JFMIP

Federal
Financial
Management
System
Requirements

Acquisition/Financial Systems Interface Requirements

EXPOSURE DRAFT

JFMIP-SR-01-03
November 2001

A02712

What is JFMIP?

The Joint Financial Management Improvement Program (JFMIP) is a joint undertaking of the U.S. Department of the Treasury, General Accounting Office (GAO), Office of Management and Budget (OMB), and Office of Personnel Management (OPM), working in cooperation with one another, with other agencies, and with the private sector, to improve financial management in the Federal government. The program was given statutory authorization in the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 65). Leadership and program guidance are provided by the four principals of JFMIP: Comptroller General of the United States, Secretary of the Treasury, Director of OMB, and Director of OPM. Each principal designates a representative to serve on the JFMIP Steering Committee, which is responsible for the general direction of the program. The Executive Director of JFMIP is a permanent member of the steering committee and is responsible for the day-to-day operations of JFMIP. Additionally, a representative from the Federal community serves on the steering committee for a two-year term.

The program promotes strategies and sponsors projects to improve financial management across the Federal government, participates in the financial management activities of central policy organizations, and facilitates the sharing of information about good financial management practices. Information sharing is accomplished through conferences and other educational events, newsletters, meetings with interagency groups and agency personnel, and the Internet.

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JFMIP

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Executive Director, JFMIP

Date: November 30, 2001

To: Senior Financial Officials
Procurement Executives
Chief Information Officers

From: Executive Director, JFMIP – Karen Cleary Alderman

Subject: JFMIP Acquisition/Financial Systems Interface Requirements Exposure Draft

The JFMIP Acquisition/Financial Systems Interface Requirements Exposure Draft is attached for comment. The Procurement Executives Council (PEC) and JFMIP are sponsoring the development of this document. A large group of acquisition, financial, policy, and other professionals from across the Federal government are participating in the project. The Project Leader is Mr. W. R. (Russ) Ashworth, Senior Procurement Executive for the U.S. Department of Agriculture.

The document is intended to assist agencies when developing new systems and when improving or evaluating existing systems. It provides the baseline functionality that agency systems must have in order to support agency missions and comply with laws and regulations. The final issuance of this document will augment existing JFMIP Federal Financial Management System Requirements (FFMSR) documents that are used in assessing compliance with the Federal Financial Management Improvement Act (FFMIA).

In addition to general comments about the document, we would like feedback on the following items of interest:

1. **Micropurchases Made with Purchase Cards:** A separate section is included on micropurchases made with purchase cards. Are the requirements appropriate, given the streamlining and simplification objectives of the program described in the document?

2. **Contract Line Item Number (CLIN):** Information requirements are included relative to CLIN. Are the information requirements appropriate?

3. **Internal Controls and Security:** Information requirements are included in several places relative to internal controls and security, primarily referencing OMB Circulars A-123 and A-130. Are the requirements appropriate?

4. **Payment and Closeout:** Separate sections are included on Payment and Closeout with requirements identified accordingly. Are the descriptions and distinctions for the two sections appropriate and are the requirements appropriate to each section?

5. **Standard General Ledger (SGL):** A value-added requirement has been proposed relating to the SGL account for obligations. Logic for deriving SGL accounts for obligations, receipts, payments, and other transactions is contained in core financial system functionality. Although there are some exceptions, the SGL account is not included as an element of the accounting distribution code. Instead the data elements associated with any given transaction are used to derive the appropriate SGL account. When SGL accounts are derived from transaction data elements, there is no input field to capture the SGL account. Given (1) that logic duplicating that contained in the core system would have to be replicated in the acquisition system; (2) that core systems that receive SGL elements from an acquisition system would have to be modified to include this data field; and (3) that SGL accounts are required for acquisition events other than the obligation, will the value to be derived from this value-added requirement be significant enough to offset the costs of the programming changes that will be required for core accounting systems?

6. **Mandatory vs. Value-added requirements:** Is the categorization of information requirements between mandatory and value-added appropriate? Should any requirements be added, deleted, or changed from mandatory to value-added or vice-versa?

7. **Definitions:** Are all terms appropriately defined? Are there additional terms that need to be defined? What are their definitions? What is/are the sources for the terms and definitions?

This document is being circulated widely within the Federal government's acquisition, financial and oversight communities, and to the private sector. It is also being posted on the JFMIP website at: WWW.JFMIP.GOV, in MS Word and pdf versions.

Your response should be sent to the following address by February 28, 2002:

Joint Financial Management Improvement Program
1990 K Street NW, Suite 430
Washington, DC 20006

The organizational capacity of the response would be appreciated.

A matrix is attached, and is being posted on the JFMIP website, for preparing and electronically submitting your comments. The pdf version of the document on the JFMIP website includes line numbers for referencing your comments. Three examples are included in the matrix. Comments that include the underlying rationale, and statutory or regulatory references are the most useful. If possible, please transmit your comments matrix electronically to Dennis.Mitchell@gsa.gov or fax to 202-219-0549. Mr. Mitchell can be reached on 202-219-0529, if there are any questions.

Attachments

Exposure Draft Comments Matrix
Date

Com #	Page #'s	Line #'s	Comment & Reasoning
1	21	3	Delete the word 'management' Reasoning: Repetitive
2	28	2	Insert the word 'single' after 'a' Reasoning: Editorial for clarity..
3	45	44	"System interfaces constitute.....performance of another system." Revise the sentence as follows: "System information exchanges constitute information, frequently arising from Public Laws, regulations, or best practices available in one system that is required for the performance of another system." Reasoning: To be consistent with the scope of the project charter.

***Note: Page #'s and Line #"s should reference the pdf version of the document, as posted on the JFMIP website at JFMIP.gov**

Foreword

Acquisition/Financial Systems Interface Requirements is one of a series of functional systems requirements documents published by JFMIP dealing with Federal financial management systems. The first of these requirements documents, *Core Financial Systems Requirements*, was originally published by JFMIP in January 1988, and has since been updated. JFMIP also published *Framework for Federal Financial Management Systems* in January 1995. That document provides a comprehensive description of the basic elements of a model for integrated financial management systems in the Federal government including, system integration, data stewardship, and internal controls. Other documents have subsequently been issued and additional documents are planned in the future.

This document is prepared in support of the Federal Financial Management Improvement Act (FFMIA) of 1996, and the Strategic Plans of the Procurement Executives Council (PEC) and Chief Financial Officer's (CFO) Council. This act and these strategic plans strongly reaffirm the need for the Federal government to provide financial systems that facilitate the effective management of government programs and services for the proper stewardship of public resources. Additionally, this document, in part, meets the goal of the President's Management Council (PMC) and JFMIP to improve the efficiency and quality of financial management in the Federal government. Jointly sponsored and formally chartered by the PEC and JFMIP, it is a collaborative effort on the part of more than 20 agencies, led by the Senior Procurement Executive at the U.S. Department of Agriculture, staffed by finance and acquisition professionals throughout government, and supported by Logistics Management Institute (LMI).

Acquisition/Financial Systems Interface Requirements addresses the shared information requirements between Federal financial and acquisition management systems. To this end, it identifies existing governmentwide statutory and regulatory requirements associated with the mutual functional interfaces between finance and acquisition (See Appendix A for a complete list of applicable references and authoritative sources). Agencies must use these functional requirements, in addition to agency-unique mission requirements, in planning their financial management and acquisition systems improvement projects. Acquisition/financial management system interface functionality does not necessarily reside in a single software application or functional system. In fact, the interface between acquisition and financial management systems information may reside in a number of applications or systems, whether automated or manual.

We thank the agency officials and other participants from the acquisition, financial, oversight, and information technology communities who contributed to this document. It was particularly gratifying to see the finance and acquisition communities unite so effectively behind a common objective. We especially wish to acknowledge the PEC for chartering this project; the U.S. Department of Agriculture Senior Procurement Executive for leading the effort; and his co-leaders from the Office of Management and Budget, Department of Defense, Department of Justice, and Department of Housing and Urban Development (See Appendix D for a list of contributors). With continuing support such as theirs, we can confidently face the acquisition and financial management challenges of this century.

Karen Cleary Alderman
Executive Director
September 2001

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Acronyms

ACES	Access Certificates for Electronic Services
ALC	Agency Location Code
BPA	Blanket Purchase Agreement
CCR	Central Contractor Registration
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CO	Contracting Officer
COTS	Commercial Off-the-Shelf
DoD	Department of Defense
DOE	Department of Education
DUNS	Data Universal Numbering System
EC	Electronic Commerce
ECC (PEC)	Electronic Commerce Committee (Procurement Executives Council)
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
EIN	Employer Identification Number
EIT	Electronic and Information Technology
FAI	Federal Acquisition Institute
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act
FFMSR	Federal Financial Management System Requirements
FMFIA	Federal Managers' Financial Integrity Act
FSC	Financial Systems Committee (Chief Financial Officers Council)
FY	Fiscal Year
GAO	General Accounting Office
GPEA	Government Paperwork Elimination Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
ID	Identification
IPAC	Intragovernmental Payment and Collection

120	IT	Information Technology
121	JFMIP	Joint Financial Management Improvement Program
122	LMI	Logistics Management Institute
123	NARA	National Archives and Records Administration
124	OMB	Office of Management and Budget
125	OPM	Office of Personnel Management
126	PEC	Procurement Executives Council
127	PL	Public Law
128	PMC	President's Management Council
129	PO	Purchase Order
130	PP&E	Property, Plant and Equipment
131	PR	Purchase Request
132	RTN	Routing and Transit Number
133	SFFAS	Statement of Federal Financial Accounting Standards
134	SGL	Standard General Ledger
135	SOW	Statement of Work
136	TFM	Treasury Financial Manual
137	TIN	Taxpayer Identification Number
138	USC	United States Code
139	USAID	United States Agency for International Development
140	XML	eXtensible Markup Language

Introduction

The U.S. Federal Government is the world's largest and most complex enterprise, involving the collection, management, and disposition of billions of taxpayer dollars. Financial, acquisition, and program officials face tremendous challenges in managing Federal programs. Improvements in agency acquisition and financial systems are critical to government's efforts to obtain complete and reliable information needed to manage this enterprise efficiently. Increasingly, integrated systems are expected to simultaneously support multiple users (program managers, financial managers, and acquisition managers) while systems and data are being shared by agencies with common needs. Information supplied by these systems is expected to become more timely, accurate, and consistent across the government.

Representatives from acquisition and financial management functions governmentwide formed the partnership that developed this document. Its purpose is to provide a common set of acquisition/financial shared information requirements with which each agency's integrated financial management system must be consistent. These information requirements, frequently arising from Federal statutes or regulations, constitute information available in one system that is required for the performance of another system. This document delineates those interface requirements between acquisition and finance, that are critical to the performance of both functions. These requirements are intended to be available to all users who rely on the information to carry out their responsibilities. This document does not address system requirements associated solely with the acquisition or financial process.

The PEC and CFO Council represent the acquisition and financial communities from a wide range of major Federal agencies. The issuance of *Acquisition/Financial Systems Interface Requirements* (a first-time effort) demonstrates the commitment of the Federal financial and acquisition communities to improving information management systems, providing the best service possible to support program managers, and utilizing the taxpayer dollars entrusted to them as efficiently and as effectively as possible.

The Federal government also has consistently recognized the importance of having high-quality information management systems that contain financial, acquisition, and other information necessary to support government operations and the effective and efficient decision making by program officials. As a result, Congress enacted a variety of recent statutes, including the Federal Financial Management Improvement Act (FFMIA) of 1996. The Office of Management and Budget (OMB) also issued several relevant publications, including Circular A-127, "Financial Management Systems." Both the FFMIA and OMB Circular A-127 provide the vision for a single, integrated Federal financial management system. As mentioned earlier, in support of that vision, JFMIP publishes requirements documents for financial systems and the financial aspects of mixed systems (such as acquisition). *Acquisition/Financial Systems Interface Requirements* should be considered in the context of all the other JFMIP requirements documents, which form the basis for total governmentwide financial system requirements.[1]

[1] The requirements documents and other information are available on the JFMIP website at www.jfmip.gov.

The first three sections of this document ("Federal Financial Management Framework," "Integrated Financial Management Systems," and "Agency Financial Management Systems Architecture") set forth the framework for the establishment and maintenance of a single integrated Federal financial management system, provide information on integrating an agency's financial management system, and identify the relationships of various system types.

The next section, "Federal Acquisition System Overview," discusses the high-level processes of the acquisition system, while "Introduction to Acquisition/Financial Systems Interface Requirements" describes the methodology used to identify and develop specific information requirements.

"Funds Certification," "Obligation," "De-Obligation," "Payment," and "Closeout," are the sections that define in detail the individual interfaces between the acquisition and financial systems and list the data elements associated with each of these interfaces. These sections are followed by "Micropurchases Made with Purchase Cards," which addresses the process and information requirement using a purchase card as a purchasing method.

The section, "General Systems Requirements," sets forth the general requirements that apply to all agency core and mixed financial management systems, which is followed by a short chapter on "Records Retention."

Appendix A lists the statutes, laws and regulations upon which these interface requirements are based, followed by Appendix B, which is a glossary of the acquisition and financial terms used in this document.

"Appendix C: Factors Influencing the Environment," provides highlights of the activities that are particularly relevant to the acquisition and financial management communities. The last section of this document (Appendix D) lists those individuals who contributed their time, effort and vision to the development of this document.

Federal Financial Management Framework

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

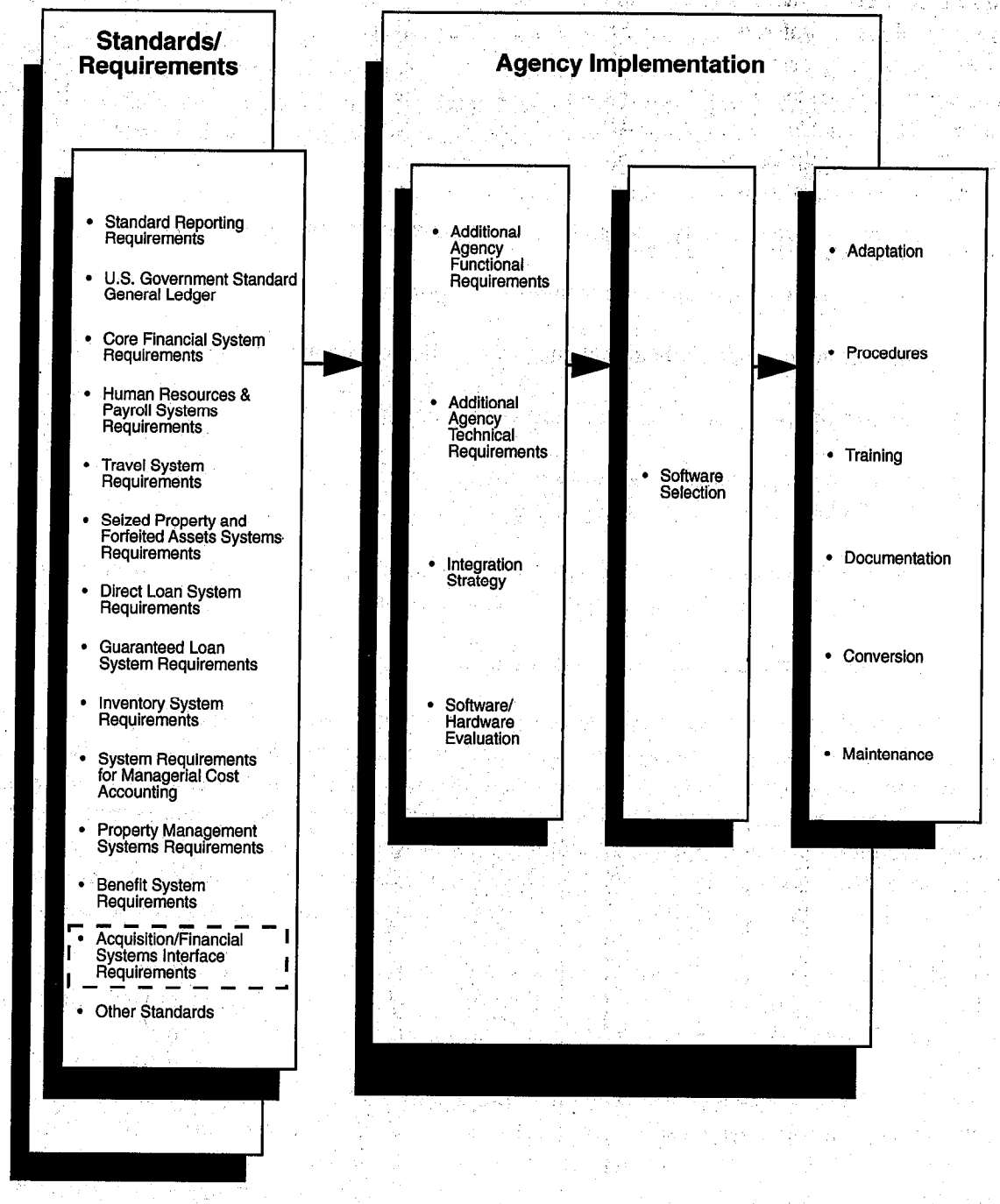
- Collect accurate, timely, complete, reliable, and consistent information.
- Provide for adequate agency management reporting.
- Support governmentwide and agencywide policy decision making.
- Support the preparation and execution of agency budgets.
- Facilitate the preparation of financial statements and other financial reports in accordance with Federal accounting and reporting standards.
- Provide information to central agencies for budgeting, analysis, and governmentwide reporting, including consolidated financial statements.
- Provide a complete audit trail to facilitate audits.

As shown in Illustration 1, establishing uniform requirements is only part of the process of improving financial managements systems and information. Improvements can be achieved through the selection, development, and/or purchase of software applications that meet approved functional requirements and technical and data management specifications. Agencies must continue to improve their financial systems and implement new requirements as they are issued so that continuing efforts to standardize and upgrade data and reporting requirements, in accordance with the OMB's governmentwide five-year financial management plan, will be successful.

Well-defined and effective governmentwide functional requirements assist agencies in developing strong systems and information by eliminating duplicate work among agencies and providing a common framework so that commercial vendors can more economically provide systems software. Development of governmentwide functional requirements is a critical effort that will affect internally developed systems, the evaluation and selection of commercially available systems, as well as mature manual systems. In support of this vision, the Federal government must establish governmentwide financial management systems and compatible agency systems, with standardized information and electronic data exchange, to support program delivery, safeguard assets, and manage taxpayer dollars.

Each agency should supplement the governmentwide standard requirements, described in this document, with its unique agency requirements to provide a uniform basis for the standardization of financial management systems as required by the Chief Financial Officers (CFO) Act of 1990, FFMIA, and other statutes. However, standard core requirements must be maintained.

251 **Financial System Improvement Projects**



252 **Subject of this report**

253 Illustration 1

It is critical that financial management systems support the agency's mission and programs, including changes to them, and that financial management system's plans are incorporated into the agency's plans for information technology (IT) infrastructure and information systems as a whole. Further, systems design efforts should include an analysis of how systems improvements, new technology supporting financial management systems, and modifications to existing work processes can together enhance agency operations and improve program and financial management. Reassessing information and processing needs, and redesigning processes, procedures, and policies are essential steps to meeting user needs.

The following section discusses integrated financial management systems.

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Integrated Financial Management Systems

Financial management systems must be designed with effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems. To be integrated, financial management systems must have, as a minimum, the following four characteristics:

(1) Standard data classifications (definitions and formats) established and used for recording financial events

(2) Common processes used for processing similar kinds of transactions

(3) Internal controls over data entry, transaction processing, and reporting applied consistently

(4) A design that eliminates unnecessary duplication of transaction entry.

The financial management system's policy described in OMB Circular A-127, "Financial Management Systems," requires that each agency establish and maintain a single, integrated financial management system. Without a single, integrated financial management system to ensure timely and accurate financial data, poor policy decisions may occur, due to inaccurate or untimely information. Managers are less likely to be able to report accurately to the President, the Congress, and the public on government operations in a timely manner. Scarce resources are more likely to be directed toward the collection of information rather than to delivery of the intended programs. Further, modifications to financial management systems is necessary to keep pace with rapidly changing technology and user requirements cannot be coordinated and managed properly.

Having a single, *integrated* financial management system does not necessarily mean having only one software application within each agency covering all financial management system's needs. Rather, a single, integrated financial management system is a *unified* set of financial systems and the financial portions of mixed systems (e.g., acquisition) encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage the financial operations of the agency, and report on the agency's financial status to central agencies, Congress, and the public.

Integrated means that the user is able to have one view into systems such that, at whatever level the individual is using the system, he or she can obtain the information needed efficiently and effectively through electronic means. However, it does not necessarily mean that all information is physically located in the same database. Yet, as data warehousing becomes more of a standard, the data may indeed be stored centrally and accessed remotely.

Unified means that systems are planned and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

Interfaces, where one system feeds data to another system following normal business/transaction cycles, such as depreciation charges recorded in general ledger control accounts at specific time intervals, may be acceptable as long as the supporting detail is maintained and accessible to managers. In such cases, interface linkages must be electronic unless the number of transactions is so small that it is not cost-beneficial to automate the interface. Reconciliations between systems, where interface linkages are appropriate, must be performed to ensure data accuracy. Similarly, such reconciliations should be automated when cost beneficial.

To develop an integrated information system, it is critical that systems analysts and systems accountants identify the following:

- The scope of the functions to be supported (processes)
- How data quality will be ensured (data stewardship)
- Information to be processed (management information)
- How systems fit together to support the functions (systems architecture)
- Safeguards needed to ensure the integrity of operations and data (internal control).

All of these pieces must be brought together in a model such as the one shown in Illustration 2. These pieces must work together to form an efficient integrated information system. A change to any part of the model would require a determination of the implications on other parts of the model. For example, a new reporting requirement may require changes throughout the entire model. The following section discusses agency financial management systems architecture.

Integrated Model for Federal Information Systems

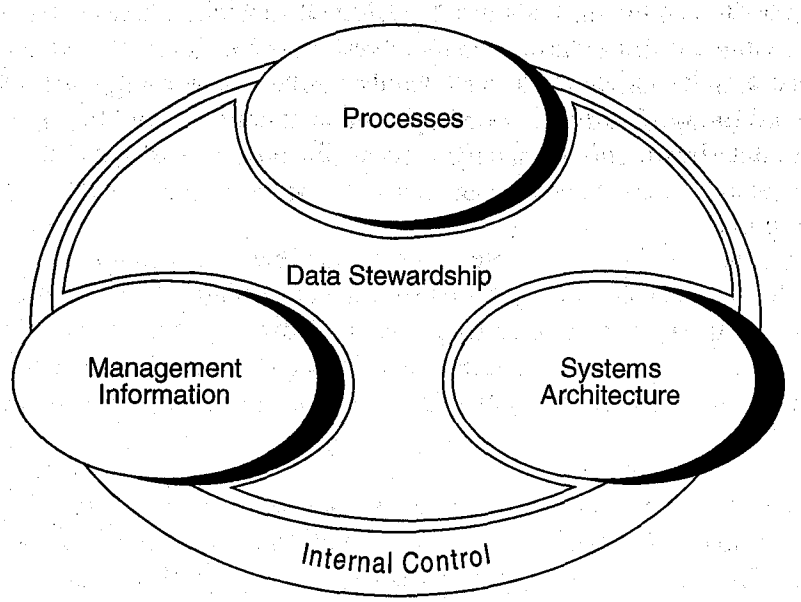


Illustration 2

Agency Financial Management Systems Architecture

Agency financial management systems are information systems that track financial events and summarize information to support the mission of an agency, provide for adequate management reporting, support agency-level policy decisions necessary to carry out fiduciary responsibilities, and support the preparation of auditable financial statements.

Agency financial management systems fall into three categories:

(1) Core financial systems

(2) Other financial and mixed systems, including acquisition management systems

(3) Departmental executive information systems (systems to provide management information to all levels of management).

These systems must be linked together electronically to be effective and efficient. Summary data transfers must be provided from agency systems to central systems to permit summaries of management information and agency financial performance information on a governmentwide basis.

Subject to governmentwide policies, the physical configuration of financial management systems, including issues of centralized or decentralized activities, processing routines, data, and organizations, is a decision best left to the individual agency, which can determine the optimal manner in which to support its mission. The physical design of the system, however, should consider the agency's organizational philosophy, the technical capabilities available, and the most appropriate manner to achieve the necessary single integrated financial management system for the agency.

The systems architecture shown in Illustration 3 provides a logical perspective identifying the relationships of various system types. Although this does not necessarily represent the physical design of the system, it does identify the system types generally needed to support program delivery/financing and financial event processing for effective and efficient program execution. The acquisition system box highlighted in Illustration 3 signifies the financial interface requirements between an agency's acquisition *and core financial systems*—not those associated with the entire acquisition process.

Agency Systems Architecture

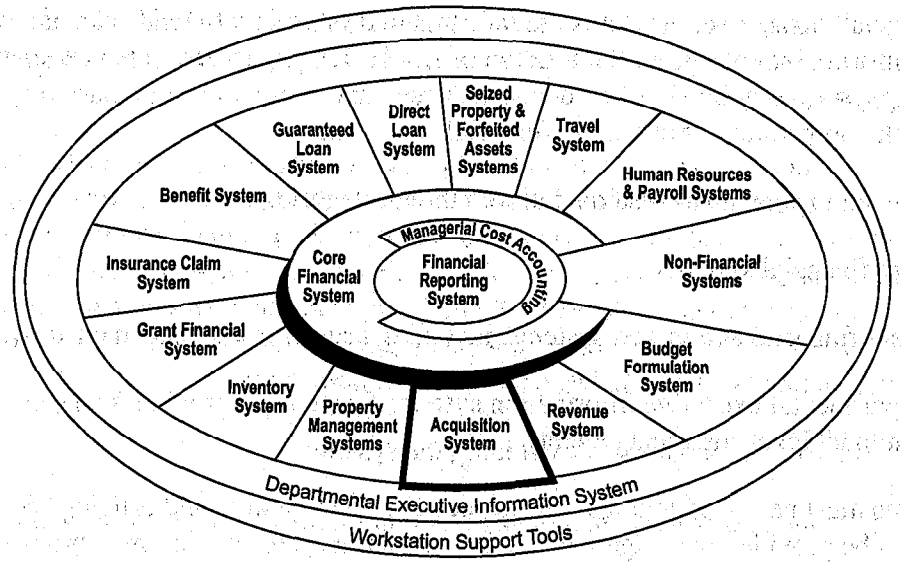


Illustration 3

As shown in the illustration, acquisition systems are an integral part of the total financial management system for all Federal agencies. They support programmatic objectives and interact with core financial, property management, inventory, and other systems, to certify funds availability, commit/de-commit funds, obligate/de-obligate funds, make payments, and support contract closeout processes.

The following section provides an overview of the Federal acquisition system.

Federal Acquisition System Overview

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

The Federal acquisition system encompasses the processes, policies, and procedures the government employs to acquire goods and services for its use. Those processes, policies, and procedures are applicable to all executive agencies and are published in the Federal Acquisition Regulation (FAR) and various agency regulations that implement or supplement the FAR. The dollar value of all goods and services acquired by the Federal government amounted to over $230 billion in fiscal year (FY) 2000 and involved almost 30 million transactions.[2] This total includes 23.5 million transactions worth $12.3 billion using purchase cards.

The following are some of the principles guiding the system:

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

Responsible government officials implement the system in the broad areas of requirements definition, solicitation, negotiation, source selection, award, and contract administration. Those officials are free to apply sound business judgment to these various aspects of the system, provided such judgment is consistent with the FAR; does not violate law, executive order or other regulations; and is in the best interests of the government.

The Federal acquisition system relies on, and interacts with, many other agency-specific systems. For example, inventory systems may trigger the decision to procure, while the delivery of contract end items may be used to establish the agency's property management system record. Similarly, the acquisition system's issuance of an award can trigger the establishment of the financial system's obligation transaction by means of an electronic interface. The principal system, however, that shares information requirements and creates two-way dependencies with the acquisition system is the financial system. These dependencies help to ensure integrity and control in the areas of budget, program management and delivery, external reporting, and data integrity.

The Federal acquisition system is represented in the following high-level process flow diagram (Illustration 4). The process flow diagram shows critical interfaces between the acquisition and financial systems (highlighted boxes) as well as a myriad of acquisition related activities that occur within this process. Within this life cycle, there are two procurement methods that differentiate the processes that occur between acquisition and finance and define the resulting interface requirements that occur. These distinguishing procurement methods are (1) micropurchases

[2] Federal Procurement Report, Fiscal Year 2000 through Fourth Quarter, (October 1, 1999 through September 30, 2000).

made with purchase cards and (2) procurements (for purposes of this document, transactions other than micropurchases made with purchase cards).[3]

Federal Acquisition System Process
(Financial Interfaces Highlighted)

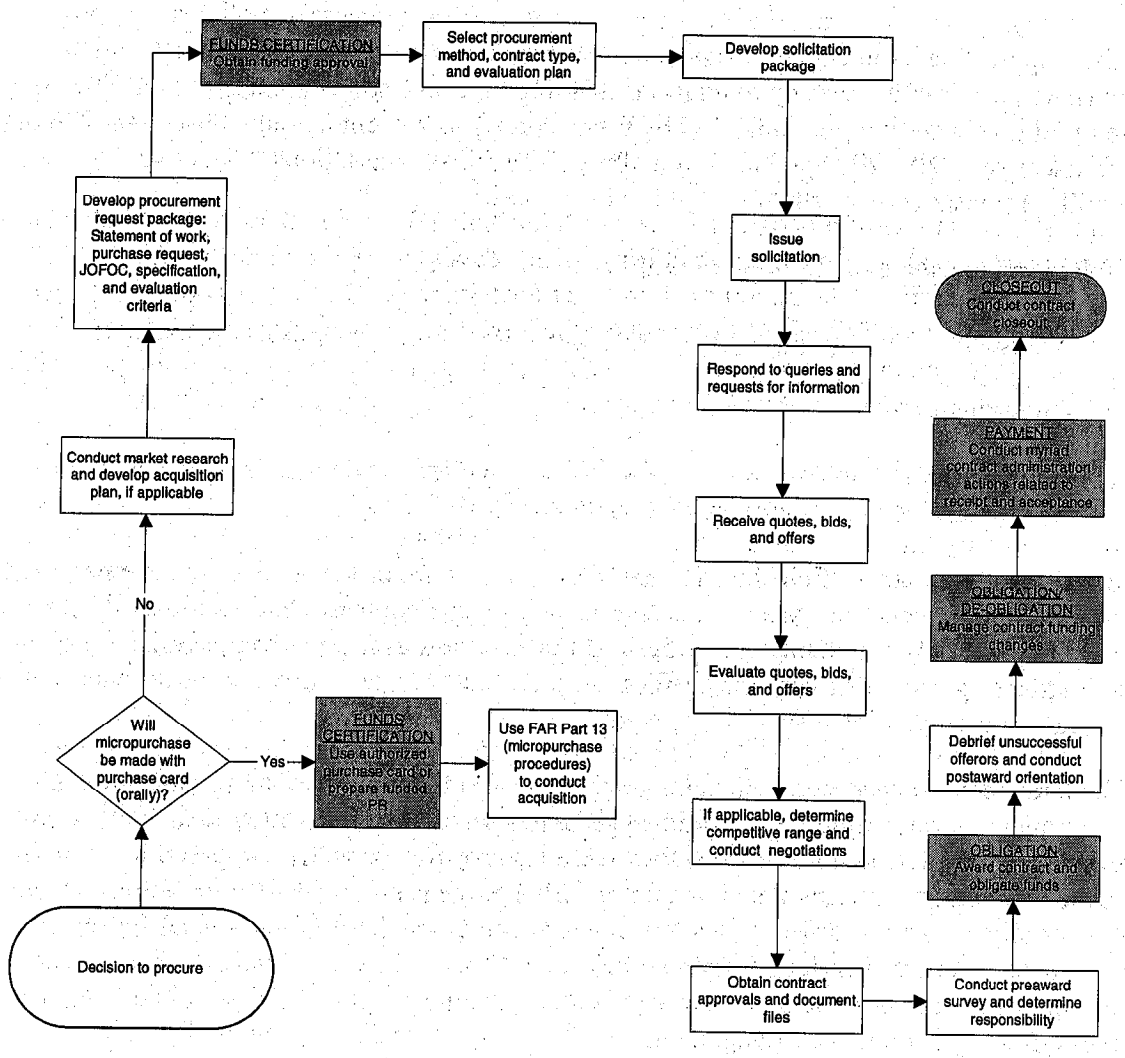


Illustration 4

[3] It should be noted that payment for micropurchases can also be accomplished with imprest fund transactions, third party drafts, or convenience checks, however these techniques occur with less frequency than payment with purchase cards.

The Federal Acquisition Streamlining Act of 1994 created a new procurement category called micropurchases for open market purchases below a dollar threshold (currently $2,500). Streamlined micropurchases use purchase cards as the preferred method of procurement.[4] Funding, obligation, and payment may often be executed on a bulk basis rather than on an individual transaction basis. Generally, micropurchases require more limited interface with finances than procurements. See the section on micropurchases made with purchase cards beginning on page 52 for a discussion of the process used to accomplish micropurchase acquisitions.

For procurements, four basic processes between acquisition and finance are involved: funds certification, obligation/de-obligation, payment, and closeout. It is these processes (which may not be universally applicable) that form the structure for organizing shared information requirements described in detail in later sections of this document and summarized below.

To begin the procurement process, the agency conducts market research and may develop an acquisition plan. The agency program (requiring) office develops a procurement request to be sent to the contracting office. The government may set forth its requirements for goods or services in a statement of work (SOW). The SOW reflects the government's market research and maximizes the use of commercial products and services. The agency then determines the evaluation criteria that will be used to select a source.

At this point in the procurement process, the first acquisition/financial information exchange occurs as the financial system is accessed to perform a funds availability certification or *funds certification* to verify that funds are available for the contemplated purchase. Where possible and cost effective, an electronic interface at this point may enable the establishment of commitment records. Through funds certification, funds may be committed or reserved in the financial system in anticipation of future obligations. The commitment, or reservation of funds, prevents those funds from being used for any other purpose.

Following funds certification, the procurement action typically proceeds through the remainder of the acquisition process, i.e., solicitation, negotiation, and award. A determination is made as to the method of procurement, e.g., negotiated procurement, or purchase from an agency or governmentwide contract. A solicitation is then issued and responses are received and evaluated. In the case of negotiated procurements, the competitive range is established, negotiations are conducted, and a contract is awarded. In some cases, agencies use contracting vehicles from other agencies (e.g., General Services Administration [GSA] Multiple Award Schedules, governmentwide acquisition contracts) to perform more streamlined acquisitions by placing delivery orders against these contracting vehicles.

Once a contract is awarded, the acquisition system's record can be used to establish the financial system's obligation transaction by means of an electronic interface. The *obligation* is then recorded in the finance system and eventually results in outlays as the terms of the contract are satisfied. Similarly, a *de-obligation* record can be produced when modifications, cancellations, or other adjustments affecting contract funding are processed against awards.

[4] Purchase cards can also be used as a payment method for other procurements. Information requirements for this type of payment method are discussed on page 46 in the section on payments.

As part of contract administrative management activities, receipt and acceptance of goods and services are routinely addressed so that contractor performance and related *payments* can be accomplished in accordance with the contract's terms and conditions. These actions also relate to the payment management function within the core financial system[5] that maintains the necessary information to effect and manage the payment process. Documentation supporting payment, such as evidence of receipt and acceptance, may be provided through interfaces with acquisition, property management, inventory, or other systems involved in the receipt and acceptance of goods or services.

The *closeout* process occurs as a result of the government's determination that the contract has been physically completed and all administrative actions, including final receipt and final payment, have been made.

This document establishes the shared information requirements for acquisition and financial systems, within the functional interface processes described above.

The following section provides an introduction to shared information (interface) requirements of acquisition and financial systems.

[5] JFMIP Core Financial System Requirements (SR-99-4).

Introduction to Acquisition/Financial Systems Interface Requirements

This document identifies the shared information requirements necessary within the acquisition and financial systems to facilitate efficient and reliable data sharing between the acquisition and financial management processes. These requirements are based upon statute, regulation, or best practice and were deliberated and concurred upon by the acquisition and financial communities represented by the participants of this study. Financial and mixed systems must comply with these requirements to ensure the sharing of data among systems and to form the basis for an agency's single integrated financial management system.

To develop these shared information requirements, a team was established and members were assigned responsibility for each of four processes: funds certification, obligation/de-obligation, payment, and closeout. Fifty-four team members from 23 government agencies participated in this effort and represented approximately equal membership from both the acquisition and finance communities. The team included members from governmentwide policy and audit organizations such as the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Federal Accounting Standards Advisory Board (FASAB).

Methodology

The team developed shared information requirements by first creating flow diagrams associated with each of the four interface processes. These diagrams depict various cross-functional interactions during the acquisition process. Next, the team identified, from statutory or regulatory source documents, the information-specific requirements that must be available to enable the execution of the activity in the process flow. The exact language of the requirement was identified as it appeared in statute and implementing documents, e.g., FAR, *Core Financial Systems Requirements*. In addition to reviewing *Core Financial Systems Requirements*, the team evaluated other relevant JFMIP documents covering related functions, e.g., property, inventory, and seized property and forfeited assets. After much deliberation, the team derived specific shared information requirements, and these requirements were then documented.

Concurrently, the team identified the information that must be available within the single integrated financial management system and accessible to the acquisition and financial systems through an interface. Note that an information interface requirement may take a number of forms: a data element, a reporting need, an internal control, or an edit requirement.

Interface requirements in this document are designated as either mandatory or value-added. The following definitions govern the distinction between *mandatory*—signified by the word "must"—and *value-added*—signified by the word "should."

- *Mandatory requirements* describe what the system must do and consist of the minimum acceptable functionality necessary to establish a system, or are based on Federal laws and regulations. Mandatory requirements are those against which agency heads evaluate their systems to determine substantial compliance with systems requirements under the FFMIA. These requirements apply to existing systems in operation and new systems planned or under development.

- *Value-added requirements* describe features or characteristics and may consist of any combination of the following: (1) using state of the art technology, (2) employing the preferred or best business practices, or (3) meeting the special management needs of an individual agency. Value-added, optional, and other similar terminology may be used to describe this category of requirements. Agencies should consider value-added features when judging systems options. The need for these value-added features in agency systems is left to the discretion of each agency head.

The various steps and information requirements associated with the financial and acquisition processes do not necessarily occur in all cases in the order presented. Any information requirement identified as mandatory, is mandatory throughout the acquisition process, if applicable to the transaction, no matter when in the process the associated data becomes available. For example, in competitive procurements, a vendor identification (ID) may only be available at the time of contract award. In sole source contracts, the vendor ID may be known and the system should be able to accommodate the data element earlier, i.e., at funds certification.

During the development of the shared information requirements, the team also differentiated between the two alternative procurement methods—micropurchases made with purchase cards and procurements. Within each of these alternatives, the process flow diagrams in each respective process section display the activities executed by one of the following: the agency's designated official, contracting, finance, supplier and disbursing. *Designated official* refers to the organizational element responsible for the process step, such as the program office, receiving and acceptance officials, and sometimes contracting or finance representatives. Note that for a given activity, the performing organization is not necessarily the same in every agency. Further, the *finance* function could include the finance, accounting, program, or budget office(s) or be an automated part of the financial system. The *contracting* function is the actual contracting office that has been delegated contracting authority pursuant to the FAR.[6] *Supplier* refers to the commercial organization that performs the service or supplies the goods and *disbursing* is the government payment organization that makes physical payment.

This document may be used when developing new acquisition and financial systems, and related interfaces, or improving/evaluating current systems. It, however, does not provide hardware/software performance requirements for such systems; rather, it provides the high-level interface requirements necessary for the acquisition and financial communities to effectively complete the integration of their systems.

Data Elements and Data Entry

The data elements identified in the subsequent process sections include all data required to execute the identified functionality. In some cases, the same data element may appear in more than one functionality. This allows system developers to understand the entire set of data required for a specific functionality within an interface process. It is not meant to suggest multiple entries of data.

[6] FAR 1.602-1 "Career Development, Contracting Authority, and Responsibilities—Authority."

Information requirements are identified within each interface process. For example, invoices, receiving reports, payment, and acceptance documents are sources for information requirements associated with the payment process. Many important data elements may be included within an information requirement. As an example, a receiving report may include the following data elements: product/service description, quantity received, date received, and line of accounting.

Data entered at any point in the acquisition process should be retrievable at a subsequent point or points. As a specific example, assume that goods previously ordered have been received. Some systems allow the receiving official to electronically select items from the purchase order (PO) and indicate receipt of just these items. Under these circumstances, the official does not have to reenter all of the detailed receiving report data. The data related to the receipt includes certain data from the PO (e.g., product description and line of accounting) as well as data not previously entered (e.g., date received and quantity received) which a designated official would enter into the acquisition, property management or inventory system, as applicable. The goal is to have full accessibility and portability of the previously entered data within the agency's single integrated financial management system.

Access to Information

The acquisition/finance interface requirements in this publication have been identified as essential to the performance of both the finance and acquisition functions. This information is critical at the time of its initial entry into the agency's single integrated financial management system and retains its importance as long as it is necessary for it to be contained in this system. As such, these requirements, regardless of their form, must be made available to all users—both from the finance and acquisition communities—who require it to carry out their respective responsibilities.

The flow diagrams for each process (funds certification, obligation, de-obligation, payment, and closeout) are presented in their respective sections. The following section covers the funds certification process.

558

Funds Certification

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

Commitment accounting, often accomplished as part of funds certification, is a practice whereby agencies can make an administrative reservation of funds when a known procurement requirement exists. It is essentially used as a placeholder until there is an order placed, contract awarded, or service rendered. While not all agencies' accounting systems require the formal recording of commitments, if used, they are able to produce commitment records and update financial balances, which aids in overall fiscal management.

Funds Certification Process Flow (see Illustration 5)

The funds certification process begins with a requirement for supplies and/or services and a decision to obtain the needed items through acquisition. The result is a purchasing action for which funds are certified and, if necessary, under agency policy, committed. In the first step of funds certification, the designated official (e.g., the program manager) develops a requirement and initiates a purchase request (PR) to submit to finance for funding. The PR describes the requirement and its estimated value. In addition, it should contain or have attached an accounting citation of the actual funds to be certified. The initial PR may be later amended to adjust funding (or subsequent PRs may be issued to adjust funding) for incremental funding, price adjustments, cost/price incentives, etc. For agencies using commitment accounting, these adjustments may result in additional commitments or decommitments. Finance then posts the initial funds commitment (or decommitment) and subsequent funding adjustments through transactions to the accounting record. Once funds have been identified and certified as to availability, finance indicates that funds are certified either on or with the PR forwarded to contracting. The contracting officer (CO) checks for funds certification prior to beginning the procurement action. PR's may be initiated for future period activity, in which funding is not yet available; e.g. start of a fiscal year.

The process flow diagram of funds certification for procurements is shown in Illustration 5.

Funds Certification Process Flow

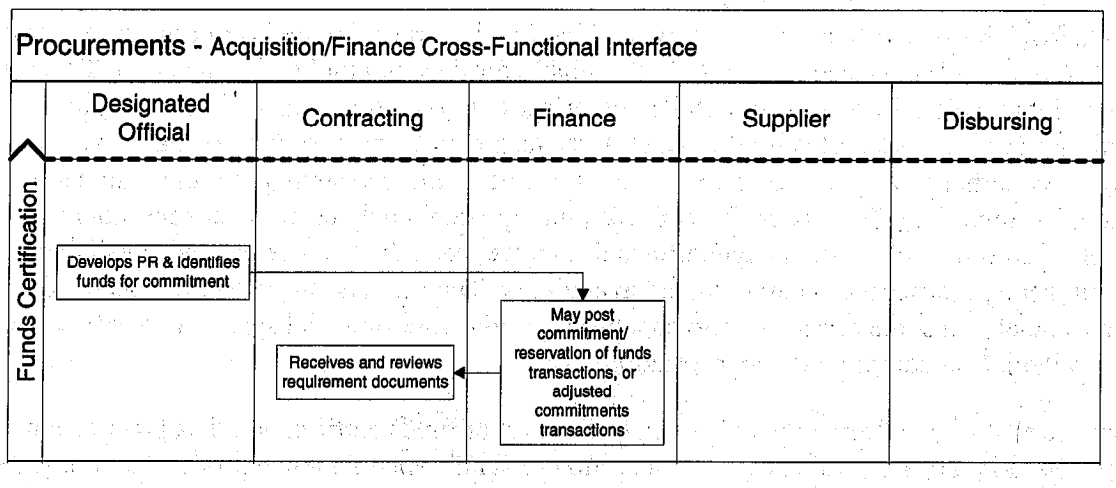


Illustration 5

Mandatory Requirements for Funds Certification

To support the funds certification process, the agency's single integrated financial management system **must** provide the following capability:

- Access the following information
  - FY;
  - appropriation/Treasury fund symbol;
  - organization code;
  - cost center;
  - object classification;
  - estimated amount;
  - project code;
  - program code;
  - PR number;
  - transaction date;
  - action code (original/new/modification);
  - subject to funds availability indicator;

- asset identifier code;[7] and
- supplier code/name (e.g., supplier ID, taxpayer identification number [TIN], or data universal numbering system [DUNS]).

Value-Added Requirements for Funds Certification

To support the funds certification process, the agency's single integrated financial management system **should** provide the following capability:

- Access the following information
  - interagency agreement number;
  - trading partner;
  - performance measure code;
  - description;
  - estimated amounts increased and/or decreased;
  - revenue source code; and
  - agency location code.
- Access the estimated quantity associated with establishing the obligation where applicable, such as for property or inventory purchases.

The next interface process, obligation, is discussed in the following section.

[7] The asset identifier is a new information requirement used to identify assets or multiple assets, as in the case of inventory or pooled property, plant, and equipment (PP&E) items, for which costs are incurred. Federal accounting standards require that recorded costs for inventory and PP&E assets include all costs incurred to bring these assets to the form and location suitable for their intended use. Since more than one contract or acquisition activity may be utilized to acquire and place PP&E (including national defense PP&E) in the form and location suitable for its intended use, this code will facilitate the accounting for total acquisition/contracting costs. The need for total costs is important for cost accounting, financial reporting, and asset valuation purposes. Therefore, the asset-identifier code has been included throughout the interface processes. Agencies will have to determine what organization will determine the coding of assets, e.g., program, finance.

629

Obligation

Obligation Process Flow (see Illustration 6)

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

Once the contract is awarded, the acquisition system's award record can be used to establish the financial system's obligation transaction by means of an electronic interface, thus eliminating unnecessary transaction entry duplication. Similarly, de-obligation records can be produced when modifications, cancellations, or other adjustments are processed against awards. If a commitment record was previously established, the related obligation may differ in amount, vendor, or other attributes. Alternatively, an obligation record can be created without a related commitment. At this point in the process, vendor information captured in an acquisition system may also be used to establish payee records in the payee maintenance[8] portion of the payment management system.

Budgetary resources must be available before obligations can be incurred legally. To meet this requirement, three elements must be satisfied prior to recording an obligation against an appropriation account:

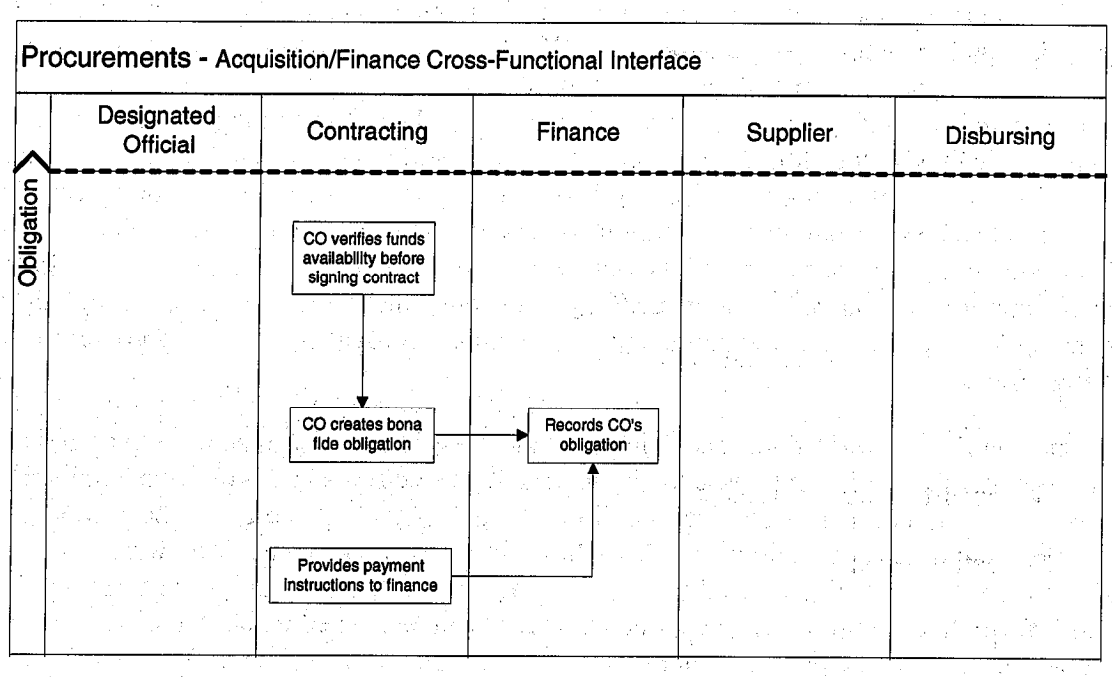
- Purpose—the obligation must be for a purpose for which the appropriation was made.
- Time—the obligation must be incurred within the time that the appropriation was made available for new obligations.
- Amount—the obligation may not exceed the amount of funds available for obligation against the appropriation.

These elements of the obligation concept are applied to individual transactions on a case-by-case basis. Although funds may have been certified as available for obligation just prior to contract award, appropriation law and accounting controls necessitate testing these elements prior to recording the obligation.

The process flow diagram of obligation for procurements is shown in Illustration 6.

[8] For more information on requirements related to core financial system functions such as Payee Maintenance, refer to *Core Financial System Requirements.*

661 **Obligation Process Flow**



662

663 Illustration 6

664 **Mandatory Requirements for Obligation**

665 To support the obligation process, the agency's single integrated financial management system
666 **must** provide the following capability:

667 ♦ Access the following information

668 ➢ FY;

669 ➢ appropriation/treasury fund symbol;

670 ➢ organization code;

671 ➢ cost center;

672 ➢ object classification;

673 ➢ project code;

674 ➢ program code;

675 ➢ amount;

676 ➢ PR number;

677 ➢ contract number and all associated delivery order numbers or task order numbers (in-
678 cluding modification number, if any); PO number (including modification number, if
679 any); blanket purchase agreement (BPA) number and all associated BPA call num-
680 bers (including modification number, if any);

681 ➢ contractor name;

682 ➢ supplier TIN;

683 ➢ DUNS identification;

684 ➢ interagency agreement number;

685 ➢ trading partner;

686 ➢ award (transaction) date;

687 ➢ action code;

688 ➢ product or service description;

689 ➢ amounts increased and/or amounts decreased;

690 ➢ subject to funds availability indicator; and

691 ➢ asset identifier code.

692 ♦ Access the full estimated cost of the interagency agreement (both direct and indirect costs
693 need to be provided for evaluation).

694 ♦ Provide transaction details to support account balances.

695 ♦ Provide access to a hard copy or an electronic copy (where cost effective) of the entire
696 executed (signed) contract,[9] including the following critical data elements captured at ob-
697 ligation and necessary for payment and/or other financial processes

698 ➢ obligating document number (if different from contract number);

699 ➢ contractor name and address;

700 ➢ contract administration office;

701 ➢ payment office;

702 ➢ unit of measure;

703 ➢ unit price;

[9] Per FAR 4.201, the entire signed contract is provided to the paying office.

- extended price;
- quantity;
- variance amount allowed;
- total amount;
- payment terms and conditions, e.g., discount terms, applicable FAR payment clauses, etc.;
- delivery/performance schedule;
- estimated completion date;
- payment type (e.g., prompt pay, fast pay, progress pay, or partial pay); and
- names of government-designated receiving, invoice-approving, and acceptance officials.

- Identify the method of acquisition, e.g., purchase or lease.

Value-Added Requirements for Obligation

To support the obligation process, the agency's single integrated financial management system **should** provide the following capability:

- Access other information where applicable and available, such as
  - standard general ledger(SGL) account;
  - performance measure code;
  - revenue source code;
  - additional funding indicator, including increases and decreases;
  - line item number;
  - agency location code.
- Access lease information
  - amount; and
  - access to the lease agreement, including terms and conditions (e.g., discount terms and lease period).

When an agency cancels or makes a downward adjustment to a previously recorded obligation, the result is a *de-obligation*. This process is described in the next section.

732

De-Obligation

De-Obligation Process Flow (see Illustration 7)

A *de-obligation* is an adjustment or modification downward to an existing obligation. It typically frees up funding which may then be applied to alternative activities. A de-obligation may be initiated in one of two ways:

- As part of the payment process, finance performs periodic or year-end reconciliations of actual expenditures to obligations. If finance concludes, as a result of these reconciliations, that obligated funds have exceeded expenditures, finance contacts the CO to determine whether additional expenses have been incurred, but not billed. If additional expenses have not been incurred and the contract is complete, the CO de-obligates or modifies the funded contract amount. The CO contacts both finance and the designated official of this action. Finance records the de-obligation. In the case of Enterprise Resource Planning (ERP) systems, this function is performed through the routing and approval process and the de-obligation is done upon approval by the last approver, i.e., contracting officer.

- The designated official may initiate the request for the de-obligation action, perhaps because of a funding realignment or reduced requirements. The CO is notified by the designated official and the CO, with the assistance of finance, then verifies whether the affected funds have been expended and if further expenses have been incurred and not yet billed. The CO then de-obligates or modifies the contract to de-obligate the funding. The CO notifies both finance and the designated official of this action and finance records the de-obligation.

The process flow diagram of de-obligation for procurements is shown in Illustration 7.

De-Obligation Process Flow

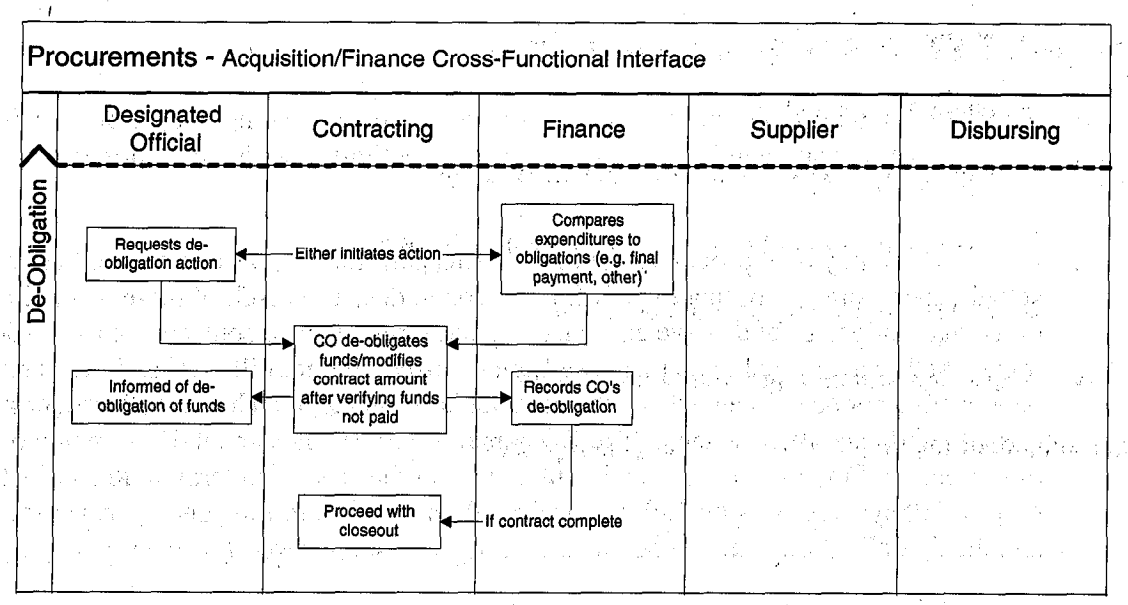


Illustration 7

Mandatory Requirements for De-Obligation

To support the de-obligation process, the agency's single integrated financial management system **must** provide the capability to access all information previously supplied for the original obligation as well as the following capabilities:

- Access the full estimated cost reduction of the interagency agreement (both direct and indirect costs need to be provided for evaluation).

- Provide access to the entire executed (signed) contract, including critical data elements captured at obligation and necessary to make the adjustment to the original obligation and necessary for payment and/or other financial processes, including

  - contract number and all associated delivery order numbers or task order numbers (including modification number, if any); PO number (including modification number, if any); blanket purchase agreement (BPA) number and all associated BPA call numbers (including modification number, if any) (to provide the ability to cross reference with the contract or BPA);

Value-Added Requirements for De-Obligation

To support the de-obligation process, the agency's single integrated financial management system **should** provide the following capability:

  - change in product or service description;

  - change in unit of measure;

- change in quantity;
- change in unit price
- change in total price
- any change to payment terms and conditions;
- any change to delivery/performance schedule; and
- any revised estimated completion date.

- Access the line item number of the change.

The subject of the next section is the payment process.

784

Payment

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

Payment Process Flow (see Illustration 8)

Generally, but not always, the payment process for acquisitions begins when the contractor delivers goods or performs services, and ends upon the disbursement of funds to the contractor. Designated approving officials receive and accept the goods or services ordered and provide information necessary, such as receiving and acceptance reports, to support the contract management and finance functions. The contractor submits to the government an invoice, voucher, or financing payment request in accordance with contract terms and conditions. It is then forwarded to the designated approving official who determines whether it is proper and instructs finance on the payment amount. The approving official also verifies the availability of funds, and the designated approving official approves the payment request based on satisfactory evidence of acceptance and compliance with contract terms. The disbursing office then remits the funds to the contractor. Finance also provides payment-related information to designated officials in the program and contracting offices.

Procurements Using the Purchase Card for Payment

Some agencies authorize COs and other authorized individuals to cite a purchase card account number for payment purposes on contract and PO award documents valued greater than $2,500. A specific individual is selected and trained to be a cardholder and delegated purchase authority; if their authority exceeds $2,500, they are given a Certificate of Appointment, commonly known as a Warrant.

Procurements valued greater than $2;500 that use the purchase card solely as a method of payment are almost always documented through a written contract or order. Consequently, the information requirements for obligation, payment and closeout are, with few exceptions, the same as those required by procurements. A notable difference is the contractor (i.e., vendor providing goods or services) is not paid directly but through a third party financial institution who pays the contractor and bills the government.

Depending on an agency's systems architecture, specific activities performed relating to payments may be supported by interfaces with other financial systems that provide transaction data to the core financial system. For example, to support the payment process, the receiving function can be performed in an acquisition or core financial system. The receiving action provides one element of the information needed for proper matching performed by the finance office when an invoice arrives and is certified for payment by a designated official. Once payments are made, payment history and other funds status information must be made available to program, acquisition, budget, and finance offices. More elaborate systems may accept electronic invoices, and allow receipt and acceptance indications to be sent to the payment management function electronically.

The process flow diagram of payment for procurements is shown in Illustration 8.

Payment Process Flow

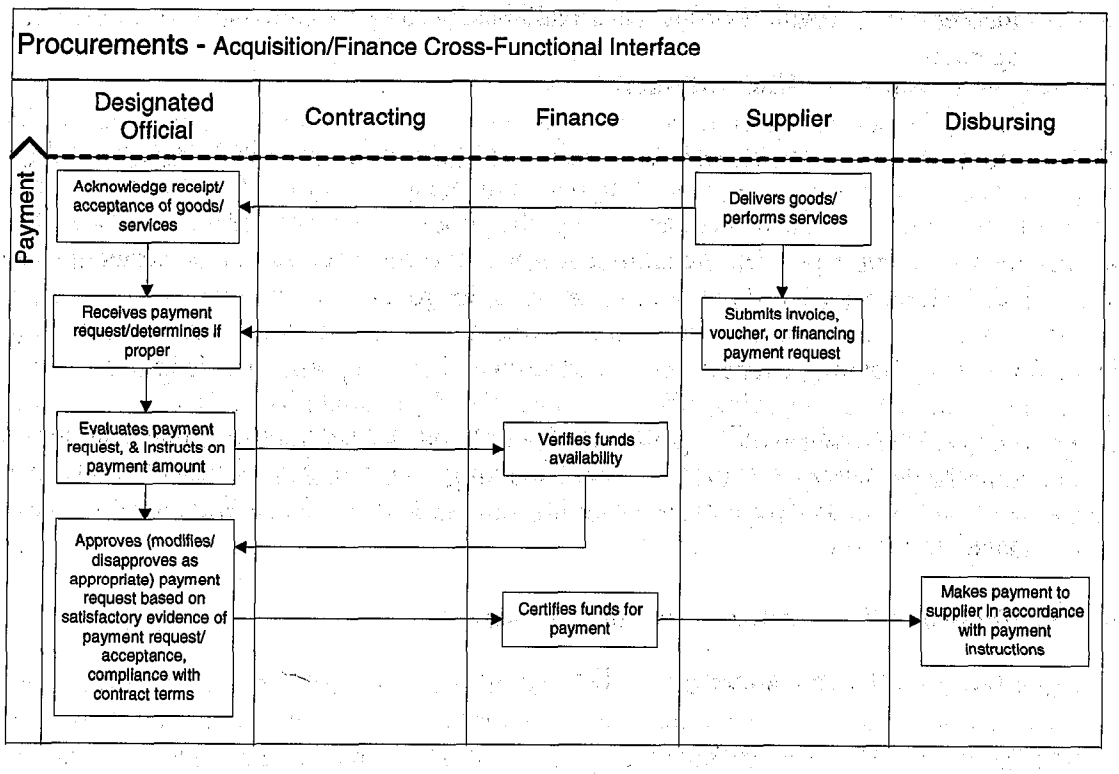


Illustration 8

Mandatory Requirements for Payment

1) To support the payment process, the agency's single integrated financial management system **must** provide the following capability related to the contractor:

- Access the contractor's TIN and DUNS identification.
- Provide an indicator (e.g., Y/N) as to whether payments to the contractor are exempt from electronic funds transfer (EFT).

843 ♦ Access the following information related to an EFT payment

844 ➢ contract number and all associated delivery order numbers or task order numbers (in-
845 cluding modification number, if any); PO number (including modification number, if
846 any); BPA number and all associated BPA call numbers (including modification
847 number, if any); name and remittance address;

848 ➢ signature, title, and telephone number of the contractor official authorized to provide
849 EFT information;

850 ➢ name, address, and nine-digit routing and transit number (RTN) of the contractor's fi-
851 nancial agent;

852 ➢ contractor's account number and type of account (checking, savings, or lockbox);

853 ➢ the Fedwire Transfer System telegraphic abbreviation of the contractor's financial
854 agent; and

855 ➢ the name, address, telegraphic abbreviation, and nine-digit RTN of the financial insti-
856 tution receiving the wire transfer payment if the contractor's financial agent is not
857 connected directly to the Fedwire Transfer System online.

858 2) To support the payment process, the agency's single integrated financial management system
859 **must** provide the following capability related to the contract:

860 ♦ Access the following information related to the contract, captured at obligation

861 ➢ contract number and all associated delivery order numbers or task order numbers (in-
862 cluding modification number, if any); PO number (including modification number, if
863 any); BPA number and all associated BPA call numbers (including modification
864 number, if any);

865 ➢ award date;

866 ➢ obligating document number (if different from contract number);

867 ➢ contractor name and address;

868 ➢ contract administration office;

869 ➢ payment office;

870 ➢ product or service description;

871 ➢ unit of measure;

872 ➢ unit price;

873 ➢ extended price;

874 ➢ quantity;

875 ➢ payment terms and conditions, e.g., discount terms, applicable FAR payment clauses,
876 etc.;

877 ➢ payment type, e.g., prompt pay, fast pay, progress pay, or partial pay;

878 ➢ line of accounting;

879 ➢ names of government-designated receiving, certifying, and acceptance officials;

880 ➢ variance amount allowed;

881 ➢ total amount

882 ♦ Provide access to a protest decision that resulted in the award of costs.

883 ♦ Access the specified duration of land rights acquired.

884 ♦ Access any restrictions on the use or convertibility of general PP&E acquired.

885 ♦ Provide access to the following required information associated with the payment for
886 PP&E acquired under lease

887 ➢ lease agreement and terms;

888 ➢ amount of lease; and

889 ➢ discount rate (if a lease).

890 ♦ Access the costs and asset identifier(s) associated with the cleanup of PP&E.

891 ♦ Access the asset identifier and/or project/program code and asset category (e.g., national
892 defense assets, multi-use heritage asset, and investments in non-Federal property) associ-
893 ated with the payment.

894 ♦ Access the following information associated with acquisitions related to software devel-
895 opment

896 ➢ total acquisition costs by line item description of phase, e.g., completion of concep-
897 tual formulation, design, and testing;

898 ➢ transaction purpose, e.g., acquisition, data conversion, or repair;

899 ➢ asset identifier or associated project/program; and

900 ➢ elements of products and services acquired, e.g., training, licenses, and manuals.

901 ♦ Access assignment of claim information, as in the case of a bankruptcy or court ordered

902 restructuring, to ensure payment is made in accordance with the assignment.

903 ♦ Access the contract terms regarding delivery or constructive delivery.

904 ♦ Access the advance/prepayment terms associated with a contract financing agreement.

905 3) To support the payment process, the agency's single integrated financial management system
906 **must** provide the following capability related to the payment request:

907 ♦ Provide access to the bill, invoice, or written request for payment.

908 ♦ Access the following proper invoice information[10]

909 ➢ name and address of contractor;

910 ➢ contract number and all associated delivery order numbers or task order numbers (in-
911 cluding modification number, if any); PO number (including modification number, if
912 any); BPA number and all associated BPA call numbers (including modification
913 number, if any);

914 ➢ description of products or services for each item;

915 ➢ quantity for each item;

916 ➢ unit of measure for each item;

917 ➢ unit price for each item;

918 ➢ extended price for each item;

919 ➢ total invoice amount;

920 ➢ shipping terms;

921 ➢ payment terms;

922 ➢ name and address of contractor official to whom payment is to be sent;

923 ➢ name, title, phone number, and mailing address of person to notify if invoice is defec-
924 tive;

925 ➢ invoice date;

926 ➢ invoice receipt date;

927 ➢ proper invoice date;

[10] See glossary.

928 ➢ proper invoice receipt date;

929 ➢ transportation costs;

930 ➢ remittance data;

931 ➢ prompt payment terms;

932 ➢ vendor invoice number;

933 ➢ payment tracking control number; and

934 ➢ acceptance of goods and services date.

935 ♦ Provide an indicator to mark whether an invoice has been paid (including Treasury
936 schedule and trace number).

937 ♦ Access the estimated cost of work completed by a contractor for facilities or equipment
938 constructed or manufactured by contractors in accordance with contract specifications.

939 4) To support the payment process, the agency's single integrated financial management system
940 **must** provide the following capability related to receipt:

941 ♦ Access the following information from the receiving report

942 ➢ contract number and all associated delivery order numbers or task order numbers (in-
943 cluding modification number, if any); PO number (including modification number, if
944 any); BPA number and all associated BPA call numbers (including modification
945 number, if any);

946 ➢ description of products or services delivered;

947 ➢ quantity of items delivered;

948 ➢ unit of measure;

949 ➢ date products delivered, or dates from/to services performed;

950 ➢ date received;

951 ➢ signature, printed name, phone number, and mailing address of receiving official; and

952 ➢ name, title, phone number, and mailing address of where to send payment.

953 ♦ Provide notification that title to the goods has passed to the receiving entity.

954 5) To support the payment process, the agency's single integrated financial management system
955 **must** provide the following capability related to acceptance:

- Access the following acceptance information
  - contract number and all associated delivery order numbers or task order numbers (including modification number, if any); PO number (including modification number, if any); BPA number and all associated BPA call numbers (including modification number, if any);
  - product or service description;
  - unit of measure;
  - quantities accepted;
  - date products delivered or dates from/to services performed;
  - acceptance date;
  - receipt date;
  - progress payment approval date;
  - signature (or electronic alternative) of acceptance official;
  - name, title, phone number, and mailing address of acceptance official; and
  - interest calculation date in accordance with Title 5, Part 1315 of the CFR.
- Access the following information associated with final acceptance at closeout relative to final payment
  - date of acceptance;
  - evidence of performance (e.g., receiving report approved by designated official); and
  - receipt of goods.
- Provide notification that receipt and acceptance of goods/services has occurred, terms of the contract have been met, or progress under the contract has been made for a contract financing agreement.
- Access the accounting effect of an acquisition at the time of acceptance, including the acquisition cost of the item and the proper accounting classification.
- Provide the capability to accept and capture evidence of performance, if payment was made prior to performance in accordance with the fast payment clause.
- Provide access to information on the history of performance, compared to invoicing, by the contractor.

6) To support the payment process, the agency's single integrated financial management system **must** provide the following capability related to the payment:

- Access the name, signature, and phone number of financial approving and certifying officers for a voucher.
- Access the appropriation or fund symbol for each voucher.
- Provide partial payment indicator, if applicable.
- Provide the ability to recognize, for an invoice, that supplies or services have been received and accepted.
- Provide the ability to make payment without an invoice based on the contract schedule of payment.
- Access the following information associated with the payment of an asset
  - asset identifier code(s);
  - total asset or improvement costs, broken out by land or structures/buildings (if possible and significant);
  - category of PP&E (e.g., heritage assets, multi-use assets, general PP&E, stewardship); and
  - quantity.
- Provide the capability to flag payments for accelerated/special processing.
- Identify project(s) associated with a payment.
- Match receipt, acceptance and payment to funding source(s) in accordance with contract.
- Verify the CO's approval, including amount and line of accounting, for a performance-based payment.
- Permit progress payments in the amount approved by the CO.
- Permit payment without evidence of performance (for contract financing, including advance payments and commercial contract financing).
- Provide an indicator (e.g., Y/N) as to whether the payment is for a commercial purchase card issuer.
- Permit payment to commercial purchase card issuers prior to evidence of receipt or performance.

1014 ♦ Provide an indicator (e.g., Y/N) as to whether the associated contract has a fast payment
1015 clause. If yes, the contractor's invoice triggers payment.

1016 ♦ Access the following information for intragovernmental payment and collection (IPAC)
1017 transactions

1018 ➢ agency location code (ALC) contact;

1019 ➢ contact telephone number;

1020 ➢ contact email address;

1021 ➢ originating ALC;

1022 ➢ customer ALC;

1023 ➢ amount;

1024 ➢ obligating document number;

1025 ➢ PO number;

1026 ➢ invoice number;

1027 ➢ pay flag;

1028 ➢ quantity;

1029 ➢ unit price;

1030 ➢ unit of issue;

1031 ➢ sender treasury account symbol (e.g., appropriation); and

1032 ➢ receiver department code.

1033 ♦ Access the following information for IPAC adjustment transactions

1034 ➢ ALC contact;

1035 ➢ contact telephone number;

1036 ➢ contact email address;

1037 ➢ originating ALC;

1038 ➢ customer ALC;

1039 ➢ amount;

1040 ➢ original IPAC document reference number;

1041 ➢ original date accomplished; and

1042 ➢ original accounting date.

1043 ♦ Access the following information for IPAC zero-dollar transactions

1044 ➢ ALC contact;

1045 ➢ contact telephone number;

1046 ➢ contact email address;

1047 ➢ originating ALC; and

1048 ➢ customer ALC.

1049 ♦ For purchase card payments, provide access to the following information:

1050 ➢ Card number

1051 ➢ Accounting data associated with card number

1052 ➢ FY

1053 ➢ Appropriation/treasury fund symbol

1054 ➢ Organization code

1055 ➢ Cost center

1056 ➢ Object class

1057 ➢ Project code

1058 ➢ Program code

1059 ➢ Individual name/office name of cardholder

1060 7) To support the payment process, the agency's single integrated financial management system
1061 **must** provide the following process controls:

1062 ♦ Support the following pre-audit verifications

1063 ➢ contract number is valid, and payee name is correct;

1064 ➢ required administrative authorizations for the procurement and approvals for payment
1065 were obtained (names, titles, and phone numbers);

- TIN or payee ID number provided;
- payment is not a duplicate payment;
- delivered items or services are in accordance with the contract (quantities, prices, and amounts);
- payment amount is in accordance with the contract (including any adjustments);
- description of items and services, quantity, and price on the invoice match the same elements in the contract to ensure that the correct contract/order number has been cited by the vendor, the correct obligation charged, and only contracted items/services and quantities are paid for;
- cost effective discounts have been taken;
- all applicable deductions were made and credited to the proper account in the correct amount;
- receipt, acceptance and payment are matched to funding source(s) in accordance with the contract; and
- financing payments have been properly liquidated against delivery payments.

- Verify that the appropriate government officials have signed the appropriate form authorizing payment.
- Verify funds availability before making payment.
- Verify that electronic payments are within the maximum amount specified in the Treasury Financial Manual.[11]

Value-Added Requirements for Payment

To support the payment process, the agency's single integrated financial management system **should** provide the following capability:

- Provide an indicator (e.g., Y/N) as to whether the contractor is registered through the central contractor registration (CCR).
- Provide the ability to recognize changes in corporate name, address, and codes when the contractor's name/identity changes.
- Provide an indicator (e.g., Y/N) as to whether the supplier is exempt from registering through the CCR.

[11] I TFM 4-2000.

- Access the following optional data elements of the contract
  - line item number;
  - delivery/performance schedule; and
  - estimated completion date.
- Access the contract payment method (e.g., payment to be made by purchase card or other non-invoice means, or payment to be made by invoice) which triggers a rejection of any invoice if the payment method specified by the invoice differs from that allowed for in the contract.
- Access the names of individual(s) who must approve the invoice before payment can be made.
- Allow contracting staff to determine whether a contractor is a first-time supplier or abuser of fast pay (so that contracting can determine whether or not to include a fast pay clause).
- Enable the electronic submission of invoices.
- Provide the ability to compare the electronic invoice data elements (contract/order number, description of items or services, quantity, and price) to the contract data and advise of "match" or "no match".
- Provide the ability to "forward" or make available the invoice data to others outside the finance office (receiving and accepting personnel, contracting office personnel) for receipt and acceptance sign-offs on-line.
- Record or recognize if invoiced quantities exceed, match or are less than contract quantities, and keep track of quantities yet to be invoiced/received.

The final interface process, closeout, is discussed in the next section.

Closeout

Closeout is the process by which a Federal agency determines that a contract has been physically completed and all applicable administrative actions, including final payment or recovery of overpayment, have been completed. This process deals with those shared information requirements generated by procedures for closing out contract files. The contract administration office is responsible for initiating the administrative closeout of contract files after receiving evidence of its physical completion. This includes reviewing the contract funds status and notifying the CO of the potential availability of excess funds for de-obligation. Contracts are considered to be physically completed when:

- The contractor has completed required deliveries followed by government inspection and acceptance; all contractor services have been performed and accepted by the government; and existing option provisions have expired; or
- The government has issued a notice of complete contract termination.

Closeout of contract files is preceded by the CO's receipt of evidence of receipt of property and final payment. The timeframe for completing the closeout process varies by type of contract; however, quick closeout procedures, as defined in the FAR,[12] should be used when appropriate. The paying office must close the contract file upon issuance of the final payment voucher. Contract files must not be closed when the contract is in litigation or the termination process.

Closeout Process Flow (see Illustration 9)

The closeout process is initiated by the supplier's delivery of final goods or services and subsequent submission of a final or completion invoice. This document is reviewed to establish that it is proper in all respects for payment, and verification of final acceptance is recorded. Should recoupment be needed, actions are taken to conduct necessary negotiations and effect the return of identified funds. Finance receives the approved final/completion invoice, verifies funds availability, posts payment of the invoice, and notifies both the CO and disbursing of this action. Disbursing makes the final payment to the contractor. The CO effects the actions to perform administrative closeout.

The process flow diagram of closeout for procurements is shown in Illustration 9.

[12] FAR 42-708, "Quick-closeout procedure."

Closeout Process Flow

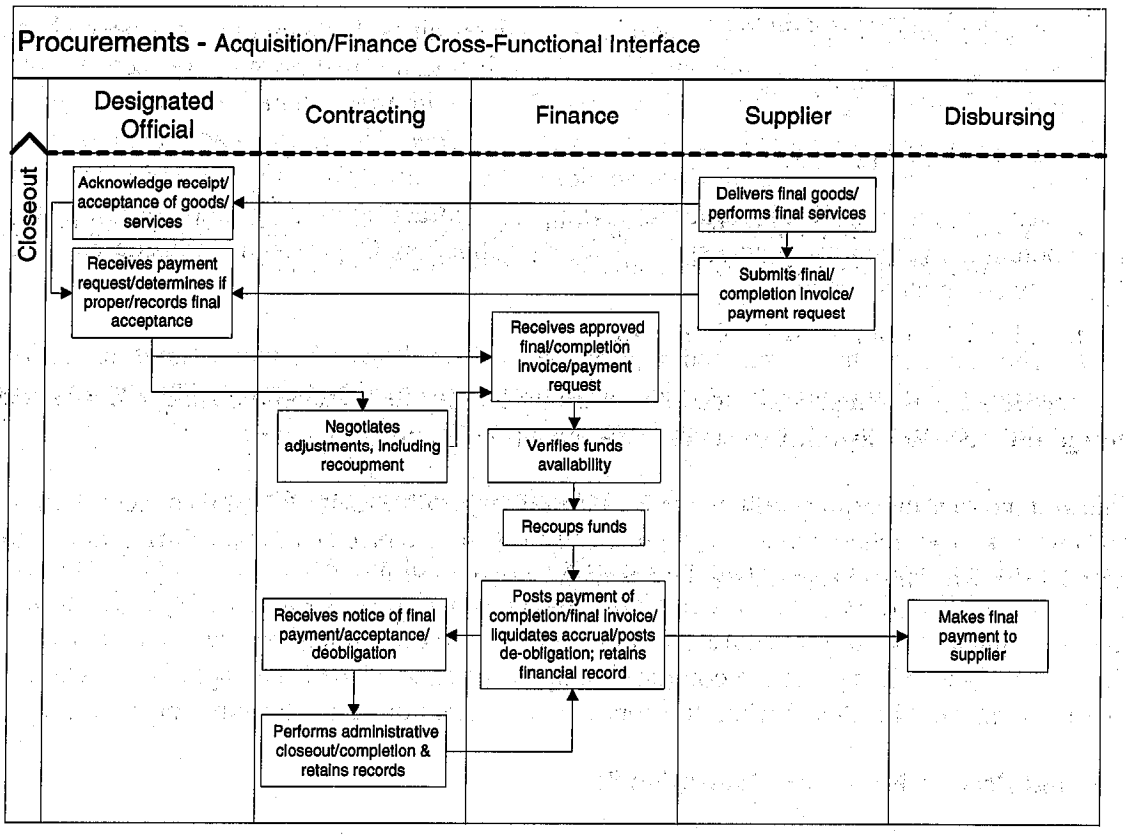


Illustration 9

Mandatory Requirements for Closeout

To support the closeout process, the agency's single integrated financial management system **must** provide the following capability:

- Provide a receiving report containing a final indicator, with acceptance acknowledged by a designated agency official including
  - contract number and all associated delivery order numbers or task order numbers (including modification number, if any); PO number (including modification number, if any); BPA number and all associated BPA call numbers (including modification number, if any);
  - date of receipt;
  - date of acceptance; and
  - final acceptance indicator.
- Access or provide evidence that the contractor's final invoice has been submitted.

- Provide evidence that a final invoice payment has taken place with the following
  - final payment indicator;
  - invoice number; and
  - total amount paid.
- Where excess funds have been identified, provide the de-obligation document number, the amount of the de-obligation, and the date of the de-obligation.

Value-Added Requirement for Closeout

To support the closeout process, the agency's single integrated financial management system **should** provide the capability to supply an accounting document number.

This and the four preceding sections have focused on procurements. The subsequent section deals with micropurchases made with purchase cards where processes and information requirements differ from those previously described for procurements.

1174

Micropurchases Made with Purchase Cards

Introduction

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

Some of the more significant objectives and benefits of these programs are to:

- Gain cost efficiencies.
- Improve government operations, particularly accountability and performance reporting.
- Outsource transaction processing and record keeping.
- Provide procedural checks and feedback to improve security and management control on financial transactions and processes.
- Improve government cash management practices including compliance with the Prompt Pay Act.
- Consolidate payments where possible.
- Reduce/eliminate imprest funds.
- Streamline ordering, procurement, payment and administrative procedures.
- Expedite vendor payment.
- Reduce vendor paperwork.
- Obtain detailed and tailored management reports.
- Follow commercial rules, procedures and best practices.
- Provide convenience to government employees.
- Take advantage of state-of-the-art technology and technological advances.

Agencies that take advantage of purchase card programs are required to establish procedures for use and control of the card that comply with the *Treasury Financial Manual for Guidance of Departments and Agencies*.

When a government purchase card is used, the merchant providing the goods/services to the Federal agency is paid by the card-issuing financial institution that provides the card services to the government. The government agency reimburses the institution in accordance with the terms and conditions of a card services contract and the Prompt Payment Act.[13]

Micropurchases

The Federal Acquisition Streamlining Act of 1994 created a new procurement category for open-market purchases and designated such actions as *micropurchases*. The micropurchase threshold is currently $2,500. The FAR implementation of micropurchases encourages the delegation of micropurchase authority[14] and designates the purchase card as the preferred method for micro-purchases.[15]

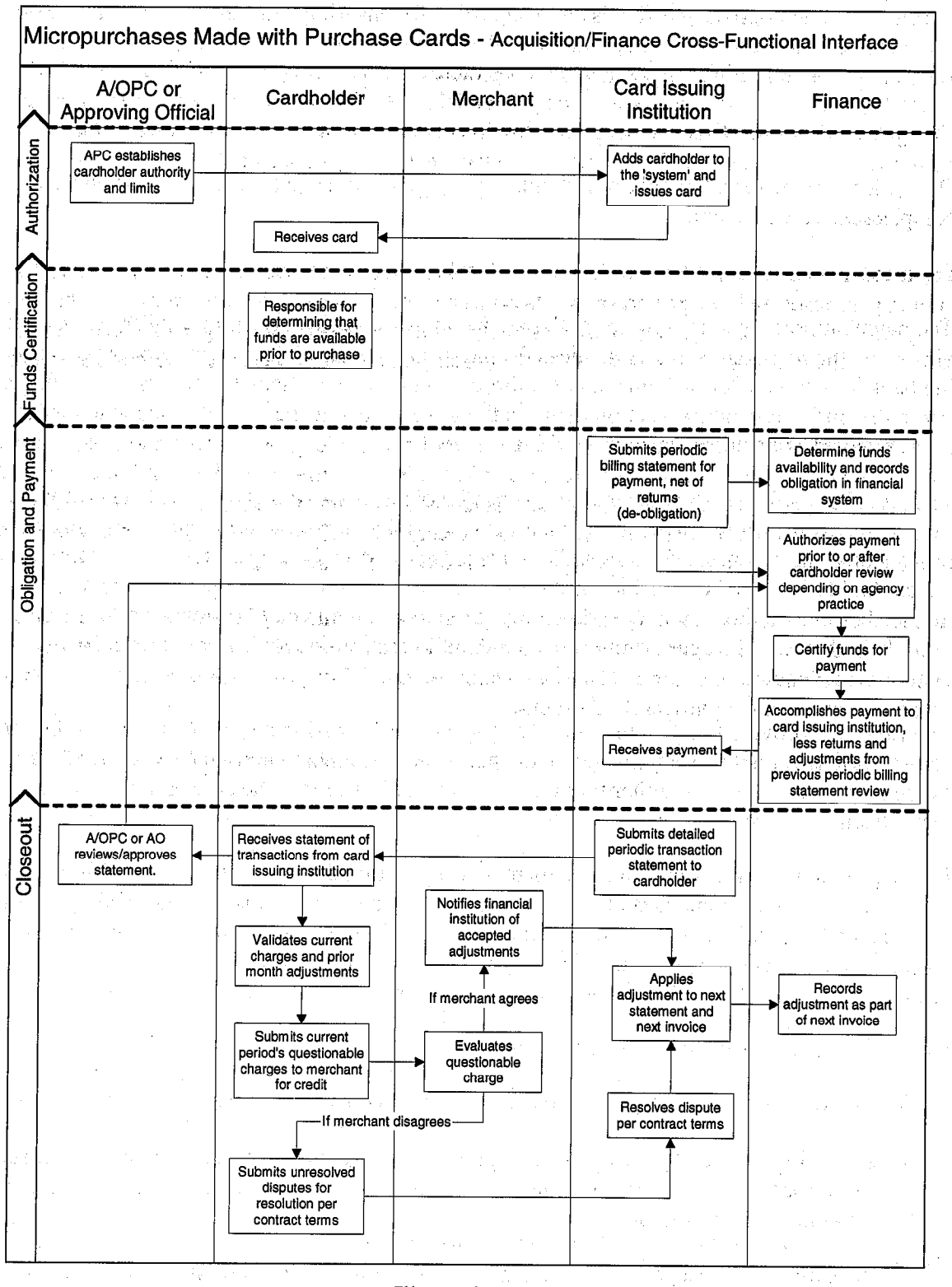
Prior to the issuance of a purchase card, a designated official (e.g., a program manager, facility engineer or office manager) recognizes a recurring need to acquire low-dollar-value goods and/or services. Next, a cardholder account is established with pre-set spending limits and limitations on the types of commodities and services that can be acquired. After completion of micropurchase and purchase card training,[16] a purchase card is issued to the cardholder.

As indicated earlier, there are significant objectives and benefits that Federal agencies derive from the use of purchase card programs, especially in the area of process simplification. As such, the information requirements that are common to the four processes used in this document for procurements are significantly different.

Illustration 10 provides the high-level process flow for micropurchases made with purchase cards.

[13] I TFM 4535 - Review and Approval of Billing Statement for Payment
[14] FAR 13.201(a)
[15] FAR 13.201(b)
[16] FAR 13.201(c).

1226 **Micropurchases Made with Purchase Cards Process Flow**



1227

1228 Illustration 10

Funds Certification

Cardholders and approving officials are responsible for ensuring that funds are available prior to using the purchase card to purchase goods and/or services. Beyond that, no specific funds certification requirements exist for purchases with purchase cards.

Obligation/De-obligation

Obligations are recorded in bulk or individually in agency financial systems, based on purchases completed by cardholders.

Payment

The payment process for purchases with purchase cards is highly streamlined. The process begins when the merchant submits invoices for payment. The merchant is reimbursed by its servicing bank which then "clears" the payment through an internal settlement process eventually leading to the final payment transaction between the government agency and the financial institution it has selected as its purchase card provider.

The purchase card provider presents statements/invoices to the agency. The statement/invoice may represent the transactions of many cardholders and hundreds of transactions totaling a significant amount. Agencies require cardholders and approving officials to reconcile each individual cardholder's posted obligations to the statement of account. Some agencies elect to pay the invoice before this reconciliation, while other agencies wait and pay the invoice after reconciliation. In both cases, the agency must match the individual cardholder's statement to the financial institution statement.

The EFT data provided in the obligation and payment information requirements should be for the card-issuing financial institution and not the merchant selling the goods and/or services. The TIN of the merchant is acquired either through the financial institution, the card association, or directly from the merchant.

If a discrepancy between the bank statement and supporting documentation is identified, (including evidence of receipt and acceptance) the invalid/disputed charge may be resolved by contacting the merchant and requesting an adjustment/credit. If the merchant does not honor this request, the cardholder or approving official would initiate a dispute under the terms of the applicable contract with the card-issuing financial institution.

Disputed card transactions are closed out when:

- a credit is authorized by the merchant and shown on a subsequent statement of account,
- a decision is made by the card-issuing institution against the dispute and a charge back is made for the disputed amount against the account and shown on a subsequent invoice and statement of account, or
- the cardholder accepts the disputed amount and notifies the card-issuing institution.

The cardholder or a designated official monitors disputed transactions to ensure that credits are received and properly recorded.

Closeout

The individual purchase action made through a purchase card is closed out when the transaction included in the billing statement is accepted.

Information Requirements for Micropurchases Made with Purchase Cards

The documents that provide the information requirements for purchases made by purchase cards are different from procurements. Micropurchases using a purchase card are typically documented through a purchase receipt provided by the merchant, the cardholder's monthly statement of account provided by the financial institution, and the periodic billing statement or invoice provided to finance by the card-issuing financial institution. The typical purchase card transaction identifies the card number, expiration date, merchant identification, transaction date, and the purchase amount. This information is used by the cardholder and/or approving official to establish a purchase/receipt record.

Information requirements for funds certification, obligation/de-obligation, payment and close-out are met from:

- the amount of funds authorized by each account,
- the purchase card transaction, as reflected in the invoice,
- the statements of account, and
- any purchase/receipt log or receiving report required by the agency.

Agency management controls will also generally require receipts and/or shipping reports.

Except as discussed above, the information requirements for procurements that solely use the purchase card as a method of payment can be derived from the procurement information requirements stated earlier in this document. The information requirements for micropurchases made with purchase cards as both a procurement instrument and method of payment are listed below.

The agency's single integrated financial management system **must** provide the following capability related to micropurchases with purchase cards:

- Access the following information at time of purchase card approval:
  - Card number
  - FY
  - Appropriation/treasury fund symbol

- Organization code
- Cost center
- Object class
- Project code
- Program code
- Individual name/office name of cardholder

- Access the following information at time of invoice/payment recorded by card issuing institution:
  - Amount
  - Card number
  - Individual name/office of cardholder

The following section discusses general systems requirements.

General Systems Requirements

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

The acquisition/finance interface requirements in this publication have been identified as essential to the performance of both the finance and acquisition functions. As such, these requirements, regardless of their form, must be made available to all users—both from the finance and acquisition communities—who require it to carry out their respective responsibilities. Furthermore, all components of an agency's integrated financial management system **must** provide, at a minimum, the following qualities:

- Complete and accurate funds control.
- Complete, accurate, and prompt recording of obligations.
- Complete, accurate, and prompt payment of payment requests.
- Complete, accurate, and prompt generation and maintenance of acquisition/financial records and transactions.
- Timely and efficient access to complete and accurate information, without extraneous material, to those internal and external to the agency who require the information.
- Timely and proper sharing of common information between the acquisition and core financial systems, and other mixed systems.
- Adequate management controls, including internal and security controls, policies, and procedures intended to protect the agency's key systems, data, and interfaces from disruption and unauthorized access or alteration, as prescribed in a variety of statutes and regulations, including, but not limited to, OMB Circulars A-123 and A-130.

General Requirements Applicable to Acquisition/Financial Systems

This document highlights additional general qualities of the single integrated financial management system that **must** be supported relative to the sharing of information and processes between and among the core financial system, acquisition system, and other mixed systems. The following qualities vary in specificity:

- To facilitate the reconciliation of information that is common to the core financial management system and to one or more of the financial mixed systems (e.g., acquisition systems and property management systems) described in the JFMIP Framework document and other JFMIP requirements documents provide for:
  - multiple levels of system access, transaction authorization, and approval authority;
  - single source data entry;
  - validation of funds availability prior to scheduling payment;
  - communication of the need for additional funds;
  - simultaneous posting of budgetary and proprietary accounts;
  - prepayment examinations from diverse locations;
  - controls to ensure transaction processing in proper chronological/numeric sequence; and
  - standard edits for shared data.
- Provide audit trails to trace transactions from source documents, original input, other systems, and system-generated transactions.
- Provide transaction details to support account balances.
- Provide the capability to relate data elements to each other as discussed, through an integrated data query facility that supports ad hoc query access to financial information described in the document and also provides data analysis reporting tools.

Information Technology in the Acquisition Process

Advancements in information technology are of particular importance to agency acquisition and financial systems, organizations, and communities. This importance is described in the introduction and other sections of this document, and is demonstrated by the significant amount of common information requirements and common processes of the Federal acquisition and financial communities, and systems. This document identifies some general and specific information technology requirements

Many of the detailed functional systems, business processes, and particular electronic commerce solutions are still evolving in order to implement mandatory requirements contained in several public laws that have been enacted during the past several years, such as:

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

- Central Contractor Registry (CCR)—OMB's June 7, 2001, budget guidance requires, by FY 2003, vendors and agencies to use CCR to accommodate certain requirements.

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

- Information Technology Management Reform Act (ITMRA) of 1996, as amended (AKA Clinger-Cohen Act of 1996)—establishes the role of Chief Information Officers in the government, and forms the interagency Chief Information Officers' Council. The intent of the Act is to improve government performance through the effective application of information technology.

Additional amplification is provided in Appendix C on these particular statutes, and Appendix A should be consulted for additional statutes containing provisions that are currently applicable, or may be in the future.

Contract Payment History

During the development of this document, acquisition, financial, and other professionals from across Federal government deemed the shared information requirements relative to contract payment history such an important item, that they needed to be addressed separately. Accordingly, the following information, relative to contract payment history, should be specifically noted with regard to the shared information requirements of the acquisition and core financial systems, functions, and processes.

Timely information about contract amounts (whether they are obligated, obligated and expended, modified or amended) is vital to program managers, financial managers and acquisition managers. Some contracts, or orders under contracts, span several fiscal years, yet the need to summarize contract amounts against a particular contract remains. Therefore, to support the overall management of contracts, the agency's single integrated financial management system **must** have the ability to report on contract funding and payment by: (1) contract number and all associated delivery order or task order numbers, (2) PO number, and (3) BPA number and all associated BPA call numbers.

In order to produce these reports (1) all delivery order or task order numbers **must** be associated with a contract number, (2) all BPA call numbers **must** be associated with a BPA number, and (3) modification numbers applicable to contract numbers, delivery or task order numbers, BPA or BPA call numbers, and PO numbers **must** be associated with the modified document.

The next section provides information on the retention of records.

1408

Records Retention

Agency systems **must** maintain, store, and permit ready retrieval of financial information. The time frames for various parts of this requirement differ depending on the subject matter. The single integrated financial management system must be sufficiently flexible to retain and purge information consistent with varying record keeping requirements. The National Archives and Records Administration (NARA) must approve the destruction of records created within the Federal government per 36 C.F.R 1228. General Records Schedule 7, Expenditure Accounting Records, and General Records Schedule 20, Electronic Records, are the current authorities for disposal of Expenditure Accounting Records. (Copies may be obtained from your agency's records officer or from NARA.) For expenditure records not covered by this authority, or for any questions regarding the disposition of Federal records, please contact:

National Archives and Records Administration (NARA)
7th Street and Pennsylvania Avenue NW
Washington, DC 20408

1423

1423 # Appendix A: References/Authoritative Sources

1424 **Laws**

1425 ♦ PL 93-344, Anti-Deficiency Act of 1974

1426 ♦ PL 97-177, Prompt Pay Act of 1982

1427 ♦ PL 97-255, Federal Managers' Financial Integrity Act (FMFIA) of 1982

1428 ♦ PL 101-576, Chief Financial Officers (CFO) Act of 1990

1429 ♦ PL 103-62, Government Performance and Results Act (GPRA) of 1993

1430 ♦ PL 103-355, Federal Acquisition Streamlining Act of 1994, as amended

1431 ♦ PL 103-356, Government Management Reform Act (GMRA) of 1994, as amended

1432 ♦ PL 104-106, National Defense Authorization Act for Fiscal Year 1996

1433 ♦ PL 104-106, Division E, Information Technology Management Reform Act (ITMRA) of
1434 1996, as amended (AKA Clinger-Cohen Act of 1996)

1435 ♦ PL 104-134, Debt Collection Improvement Act of 1996

1436 ♦ PL 104-134, Omnibus Consolidated Rescissions and Appropriations Act of 1996, as
1437 amended

1438 ♦ PL 104-208, Federal Financial Management Improvement Act (FFMIA) of 1996

1439 ♦ PL 106-229, Millennium Digital Commerce Act of 2000

1440 ♦ PL 106-398, National Defense Authorization Act for Fiscal Year 2001

1441 ♦ Economy Act (FAR 17.502, 17.503, 17.504)

1442 **United States Code**

1443 ♦ 26 USC 6041, Information at Source

1444 ♦ 26 USC 6050M, Returns relating to persons receiving contracts from Federal executive
1445 agencies

1446 ♦ 26 USC 6941A, Returns regarding payments of remuneration for services and direct sales

1447 ♦ 31 USC 1341, Money and Finance—Limitations on expending and obligating amounts

- 31 USC 1501, Money and Finance—Documentary evidence requirement for government obligations
- 31 USC 1517, Money and Finance —Prohibited obligations and expenditures
- 31 USC 1535, Money and Finance—Agency agreements
- 31 USC 1553, Money and Finance —Availability of appropriation accounts to pay obligations
- 31 USC 3325, Money and Finance—Vouchers
- 31 USC 3332, Money and Finance—Required direct deposit
- 31 USC 3901-3908, Money and Finance—Prompt payment
- 31 USC 7701, Money and Finance—Taxpayer identifying number
- 41 USC 11, Public Contracts—No contracts or purchases unless authorized or under adequate appropriation; report to the Congress
- 44 USC 3504, Authority and functions of Director
- 44 USC 3504, Coordination of Federal Information Policy—Authority and functions of Director

Office of Management and Budget Documents

- OMB Bulletin 97-01, Form and Content of Agency Financial Statements
- OMB Circular A-11, Overview of the Budget Process
- OMB Circular A-34, Instructions on Budget Execution
- OMB Circular A-123, Management Accountability and Control
- OMB Circular A-127, Financial Management Systems, including Transmittal Memorandum No. 2
- OMB Circular A-130, Management of Federal Information Resources

Regulations

- Federal Acquisition Regulation

Code of Federal Regulations

- 5 CFR, Administrative Personnel

- 26 CFR, Internal Revenue
- 31 CFR, Money and Finance: Treasury

Treasury Financial Manual

- TFM Announcement A 2001-02 (FAST Book)
- TFM Release S2-01-02 (FACTS I & FACTS II Reporting)
- TFM SGL Section V
- I TFM 2-1500, Description of Accounts Relating to Financial Operations (T/L 598)
- I TFM 2-4000, Federal Agencies' Centralized Trial-Balance System (FACTS I) (T/L 593)
- I TFM 4-2000, Payment Issue Disbursing Procedures
- I TFM 4-4535.10, Government Purchase Cards, Payments
- I TFM 6-5000, Administrative Accounting Systems Requirements in Support of the Debt Collection Improvement Act of 1996

Joint Financial Management Improvement Program Documents

- JFMIP Core Financial System Requirements (SR-99-4)
- JFMIP Framework for Federal Financial Management Systems (FFMSR-0)
- JFMIP Inventory System Requirements (FFMSR-7)
- JFMIP Property Management Systems Requirements (SR-00-4)
- JFMIP Seized Property and Forfeited Assets Systems Requirements (SR-99-4)

Accounting Standards

- SFFAS 3, Accounting for Inventory and Related Property
- SFFAS 4, Managerial Cost Accounting Concepts and Standards
- SFFAS 5, Accounting for Liabilities of the Federal Government
- SFFAS 6, Accounting for Property, Plant and Equipment
- SFFAS 7, Accounting for Revenue and Other Financing Sources

- SFFAS 8, Supplementary Stewardship Reporting
- SFFAS 10, Accounting for Internal Use Software
- SFFAS 11, Amendments to Accounting for PP&E: Definitions (amends SFFAS 6 and 8)
- SFFAS 16, Amendments to Accounting for PP&E: Multi-use Heritage Assets (amends SFFAS 6 and 8)

1505 # Appendix B: Glossary

Acceptance	Also referred to as acceptance of work. The act of an authorized representative of the government by which the government, for itself or as agent of another, assumes ownership of existing identified supplies tendered or approves specific services rendered as partial or complete performance of the contract.	Federal Acquisition Institute (FAI) *Glossary of Acquisition Terms*
Accounting Classification	A subset of the agency financial information classification. The accounting classification structure provides a means for categorizing financial information along several dimensions as needed to support financial management and reporting functions. The data elements a particular agency includes in its accounting classification structure will depend in part on the implementation strategy for the SGL, data aggregation requirements for preparation of financial statements under the CFO Act, appropriation structure, and other reporting and management needs of the agency.	JFMIP *Core Financial System Requirements*
Acquisition	Acquiring by contract of supplies or services (including construction) by and for the use of the Federal government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes: ➢ the description of requirements to satisfy agency needs, ➢ solicitation and selection of sources, ➢ award of contracts, ➢ contract financing, ➢ contract performance, ➢ contract administration, and ➢ those technical and management functions directly related to the process of fulfilling agency needs by contract.	FAR 2.101 as modified by Team
Acquisition Cost	Total costs paid to acquire goods and services. For assets, this includes all costs incurred to acquire the assets and bring them to the form and location suitable for their intended use. Maintenance costs are excluded from this definition.	Created by Team

Acquisition/ Financial Interface	The points during the acquisition and financial management processes where: ➢ the Financial community (budget, accounting/finance, and disbursing) interfaces with the program/contracting function in order to obtain information needed to accomplish its functional requirements (including core financial system general ledger management, funds management, payment management, receipt management, cost management, and reporting). See JFMIP Core Financial Systems Requirements document. ➢ the Acquisition community (receiving, program, and contracting) interfaces with the budget/finance function in order to fulfill an information need, accomplish a necessary functional process, or conduct internal control activities.	Created by Team
Acquisition System	All agency resources committed to the acquisition process, including, but not limited to human resources, information hardware and software systems, acquisition process documentation, as well as applicable regulations, policies, procedures and agency-implementing guidance and instruction.	Created by Team
Action Code	Identifies whether the transaction is a new action or a modification of an existing record.	JFMIP *Seized Property and Forfeited Assets Systems Requirements*
Advance/ Advance Payments	Advances of money by the government to a prime contractor before, in anticipation of, and for the purpose of complete performance under one or more contracts. They are expected to be liquidated from payments due to the contractor incident to performance of the contract. Since they are not measured by performance, they differ from partial, progress, or other payments based on the performance or partial performance of a contract. Advance payments may be made to prime contractors for the purpose of making advances to subcontractors.	FAI *Glossary of Acquisition Terms*
Agency Location Code	A numeric symbol used to identify accounting reports and documents prepared by or for agency accounting stations and disbursing offices, e.g., eight-digit agency accounting station code, four-digit disbursing office symbol, and three-digit Treasury disbursing center symbol (I TFM 2-3315 and 3320).	I TFM, 5-1030
Agency Single Integrated	A unified set of financial systems and the financial portions of mixed systems (e.g., acquisition) encompassing the software,	OMB Circular A-127

Financial Management System	hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage the financial operations of the agency, and report on the agency's financial status to central agencies, Congress, and the public.	
Anti-Deficiency Act	Enacted legislation that: ➢ prohibits the making of expenditures or the incurring of obligations prior to appropriations; ➢ prohibits the incurring of obligations or the making of expenditures in excess of amounts available in appropriation or fund accounts unless specifically authorized by law; ➢ requires agencies to apportion appropriated funds and other budgetary resources; ➢ requires a system of administrative controls within each agency; ➢ prohibits incurring any obligation or making any expenditure in excess of an apportionment or reapportionment or in excess of other subdivisions; ➢ specifies penalties for anti-deficiency violations; ➢ requires apportionment of appropriation or fund accounts to prevent the need for supplemental or deficiency appropriation; and ➢ assists in bringing about the most effective and economical use of appropriations and funds.	Multiple Sources
Appropriation	One of the basic forms of budget authority. Statutory authority that allows Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.	Created by Team

Asset Identifier	A code used to identify the asset or multiple assets, as in the case of inventory or pooled property, plant, and equipment (PP&E) items, for which costs were incurred. Federal accounting standards require that recorded costs for inventory and PP&E assets include all costs incurred to bring these assets to the form and location suitable for their intended use (see SFFAS No. 6, par. 26 and SFFAS No. 3, par. 21). Since more than one contract or acquisition/contracting activity may be utilized to acquire and place these assets in the form and location suitable for their intended use, a mechanism such as an asset identifier is necessary to capture total contracting costs associated with a specific asset. The need for total costs is important for both cost accounting and financial reporting purposes.	Created by Team
Blanket Purchase Agreement (BPA)	A simplified method of filling anticipated repetitive needs for supplies or services by establishing charge accounts with qualified sources of supply.	FAR 13.303 - 1(a)
Blanket Purchase Agreement Call Number	Definition to be determined	
Budget Authority	The authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.	OMB Circular A-34, 2000
Bulk Funding	A system whereby the contracting officer receives authorization from a fiscal and accounting officer to obligate funds on purchase documents against a specified lump sum of funds reserved for the purpose for a specified period of time rather than obtaining individual obligation authority on each purchase document. Bulk funding is particularly appropriate if numerous purchases using the same type of funds are to be made during a given period.	FAR 13.101 (b) (4)
Cardholder	Any Federal employee that has a purchase card issued in his or her name.	GSA Card Program definitions
Certifying Officer	An accountable officer responsible for and required to reimburse personally the government for any illegal or otherwise improper payment made by a disbursing officer because of his or her certification.	GAO *Policy and Procedures Manual*

Claim	A written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract.	FAI *Glossary of Acquisition Terms*
Closeout	The process by which a Federal agency determines that a contract has been physically completed and all applicable administrative actions, including final payment or recovery of overpayment, have been completed. **Note**: A contract is considered physically completed when (1) the contractor has completed the required deliveries and the government has inspected and accepted the supplies; (2) the contractor has performed all services and the government has accepted these services; and (3) all option provisions, if any, have expired; or the government has given the contractor a notice of complete contract termination. (Defense Acquisition Deskbook)	Created by Team
Commitment	An administrative reservation of funds (including increases to existing commitments) in anticipation of obligation(s).	Created by Team
Completion Invoice	Contractor invoice marked as final or supplemental evidence that all invoices have been submitted and the contractor believes physical completion has occurred.	Created by Team
Contract	A mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as POs, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. 6301, et seq.	FAR 2.101
Contract Action	An action in a contract, including contract modifications for additional supplies or services, but not including contract modifications that are within the scope and under the terms of the contract, such as contract modifications issued pursuant to the Changes clause, or funding and other administrative changes.	FAI *Glossary of Acquisition Terms*

Contract Administration Office	An office that performs a) assigned postaward functions related to the administration of contracts; and b) assigned preaward functions.	FAR 2.101
Contract Award	(See Contract Action)	
Contract Closeout	(See Closeout)	
Contract Number	An alphanumeric designator created by each agency for a contract. Per GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7—Fiscal Guidance (Feb 1990): The contract number should consist of alpha characters in the first positions to indicate the agency, followed by alpha-numeric characters identifying bureaus, offices, or other administrative subdivisions authorized to enter into contacts. The last portion of the contract number should be sequential with a unique number series for each contracting activity.	Created by Team
Contracting	Purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes description (but not determination) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements.	FAR 2.101
Contracting Activity	An element of an agency designated by the agency head and delegated broad authority regarding acquisition functions.	FAR 2.101
Contracting Office	An office that awards or executes a contract for supplies or services and performs postaward functions not assigned to a contract administration office.	FAR 2.101
Contracting Officer	A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the contracting officer acting within the limits of their authority as delegated by the contracting officer.	FAR 2.101
Core Financial System	An integral part of an agency's single integrated financial management system. It controls and supports the key functions of an agency's financial management, including general ledger management, funds management, payment management, receipt management, cost management, and reporting. The core finan-	JFMIP *Core Financial System Requirements*

	cial system receives data from all other financial and mixed systems and from direct user input, and it provides data and supports processing for those systems that need it.	
Cost Center	An identifiable department or area within a recipient's organization that has been assigned an account number in the recipient's accounting system for the purposes of accounting costs.	JFMIP *Core Financial System Requirements*
Credit	Any transaction that reduces the government's amount due.	GSA SmartPay Contract definitions
Decommitment	The downward adjustment (including cancellation) of previously recorded commitments.	Created by Team
Delivery Order	An order for supplies placed against an established contract or with government sources.	FAR 2.101
De-Obligate or De-Obligation	An agency's cancellation or downward adjustment of previously recorded obligations.	Multiple Sources
Designated Agency Official	Designated official refers to the organizational element responsible for the process step, such as the program office, receiving and acceptance officials, and sometimes contracting or finance representatives.	Created by Team
Direct Cost	Costs that can be specifically identified with an output. All direct costs should be included in the full cost of outputs. Typical direct costs in the production of an output include: (a) Salaries and other benefits for employees who work directly on the output; (b) Materials and supplies used in the work; (c) Various costs associated with office space, equipment, facilities, and utilities that are used exclusively to produce the output; and (d) Costs of goods or services received from other segments or entities that are used to produce the output.	SFFAS 4
Disbursement	Payment made using cash, check, or electronic transfer. Disbursements include advances to others as well as payments for goods and services received and other types of payments made.	JFMIP *Core Financial System Requirements*
Disbursing Authority	Authority to disburse public money to officers and employees of other Federal agencies in accordance with 31 U.S.C. § 3321(b).	I TFM 4-10000

Electronic Commerce	Electronic techniques for accomplishing business transactions including electronic mail or messaging, World Wide Web technology, electronic bulletin boards, purchase cards, EFT, and electronic data interchange (EDI).	FAR 2.101
Electronic Data Interchange	A technique for electronically transferring and storing formatted information between computers utilizing established and published formats and codes, as authorized by the applicable Federal Information Processing Standards.	FAI *Glossary of Acquisition Terms*
Electronic Funds Transfer	A transfer transaction instruction given to the Federal Reserve System.	FAI *Glossary of Acquisition Terms*
Expenditure	See Outlay	Multiple Sources
Expenditure Variance	The percentage or dollar variance of an expenditure amount that can exceed an obligation amount. Some organizations refer to this as "tolerance level."	Adapted from the definition of "Tolerance Levels" in the JFMIP *Core Financial System Requirements*
Expense	The outflow of assets or incurrence of liabilities during a period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities.	Multiple Sources
Federal Agency	Any executive agency or any independent establishment in the legislative or judicial branch of the government (except the Senate, the House of Representatives, the Architect of the Capitol, and any activities under the Architect's direction).	FAR 2.101
Federal Wire Transfer	An electronic transfer system developed and maintained by the Federal Reserve. The system connects Federal Reserve Banks, the Treasury and government agencies, and depositary institutions, which maintain an account at an FRB. The Treasury Fedwire Deposit System (FDS) is a computer-to-computer link between Treasury and the Federal Reserve Bank of New York (FRBNY). This system provides the capability for: (1) automated receipt and processing of funds transfers and (2) computer-assisted generation of funds transfers between Treasury,	I TFM 5-4500

	FRBs, and other banks utilizing Fedwire	
Final Acceptance Indicator	Designated agency official acknowledgement that final acceptance has occurred.	Created by Team
Final Invoice	The very last invoice paid upon contract closeout.	Created by Team
Final Payment	The last payment made to the contractor to include the balance of any costs and/or profit/fee owed after the completion of all the contractor's obligations (including deliveries, data, and releases) under the terms of the contract.	Created by Team
Final Payment Indicator	Finance system acknowledgement that final payment has been made.	Created by Team
Financial System	An information system, comprised of one or more applications, that is used for any of the following: ➢ collecting, processing, maintaining, transmitting, and reporting data about financial events; ➢ supporting financial planning or budgeting activities; ➢ accumulating and reporting cost information; or ➢ supporting the preparation of financial statements. A financial system supports the financial functions required to track financial events, or provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements. A financial system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. A financial system may include multiple applications that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.	OMB Circular A-127
Financing Payment	Payment made under a contract for purposes of financing (e.g., progress payment, performance-based payment, or voucher payment).	Created by Team
Fiscal Year	The government's accounting period. It begins on October 1 and ends on September 30, and is designated by the calendar year in which it ends.	OMB Circular A-34
Funds	The process of affirming that funds or budget authority is avail-	Created by

Certification	able for potential purchases of goods or services. It is part of the funds control process that reserves funds in anticipation of an obligation.	Team
Hardware System	Two or more individual items (equipment components) that are part of a self-contained group; are joined physically, electronically, or electromechanically; are programmed or designed specially to rely on each other; cannot function independently if separated; and cannot be easily disconnected and reconfigured to function with or within another unit or "system".	JFMIP *Property Management Systems Requirements*
Head of the Agency (also called Agency Head)	The Secretary, Attorney General, Administrator, Governor, Chairperson, or other chief official of an executive agency, unless otherwise indicated, including any deputy or assistant chief official of an executive agency.	FAR 2.101
Incremental Funding	The provision or recording of budgetary resources for a program or project based on obligations estimated to be incurred within a fiscal year when such budgetary resources will not cover all the program's or project's obligations.	Multiple Sources
Indirect Cost	Costs of resources that are jointly or commonly used to produce two or more types of outputs but are not specifically identifiable with any of the outputs. Typical examples of indirect costs include costs of general administrative services, general research and technical support, security, rent, employee health and recreation facilities, and operating and maintenance costs for buildings, equipment, and utilities.	SFFAS 4
Information Technology	Any equipment, or interconnected system(s) or subsystem(s) of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency.	FAR 2.101
Interagency Agreement Number	Identifier associated with an agreement between two Federal entities. The agreement specifies that one entity will provide goods or services to the other entity.	Created by Team
Interface Requirement	A need for information, such as data requirements, reporting needs, internal controls, or edit requirements, required by the acquisition and finance functions as a result of transactions within the single integrated financial management system.	Created by Team

Internal Control	Plan of organization, methods, and procedures adopted by management to ensure that (1) resource use is consistent with laws, regulations, and policies; (2) resources are safeguarded against waste, loss, and misuse; and (3) reliable data are obtained, maintained, and fairly disclosed in reports.	Multiple Sources
Invoice	A contractor's bill or written request for payment under the contact for supplies delivered or services performed.	FAR 32.902
Lease	A contract granting occupation or use of property during a certain period in exchange for a specified rent.	*Webster's II New Riverside University Dictionary.*
Liability	Assets owed for items received, services received, assets acquired, construction performed (regardless of whether invoices have been received), an amount received but not yet earned, or other expenses incurred. Liabilities include (1) amounts owed for goods in the hands of contractors under the constructive delivery concept (when an agency, the seller, meets long-term contract obligations) and (2) amounts owed under grants, pensions, awards, and other indebtedness not involving the furnishing of goods and services.	Multiple Sources
Micropurchase	An acquisition of supplies or services (except construction), the aggregate amount of which does not exceed $2,500, except that in the case of construction, the limit is $2,000.	FAR 2.101
Micropurchase with P-card	Purchases valued at $2,500 or less that use a government-issued purchase card to purchase and pay for the supplies or services purchased.	Created by Team
Mixed System	An information system that supports both financial and non-financial functions of the Federal government or components thereof.	FFMIA of 1996

Object Classification	A method of classifying obligations and expenditures according to the nature of services or articles procured, e.g., personal services, supplies and materials, and equipment. Obligations are classified by the initial purpose for which they are incurred, rather than for the end-product or service provided. OMB Circular A-11 provides current object classifications for reporting budget estimates to OMB. Many agencies have defined lower levels of object classification for internal use.	OMB Circular A-11
Obligating Document Number(s)	An identifier or identifiers for an obligation which can be a task or delivery order number and its associated contract number; a BPA call number and its associated BPA number; a contract number; or a PO number. Part of the obligating document number(s) is any modification number associated with any of the above numbers. Acquisition obligating documents often have more than one number that must be recorded to properly record the obligation.	Created by Team
Obligation	A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. 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.	JFMIP *Grants Financial System Requirements* and *Core Financial System Requirements*
Obligation Amendment	Amendment to an obligation amount resulting from a contact modification. (See also Contract Action).	Created by Team
Organization Code	A code representing the offices, divisions, branches, etc., established within an entity based on responsibility assignments, whether functional or program related.	Adapted from JFMIP *Core Financial System Requirements*
Outlay	The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year. Outlays, therefore, flow in part from unexpended balances of prior-year budgetary resources and in part from budgetary resources	Multiple Sources

	provided for the year in which the money is spent.	
Partial Payments	Payments for accepted supplies and services that are only a part of the contract requirements. OMB A-125 requires agencies to pay for partial delivery of supplies or partial performance of services unless specifically prohibited by the contract.	FAR 32.102(d)
Payment	A government disbursement of monies to a contractor in accordance with contract terms. The payment management function consists of the following processes: payee information maintenance, payment warehousing, payment execution, and payment confirmation and follow-up.	FAR 32.902 and JFMIP *Core Financial System Requirements*
Payment Date	The date on which a check for payment is dated or, for an EFT, the specified payment date.	FAR 32.902
Payment Office	The office or employee responsible for scheduling invoices for payment.	PL 97-177, Prompt Pay Act of 1982
Performance Measure Code	A code used to identify the performance goal that would be associated with the PO, so that it would be easy to link performance execution (obligations) to the approved performance plans/measures.	Created by Team
Physical Completion	The point in time at which all contract items and services have been delivered and accepted or the term of the contract has expired. The contract administration office may issue a contract completion certificate.	Created by Team
Program	Generally defined as an organized set of activities directed toward a common purpose or goal, undertaken or proposed by an agency in order to carry out its responsibilities. In practice, however, the term has many uses and thus does not have a well-defined, standard meaning in the legislative process. It is used to describe an agency's mission, programs, functions, activities, services, projects, and processes.	JFMIP *Core Financial System Requirements*
Program Code	A code to which expenses incurred or assets acquired relate. A program is generally defined as an organized set of activities directed toward a common purpose, or goal, undertaken or proposed by an agency in order to carry out its responsibilities. In practice, however, the term program has many uses and thus does not have well-defined, standard meaning in the legislative	JFMIP *Core Financial System Requirements*

	process. Program is used to describe an agency's mission, programs, functions, activities, services, projects, and processes.	
Progress Payment	Payments for contractor progress under a fixed-price contract. Payments are based on a percentage of the costs incurred by the contractor in performing the contract, considering limits related to the fixed price. This form of contract financing does not include: ➢ payments based on the percentage or stage of completion accomplished; ➢ payments for partial deliveries accepted by the government; and ➢ partial payments for a contract termination proposal or performance-based contracts.	FAR 32.102(b)
Project Code	A code to which expenses incurred or assets acquired relate. A project is a planned undertaking of something to be accomplished, produced, or having a finite beginning and finite end. Examples are a construction project or a research and development project.	JFMIP *Core Financial System Requirements*
Proper Invoice	A bill or written request for payment that meets the minimum standards specified in the applicable prompt payment clause and other terms and conditions contained in the contract for invoice submission. A "proper invoice" must meet the requirements of 5 CFR, Chapter 3, Sec. 1315.9(b) and can include receiving reports and delivery tickets when contractually designated as invoices.	FAR 32.902
Proper Matching	An example, for purposes of payment, is a comparison of the: (1) acceptance/receipt document or receiving report, (2) obligation, and (3) request for payment (invoice).	Created by Team
Purchase Card	"Governmentwide commercial purchase card" means a purchase card, similar in nature to a commercial credit card, issued to authorized agency personnel to use to acquire and to pay for supplies and services.	FAR 13.001
Purchase Card Reconciliation	The task of matching and resolving purchase card transactions made by the cardholder with the purchases listed on the periodic account statement provided to the agency by the card-processing bank.	Created by Team

Purchase Order	An offer by the government to buy supplies or services, including construction and research and development, upon specified terms and conditions, using simplified acquisition procedures.	FAR 13.001
Receiving Report	Written evidence meeting the requirements of FAR 32.905(f) that indicates government acceptance of supplies delivered or services performed by the contractor.	FAR 32.902
Requirements – Mandatory	Mandatory requirements describe what the system must do and consist of the minimum acceptable functionality necessary to establish a system, or are based on Federal laws and regulations. Mandatory requirements are those against which agency heads evaluate their systems to determine substantial compliance with systems requirements under the FFMIA. These requirements apply to existing systems in operation and new systems planned or under development.	JFMIP *Core Financial System Requirements*
Requirements – Value-Added	Value-added requirements describe optional features or characteristics and may consist of any combination of the following: (1) using state-of-the-art technology, (2) employing the preferred or best business practices, or (3) meeting the special management needs of an individual agency. *Value-added*, *optional*, and other similar terminology may be used to describe this category of requirements. Agencies should consider value-added features when judging systems options. The need for value-added features in agency systems is left to the discretion of each agency head.	JFMIP *Core Financial System Requirements*
Revenue Source Code	An identifier for revenue collections that result from government activity such as taxes, and not business-like collections.	SFFAS 7
Signature or Signed	The discrete, verifiable symbol of an individual which, when affixed to a writing with the knowledge and consent of the individual, indicates a present intention to authenticate the writing. This includes electronic symbols.	FAR 2.101
Simplified Acquisition Procedure	The methods prescribed in FAR Part 13 for making purchases of supplies or services.	FAR 2.101
Software	The application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system.	JFMIP *Property Management Systems*

		Requirements
Specified Payment Date	The date that the government has placed in the EFT payment transaction instruction given to the Federal Reserve System as the date on which the funds are to be transferred to the contractor's account by the financial agent. If no date has been specified in the instruction, the specified payment date is three business days after the payment office releases the EFT payment transaction instruction.	FAR 32.902
Standard General Ledger	A uniform list of accounts and support transactions that standardizes Federal agency accounting and supports the preparation of standard external reports. The U.S. Government Standard General Ledger Chart of Accounts (1) provides control over all financial transactions and resource balances, (2) satisfies basic reporting requirements of OMB and Treasury, and (3) integrates proprietary and budgetary accounting.	Multiple Sources
Subject to Funds Availability	Funds have not yet been certified as available. Solicitations to industry may include a clause that provides a caveat to this effect, so as not to project the program as funded and thereby raising unwarranted hopes by companies for potential sales.	Created by Team
Task Order	An order for services placed against an established contract or with government sources.	FAR 2.101
Taxpayer Identification Number	The number required by the IRS to be used by the offeror in reporting income tax and other returns. The TIN may be either a Social Security Number or an Employer Identification Number (EIN).	FAR 4.901
Trading Partner	A customer, supplier, or service provider (such as a bank, hospital, or manufacturer) that conducts business with another organization.	Healthcare EDI Planning and Implementation Guide, LMI Report IR504MR1, Sept. 1995.
Transaction Type	Type of accounting transaction processed. For example, partially liquidating obligation or fully liquidating obligation.	Created by Team
Undelivered Orders	The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which	Multiple Sources

	advance payment has been made but for which delivery of performance has not yet occurred. This term is synonymous with unliquidated obligations.	
Unliquidated Obligations	See Undelivered Orders.	Multiple Sources
Vendor	Any person, organization, or business concern engaged in a profession, trade, or business, and any not-for-profit entity operating as a supplier (including State and local governments and foreign entities and foreign governments, but excluding Federal entities).	5 CFR, Chapter III, Sec. 1315
Voucher	The Standard Form 1034, Public Voucher for Purchases and Services Other Than Personal, or similar form; a type of request for payment.	FAR 49.103(c)

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Appendix C: Factors Influencing the Environment

At any particular point in time, there are multiple on-going or planned projects or activities with interlocking goals, objectives, and plans, which frequently involve some form of system automation, EDI, or EC. This appendix provides highlights of four activities that were identified during the development of this document that are particularly relevant to the acquisition management and financial management communities, i.e., Information Technology in the Acquisition Process, JFMIP testing of Core Financial System Requirements, Intragovernmental Transactions, and the FASAB effort to develop a standard for National Defense PP&E.

This appendix is not comprehensive or exhaustive in terms of the aspects of each project or activity or their relevance to each other. Also, these and other projects change over time, i.e., some are completed, some are terminated, and others are established. The projects and activities discussed in this appendix, and others, should be considered in agency's efforts to develop, implement, operate, and maintain agency financial management systems.

Information Technology in the Acquisition Process

As previously discussed, IT is a critical factor influencing acquisition processes and interfaces. Its application allows paperless processes, better buying decisions, and ultimately, improved customer service. IT enables the reengineering of acquisition and financial processes.

The information technology approach chosen to implement the functional shared information requirements identified in this document do not require any specific IT solution in either hardware or software. However, agencies should recognize the availability of governmentwide IT solutions designed to achieve congressional goals to reduce paper processes, to secure electronic information and to improve access to information. Any agency implementing these acquisition/financial functional requirements must take into account these influences when developing its IT strategy.

Besides enabling improved processes, IT allows better functional integration by automating the exchange of information from one function to another. Information is acquired at its source and shared across functional boundaries so that a particular contract award record in a financial system is identical to the record in the acquisition system.

Objectives

The PEC has identified technology as one of its strategic priorities.[17] The PEC's Electronic Commerce Committee (ECC) was established to enhance the effective use of electronic commerce (EC). Its specific objective is to maximize the efficiency and effectiveness of Federal acquisition systems in order to improve business processes with a focus in procurement-related EC. The ECC works to meet these objectives through:

- A single governmentwide point of entry for EC.

[17]Procurement Executives Council, Fiscal Year 2001-2005 Strategic Plan, Strategic Priority: Optimize Technology As A Key Business Enabler, pg. 7.

- Internet security.
- A re-engineered Federal Procurement Data System.
- Partnering with CFO and chief information officer communities on electronic government initiatives.
- Governmentwide standards for acquisition and financial system interface.
- Common Federal acquisition architecture evolving toward interoperability.

Electronic Commerce

The primary IT acquisition initiative, EC, is the exchange of business information through electronic means. Three EC technologies are currently significant to acquisition: accessing the Internet/World Wide Web through a portal called FedBizOps for the posting of synopses and solicitations; EDI transaction standards for electronic ordering and invoicing; and EFT payment transaction standards for paying contractors electronically.

The FedBizOps web portal is one approach toward meeting the single point of entry objective, while the use of EDI and EFT standards provide governmentwide interface standards for acquisition and finance. The acquisition and financial EDI and EFT standards are being updated to a new interchange standard called Extensible Markup Language (XML), which allows greater integration with web applications. As these electronic interface technologies evolve, system developers should be cognizant of their support of the functional interface requirements contained in this document and stand ready to integrate them into existing systems.

Electronic Government (E-government)

The Administration's e-government initiative will impact acquisition through continued requirements to simplify and automate internal processes, to apply best practices, and to bridge islands of automation. Logistics, procurement, and property functions are integral parts of the same supply chain, but have traditionally been managed as separate functions. Best practices must be applied to link these functional islands into a unified chain. E-government must be integrated with management reform that includes budget and performance integration, strategic management of human capital, competitive sourcing, and improving financial performance. E-government and the employment of information technology tools are part of a broader management reform framework.[18]

Information Security

Another IT influence on acquisition is the requirement for adequate security controls on systems, the security of business communications and the ability to rely on electronic signed documents. These requirements impact acquisition and finance due to their considerable paper interface with the public and the need to store sensitive business information in their computer systems. The

[18] Testimony of Sean O'Keefe, Deputy Director of OMB, before Senate Government Affairs Committee on July 11, 2001.

solutions are computer system access controls, public key cryptography and digital signature technology. Electronic signatures and internet security, essential for paperless purchasing and payment, will be provided to the acquisition community through the Access Certificates for Electronic Services (ACES) program administered by the GSA. ACES facilitates secure online access to government information and services by the public through the use of public key infrastructure/digital signature technology. For more sensitive transactions DoD will be using the Common Access Card and Public Key Infrastructure to comply with GPEA provisions relative to the use and acceptance of electronic signatures.

Information security has gained greater emphasis since the Government Information Security Reform Act amended the Paperwork Reduction Action of 1995 by adding a new subchapter on information security. The Security Act codifies existing OMB security policies, Circular A-130, Appendix III, and reiterates security responsibilities outlined in the Computer Security Act of 1987, the Paperwork Reduction Act, and the Clinger-Cohen Act of 1996. In addition, the Security Act requires annual agency program reviews and annual independent evaluations for both unclassified and national security programs.

Enabling Process Change

The effect of IT is a reengineering of acquisition and finance processes. Examples are:

- Purchase card technologies enable traditional customers of the procurement process to individually acquire their own micropurchases, which in turn permits thousands of individual invoices to be consolidated into one monthly statement for payment to the card-provider bank.

- Electronic catalog technologies that enable online ordering via *GSA Advantage!* or other agency internet ordering systems to speed sourcing, placement, and receipt of supplies and services.

- Internet and email technologies that allow agencies, through the FedBizOps portal, to not only post solicitations directly on the Internet but send interested suppliers an email notice with a link to the solicitation. The results are one-stop access to all Federal business opportunities, a paperless solicitation process, greater competition, and ultimately, better customer service.

Electronic Signature Requirement

There is a general requirement to accept electronic signatures. This requirement, which must be adhered to, stems from the following:

- The FAR defines *signature*[19] or *signed* to mean the discrete, verifiable symbol of an individual which, when affixed to a writing with the knowledge and consent of the individual, indicates a present intention to authenticate the writing. This includes electronic symbols. Simply stated, systems which produce electronic signatures must be capable of ensuring that these signatures are: (1) unique to the signer, (2) under the signer's sole

[19] FAR 2.101, Definitions.

control, (3) capable of being verified, and (4) linked to the data in such a manner that, if the data are changed, the signature is invalidated upon verification.

- The legal requirement to accept electronic signatures is contained in the Electronic Signatures in Global and National Commerce Act, which provides that a signature or contract may not be denied legal effect solely because it is in electronic form.[20]

- GPEA[21] requires Federal agencies to allow, by October 21, 2003, individuals or entities that deal with the agencies, the option to submit information, transact with the agency, and maintain records electronically when practicable. Like the Electronic Signatures in Global and National Commerce Act, the act specifically states that electronic records and their related electronic signatures are not to be denied legal effect, validity, or enforceability merely because they are in electronic form.[22] The act also encourages the Federal government's use of a range of electronic signature alternatives.

- Appendix II of OMB Circular A-130, "Management of Federal Information Resources,"[23] implements the GPEA and calls for the Federal government to develop a public key infrastructure to enable the widespread use of cryptographically-based digital signatures. For example, some agencies have successfully developed secure electronic transaction systems using personal identification numbers for security.

OMB does not endorse any one technological approach to electronic signatures. It is neutral as to the best approach for electronic signatures.

Central Contractor Registration

A general requirement exists for the identification of suppliers through a common system. Although the FAR does not mandate one system, the OMB's June 7, 2001, for the FY 2003 Budget[24] states,

> *"An outcome for expanding electronic government will include the establishment of a governmentwide single point of vendor registration. In FY 2003, agencies will use the Central Contractor Registration (CCR), an existing on-line database, as the single validated source of data on vendors doing business with the government. Beginning October 1, 2003, agencies will cease to collect the Standard Form 129 known as the Solicitation Mailing List Application."*

The CCR provides a standard means of providing taxpayer identification data and EFT routing information to financial systems. Internet technology allows firms doing business with the government to register in one database for use by all Federal contracting and finance offices needing to determine supplier identity. The result is a standard process that eliminates contractors having

[20] PL 106-229, June 30, 2000.
[21] 44 USC 3504.
[22] OMB Memorandum, M-00-10, dated April 25, 2000, entitled "OMB Procedures and Guidance on Implementing the Government Paperwork Elimination Act."
[23] Revised Feb. 8, 1996.
[24] OMB's June 7, 2001, Budget Guidance for FY 2003.

to submit Standard Form 129, Bidder Mailing List, to each contracting office, as well as eliminating maintenance of separate supplier databases throughout the government.[25]

While not currently a requirement, all agencies will soon be required to have their vendors registered within this system. Therefore, to support the overall financial/acquisition interface, the agency's single integrated financial management system should enable interface with the CCR.

Accessibility for the Disabled

Section 508 of the Rehabilitation Act of 1973 (as amended), requires that all Federal agencies' electronic and information technology (EIT) be accessible to people with disabilities. Subsection 508(a)(1) requires that when Federal departments or agencies develop, procure, maintain, or use EIT, they must ensure that the EIT allows Federal employees with disabilities to have access to and use of information and data that is comparable to the access to and use of information and data by other Federal employees. Section 508 also requires that individuals with disabilities, who are members of the public seeking information or services from a Federal department or agency, have access to and use of information and data that is comparable to those provided to the public without disabilities. Comparable access is not required if it would impose an undue burden on the agency.

Core Financial System Requirements

Acquisition/Financial Systems Interface Requirements was developed at the same time that *Core Financial System Requirements* was being updated, which afforded both development teams the opportunity to consider the implications of each other's efforts. Due to the timing of these two efforts, the following information is relevant to the acquisition and financial missions to support authorities and their responsibilities within Federal agencies. This information is also significant because of the variety of systems that acquisition and financial organizations use to support their operations, and the commonality of a significant amount of information requirements.

Categories of Information Systems

Agency information systems fall into three categories: financial systems, mixed systems (e.g., acquisition systems), and non-financial systems. Systems must be linked together electronically to be effective and efficient, and to eliminate unnecessary duplication of transaction entry. Summary data transfers must be provided from agency systems to central systems to permit summaries of management information and agency financial performance information on a governmentwide basis.

Core Financial System Requirements Document

The core financial system is an integral part of an agency's single integrated financial management system. It controls and supports the key functions of an agency's financial management.

[25] OMB's June 7, 2001, Budget Guidance for FY 2003 states: "In FY 2003, agencies will use the Central Contractor Registration (CCR), an existing on-line database, as the single validated source of data on vendors doing business with the government."

The core financial system receives data from all other financial and mixed systems and from direct user input, and provides data and supports processing for those systems that need it.

Core Financial System Requirements, first issued in January 1988, establishes standard requirements for the "backbone" modules of an agency's single integrated financial management system. It provides common processing routines; supports common data for critical financial management functions affecting the entire agency; and maintains the required financial data integrity control over financial transactions, resource balances, and other financial systems. It is a part of a broad program to improve Federal financial management involving the establishment of uniform requirements for financial information, financial systems, reporting, and financial organization.

The latest update to *Core Financial System Requirements* reflects recent changes in laws and regulations and in governmentwide reporting systems, such as the Department of Treasury's Federal Agencies Centralized Trial Balance System (FACTS) II. It also clarifies some of the existing requirements, deletes redundant or outdated requirements, addresses vague or open-ended requirements, changes the priority (mandatory or value-added) of certain requirements, and adds new requirements to reflect the current core financial system needs of Federal agencies.

Acquisition systems, as mentioned previously, fall under the category of mixed systems, and are an integral part of the agency's single integrated financial management system. Acquisition systems support programmatic objectives and interact with core financial systems to: record commitments (as applicable), obligations and disbursements in the general ledger consistent with the Standard General Ledger (SGL); validate funds availability; update budget execution data; and record other acquisition-related transactions.

After significant analysis by the development team, the following nine points were found to be of particular significance:

(1) JFMIP requirements documents are intended to assist systems analysts; system accountants; and others who design, develop, implement, operate, and maintain financial systems.

(2) All JFMIP requirements documents, indicate that additional effort is required on the part of agencies in the comprehensive documentation of all their requirements, and in other phases of system life-cycle development, implementation, operation, and maintenance.

(3) *Core Financial System Requirements* is also used to develop transaction scenarios, which are used to test commercial off-the-shelf (COTS) software applications that private sector vendors submit to JFMIP for testing and certification.

(4) *Core Financial System Requirements* identifies five basic processes, with specific detailed requirements for each: (1) General Ledger Management, (2) Funds Management, (3) Payment Management, (4) Receipt Management, and (5) Reporting.

(5) Requirements identified in *Core Financial System Requirements* that are duplicated/replicated/incorporated in any other JFMIP requirements document, signifies that those requirements have been tested during the JFMIP COTS software testing and certification process, e.g., on-line checking of funds availability.

(6) Requirements described in all the documents can be accommodated using manual or automated means.

(7) Requirements described in the all documents can be accommodated in multiple software applications or functional systems.

(8) Financial aspects of the various functional or program areas to which each document applies (e.g., acquisition) are identified in the document.

(9) Non-financial aspects of the various functional or program areas to which each document applies are left to the organizations involved (e.g., acquisition) for requirements documentation and other purposes.

Technical Requirements

Some level of technical requirements is included in all JFMIP functional requirements documents, and especially in the *Framework for Federal Financial Management Systems* document and the *Core Financial System Requirements* document. As indicated elsewhere in this document, financial aspects of mixed systems, such as acquisition systems, are part of an agency's single integrated financial management system. As such, mixed systems are subject to the technical requirements contained in the *Framework* document and to those aspects of the *Core* document that apply in particular cases and in particular agencies. Agencies must consult these and other documents in determining appropriate technical requirements for a specific agency operating environment. Requirements contained in the *Core* document, including technical requirements are categorized as mandatory or value-added, and are used to develop scenarios for testing commercial core software packages. Most technical requirements are stated in general terms to allow vendors maximum flexibility in designing compliant systems. Individual agencies are encouraged to add specific workload and interoperability requirements considered unique to their respective IT environments when evaluating and implementing software packages.

Intragovernmental Transactions

During program operations, the need frequently arises for one government agency or component to request that another government agency or component provide goods or services. When this occurs, that is, one government agency "contracts" with another agency for goods or services, financial information associated with these transactions is reflected in the financial systems and financial reports of two different Federal agencies or components. These "intragovernmental" transactions must be eliminated from the various agencies' financial statements in order to avoid double counting and prepare a consolidated, governmentwide financial statement. Disparate business practices and widely divergent data structures across agencies result in significant transaction differences. The inability to identify and reconcile intragovernmental transactions has been cited as a material weakness governmentwide and is a factor in the GAO's disclaimer of opinion on the U.S. financial statements.

The CFO community has been working to address the challenges of dealing with intragovernmental transactions. Because of the governmentwide aspects of this challenge, JFMIP has been chartered to undertake an effort to better define the problems associated with intragovernmental eliminations and to develop recommendations and solutions that, if implemented, will

reduce the scope of differences produced by intragovernmental transactions. *Acquisition/Financial Systems Interface Requirements* treats some of the interagency requirements associated with the interfaces addressed, however, systems developers should keep abreast of the likely changes in this arena in the near future.

Emerging FASAB Standard for National Defense PP&E

During the development of this requirements document, FASAB was in the process of deliberating changes to its national defense PP&E (formerly referred to as Federal mission property, plant, and equipment) accounting standards. While only two agencies—the Department of Defense and the Department of Transportation—account for national defense PP&E, acquisition costs associated with acquiring this type of PP&E are significant to the U.S. Government.

While reporting requirements differ, both current and proposed national defense accounting standards remain consistent in one important area: the need for full cost information. Examples of some of the basic information required for both national defense PP&E and other types of PP&E include:

- Category of PP&E: critical information needed by the financial system to determine how the acquisition of a particular asset category should be accounted for, e.g., capitalized or expensed, and reported.

- Asset identifier code: used to identify the asset or multiple assets, as in the case of pooled PP&E items, for which costs were incurred.

- Program/project code: current accounting standards require agencies to recognize the full cost of their programs and operations. The proposed national defense PP&E standards continue to highlight the need for this information by requiring that major end item program costs be reported on the balance sheet.

- Quantity: this information is required under both the current and proposed accounting standards for national defense PP&E.

- Costs, including total acquisition or cleanup costs: this information is required under both the current and proposed accounting standards for national defense PP&E.

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