23. Provide the user the ability to customize the dunning process parameters and dunning letter text?		
24. Provide information to allow either manual or automated reporting of delinquent accounts to commercial credit bureaus and referral to collection agencies or other appropriate governmental organizations?		
25. Produce IRS 1099s in the amounts of debts forgiven?		
26. Maintain a history of billings and receipts for each receivable and account in accordance with agency requirements?		
27. Match receipts to account number or bill number and apply to appropriate receivable(s)?		
28. Provide the ability to apply receipts to more than one receivable?		

Core Financial System Requirements

Receipt management function	Yes/no NA	Explanation
29. Update receivable balances on a document-by-document basis, classifying and posting against principal, interest, fees, etc., as appropriate?		
30. Identify receivables that have been reduced by some means other than cash collections, such as adjustments?		
31. Provide for reestablishment of a receivable for checks returned due to insufficient funds?		
32. Record complete and partial receipts according to the Federal Claims Collection Act of 1966, as amended, and other applicable laws and regulations?		
33. Record revenues, expenditure reductions, or other appropriate offsets associated with collections for which no receivable was previously established?		

Receipt management function	Yes/no NA	Explanation
34. Track deposits and related debit vouchers for reconciliation to deposit confirmation information provided by Treasury or the banking system?		
35. Provide for the processing of cash or credit card receipts?		
36. Provide information to allow for offset of funds due to delinquent indebtedness through appropriate means, such as administrative offset, federal employee salary offset, and income tax refund offset?		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
Does the system: 1. Use the accrual basis of accounting when recognizing costs? The cost of goods and services used, consumed, given away, lost, or destroyed must be recognized within the period of time the event occurred, regardless of when they were ordered, received, or paid for. Similarly, revenues must be recognized when earned.		
2. Reduce asset balances such as inventories and prepaid expenses as they are used and expensed?		
3. Use the agency's accounting classification structure to identify information such as fund, program, organization, project, and object class to support the cost accumulation and distribution processes?		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
4. Provide support for the fees, royalties, rents, and other charges imposed by the agency for services and things of value that it provides? Sufficient information must be accumulated to support Chief Financial Officer (CFO) recommendations made during biennial reviews on revising the charges to reflect costs incurred by the agency in providing those services and things of value.		
5. Identify all costs incurred by the agency in support of activities of revolving funds, trust funds, or commercial functions, including the applicable portions of the related salaries and expense accounts identified with those activities?		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
6. Provide for a variety of information to support the decision-making process, the management of the agency, and external reporting? This will include: – cost reports to be utilized in the analysis of programmatic activities. – supporting schedules and operating statements in support of financial statement preparation and audit. – meaningful cost information needed to support performance measures. – ability to provide cost information directly to other systems in the agency requiring this data. – ability to receive cost information directly from the Managerial Cost Accounting System for reporting and analysis.		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
-- cost information for comparison to other program data to determine compliance with planned budgeted activities and effective utilization of available budgetary resources. -- support of the billing process by providing cost information to the receivable function for producing bills.		
7. Provide for identifying costs, based on the accounting classification structure, including the ability to: -- identify and record direct costs incurred, including input on costs from feeder systems, such as inventory, travel and payroll?		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
− allocate indirect costs to interim and final cost objects using a method consistent with agency cost accounting standards? The preferred method for assigning indirect costs is one that best provides for a causal/beneficial relationship between the costs being distributed and the cost object receiving the cost. Indirect cost allocation may be based on total cost incurred, direct labor hours used, square footage, metered usage, or any other reasonable basis. − allow for multilevel allocation and reallocation? − support variance analysis, adjustment of rates and disposition of variance by performing periodic allocations to adjust cost based on estimated rates to the actual costs incurred for the period?		

Core Financial System Requirements

Cost management function	Yes/no NA	Explanation
8. Provide the capability to distribute costs to cost objects regardless of how they have originally been posted to the system (e.g., for financial statement presentation)?		
9. Provide an audit trail that traces the transaction from the original cost pool to the final cost object?		

Core Financial System Requirements

Reporting function	Yes/no NA	Explanation
Does the system: 1. Allow for the information contained in the system to be queried to present specific detailed data as requested?		
2. Present information resulting from system queries to be formatted to facilitate the understanding of the information by non-technical users and unformatted for more technically proficient users?		
3. Provide for the production of formatted reports by personnel accessing the system? The system must allow for the reformatting of reports to present different sorts of the information, the presentation of only specific information in the format selected, the summarization of data, and the modification of report formats to tailor the reports to the specific requirements of the user.		

Core Financial System Requirements

Reporting function	Yes/no NA	Explanation
4. Allow users to design reports and extract files for their specific requirements and to perform table look-ups and expansion of codes when needed to clarify the information contained within the reports?		
5. Facilitate the analysis of information contained in the system by allowing analysts to obtain report information and the results of system queries in data files that can be transferred to other applications or analytical tools?		
6. Provide for easy access to historical files for comparative, analytical, and trend information?		
7. Use financial data that can be traced directly to SGL accounts to produce reports providing financial information, whether used internally or externally?		

Core Financial System Requirements

Reporting function	Yes/no NA	Explanation
8. Maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of OMB and reporting requirements issued by the Director of OMB and the Secretary of the Treasury (see appendix B of the source document)?		
9. Provide summarized data electronically to systems used by the agency for decision support and financial statement preparation?		
10. Provide data in the format required, including electronic formats, to central agency systems used for summary financial reporting?		
11. Report events and transactions according to the accounting classification structure and within a given accounting period?		

Core Financial System Requirements

Reporting function	Yes/no NA	Explanation
12. Maintain the financial information required for program performance, financial performance, and financial management performance measures and needed for budgeting, program management, and financial statement presentation?		
13. Produce, distribute, and provide access to formatted reports defined by agency management for the specific requirements of the agency?		
14. Provide supporting information needed to monitor the overall operation of the system to determine if operations are on schedule, ensure that all necessary operating steps have been completed successfully, and alert the system manager to malfunctions on a timely basis?		

Core Financial System Requirements

Reporting function	Yes/no NA	Explanation
15. Provide system managers with sufficient information to determine the functions and operations performed by specific users and reports generated or accessed?		
16. Perform and report the result of data integrity verifications such as reconciliations between reports produced and data sets within the system and the results of validity, combination, and balancing?		
17. Provide for sufficient audit trails to trace data errors and the result of various operations of the system?		

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