



**Federal  
Financial  
Management  
System  
Requirements**

# **Framework for Federal Financial Management Systems**

## 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 operation of JFMIP. In addition, a representative from the federal community serves on the Steering Committee for a 2-year term.

JFMIP 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.

For more information on JFMIP, call (202) 219-0526, or visit the JFMIP website at <http://www.jfmip.gov>.

## Foreword

The Framework for Federal Financial Management Systems reflects changes in financial management-related legislation and policies, advances in technology, and higher taxpayer expectations of the federal financial management community that have served as key drivers for the need for integrated financial management systems.

The Framework is the foundation document for the JFMIP Financial Management System Requirements. It sets forth the vision, desired capabilities, performance outcomes, environment and other attributes that all federal financial management systems must be designed to support. The JFMIP requirements are collectively called the Federal Financial Management System Requirements (FFMSR). Together with all requirements documents, the Framework provides a model for integrated financial management systems in the federal government.

We thank the Chief Financial Officer (CFO) and Chief Information Officer (CIO) communities, and other federal agency officials, for their contributions to this document. We greatly value your assistance and support. With your continued support, we remain strongly confident that we will succeed in meeting all of the financial management challenges in this new century.



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Karen Cleary Alderman  
Executive Director  
April 2004

# Contents

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CONTENTS.....	IV
Acronyms.....	vi
CHAPTER 1—INTRODUCTION AND PURPOSE.....	1
Introduction.....	1
Background.....	2
Purpose—Framework for Federal Financial Management Systems.....	3
Framework Document Organization.....	4
CHAPTER 2—FINANCIAL MANAGEMENT BUSINESS.....	6
The Future Federal Financial Management Systems Environment.....	6
The Roles of Federal Financial Management.....	6
Overview of the Federal Financial Management Environment.....	6
Financial Management Governance, Standards, and Stewardship.....	8
Financial Management Performance.....	9
Financial Management Performance Goals.....	9
Linking Program Delivery with Financial Management.....	10
Key Financial Management Business Processes.....	11
CHAPTER 3—FINANCIAL MANAGEMENT DATA AND INFORMATION.....	18
Overview of the Financial Management Information Process Flow.....	18
Data and Information Performance Goals.....	20
Information Architecture.....	20
Structures Supporting the Information Architecture.....	22
CHAPTER 4—FINANCIAL MANAGEMENT APPLICATIONS AND SERVICES.....	25
Role of Financial Management Systems in Supporting the Vision.....	25
Financial Management Systems Performance Goals.....	26
Financial Applications Types.....	26
JFMIP Federal Financial Management System Requirements Series (FMFSR).....	28
Financial Management Applications and Services Relationships.....	29
CHAPTER 5—FINANCIAL MANAGEMENT TECHNOLOGY.....	33
Technology Supports for the Vision.....	33
Role of Technology in Financial Management.....	33

Roles of the CFO and CIO Partnership in Achieving the Vision.....	34
Performance Goals .....	34
Planning and Change Management.....	35

APPENDIX A—GLOSSARY

APPENDIX B—LAWS AND REGULATIONS

APPENDIX C—DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT  
SERVICE INTER-RELATIONSHIPS

APPENDIX D—SUMMARY OF JFMIP FEDERAL FINANCIAL MANAGEMENT SYSTEM  
REQUIREMENTS

APPENDIX E—CONTRIBUTORS

## Acronyms

ACH	Automated Clearing House
API	Application Program Interface
BRM	Business Reference Model
CCA	Clinger-Cohen Act of 1996
CFO	Chief Financial Officer
CFOA	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CIO	Chief Information Officer
COTS	Commercial Off-the-Shelf
DRM	Data and Information Reference Model
CPIC	Capital Planning and Investment Control
ECS	Electronic Certification System
EFT	Electronic Funds Transfer
EFTPS	Electronic Federal Tax Payment System
FACTS I	Federal Agencies' Centralized Trial-Balance System I
FACTS II	Federal Agencies' Centralized Trial-Balance System II
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FAST	Federal Account Symbols and Titles
FEA	Federal Enterprise Architecture
FEAF	Federal Enterprise Architecture Framework
FFMIA	Federal Financial Management Improvement Act of 1998
FFMSR	Federal Financial Management System Requirements
FISMA	Federal Information Security Management Act of 2002
FMS	Financial Management Service
FRB	Federal Reserve Bank
FTD	Federal Tax Deposit
FTP	File Transmission Protocol
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GASB	Government Accounting Standards Board
GITSB	Government Information Technology Service Board
GMRA	Government Management Reform Act of 1994
GOALS	Government On-Line Accounting Link System
GPRA	Government Performance and Results Act of 1993
GWA	Government-wide Accounting
HR	Human resources
IPAC	Intra-governmental Payment and Collection
IRM	Information Resource Management
IRS	Internal Revenue Service
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
NIST	National Institute of Standards and Technology
OMB	Office of Management and Budget
OPAC	On-line Payment and Collection System
PCA	Private Collection Agencies
PCN	Plastic Card Network
PMA	President's Management Agenda

PPA	Prompt Payment Act
PRM	Performance Reference Model
SRM	Service Component Reference Model
SFFAS	Statement of Federal Financial Accounting Standards
STAR	Central Accounting System (FMS)
TAFS	Treasury Account Fund Symbol
TFM	Treasury Financial Manual
TGA	Treasury General Account
TIN	Taxpayer Identification Number
TOP	Treasury Offset Program
TRM	Technical Reference Model
USSGL	United States Government Standard General Ledger



# Chapter 1—Introduction and Purpose

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## Introduction

The U.S. government is the world's largest enterprise, and the scale and complexity of federal programs and activities that carry out the missions of federal agencies is monumental. Currently, the federal government executes an annual budget of approximately \$2 trillion for over 3,000 appropriations. The budget funds 1,700 programs<sup>1</sup> in 113 government agencies. Business events in support of federal programs result in hundreds of millions of financial transactions recorded in over 2,000<sup>2</sup> financial management systems<sup>3</sup>. Those financial transactions result in a daily cash flow of more than \$50 billion into and out of federal accounts. On an annual basis federal cash inflows include collections of over \$2.3 trillion from tax receipts, user fees, and other collections for five major revenue programs. It results in \$1.64 trillion in payments to over a 100 million recipients. The challenge of financial management is to maintain policy, processes, and systems that support stewardship and fiscal integrity and provide accountability of public funds at multiple levels of management ranging from consolidated reporting for the entire federal enterprise down to specific bureaus and programs.

The financial resources and assets of the federal government are entrusted by the citizens, to the legislative and executive branches of the federal government, for their stewardship. Stewardship means that the financial and program managers are accountable for program results and responsible for the resources entrusted to them. Stewardship of public funds requires that financial management processes and systems support partnership between program and financial managers to assure the integrity of information for decision-making and measuring performance. There is increasing demand and expectation that financial management systems produce meaningful financial data to evaluate program plans, budgets, and performance as well as to support a broad array of management decisions. Meeting those expectations will require a transformation that goes beyond financial management as timely and accurate financial transaction processing and reporting, to achieving readily available performance-focused financial information for management.

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<sup>1</sup> Includes approximately 1,077 grant programs, 44 direct loan programs, 61 guaranteed loan programs, 12 insurance programs, 177 direct payment programs, and 383 non-financial programs.

<sup>2</sup> Derived from 2002 Office of Management and Budget (OMB) financial system inventory. However, this inventory underreports the total number of financial systems. The Department of Defense alone has identified more than 2,300 financial and mixed systems.

<sup>3</sup> The Federal Financial Management Improvement Act (FFMIA) defines financial management systems as “financial systems and the financial portions of mixed systems necessary to support financial management, including manual or automated processes, procedures, controls, hardware, software and support personnel...Financial systems include an information system, comprised of one or more applications, that is used for (A) collecting, processing, maintaining, transmitting or reporting data about financial events; (B) supporting financial or budgeting activities; (C) accumulating and reporting cost information, or: (D) supporting the preparation of financial statements.

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To meet these needs, financial systems must provide accurate, timely, internally consistent, and readily accessible financial information in the most cost effective and efficient manner. This can only be realized in an integrated financial system framework that recognizes the full scope and dimensions of the entire federal enterprise, including: the business requirements and dependencies that must be delivered within that scope; the necessary information and data; the applications and services that deliver the information and data, and the technology that supports those applications and services<sup>4</sup>. This Framework for Federal Financial Management Systems describes that integrated financial system framework those dimensions.

## Background

Financial management related legislation passed in recent years identifies improved financial performance as fundamental to carrying out the missions of federal agencies. The Federal Managers' Financial Integrity Act (FMFIA) of 1982, the Chief Financial Officer's Act of 1990 (CFO Act), the Government Performance and Results Act (GPRA) of 1993, the Government Management Reform Act (GMRA) of 1994, the Federal Financial Management Improvement Act (FFMIA)<sup>5</sup> of 1996, and other financial management reform legislation have resulted in a broad array of new financial requirements. These mandates expand the focus of federal financial management beyond the traditional objectives of budget formulation and execution, to the broader goals of producing accurate, consistent, timely, and useful financial information to assure accountability and support program planning, evaluation and decision-making. Consistent with legislative mandates, the role of the federal financial manager has evolved beyond controller and scorekeeper, to the broader role of strategic business partner, responsible for providing business acumen and financial information to program managers.

Furthermore, these mandates recognize an environment where business processes and events that generate financial information occur throughout the enterprise and recorded in systems outside of the CFO domain. In the information technology arena, the Clinger-Cohen Act set forth a variety of initiatives to support better decision making for capital investments in information technology, which has led to the development of the Federal Enterprise Architecture (FEA)<sup>6</sup> and better informed capital investment and control processes within agencies and across government. This has produced another broad shift in the financial systems environment—one that acknowledges that financial systems planning can no longer take place within an isolated environment or “stovepipe,” but must now be integrated with enterprise-wide goals. The Framework for Federal Financial Management Systems describes the integrated financial management systems environment in the context of the Federal enterprise architecture.

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<sup>4</sup> Parallels the levels of the Federal Enterprise Architecture (FEA) as described by the FEA Program Management Office at OMB.

<sup>5</sup> The Federal Financial Management Integrity Act (FFMIA) of 1996 requires, among other things, that agencies implement and maintain financial management systems that substantially comply with financial management system requirements. These requirements are detailed in the JFMIP series and in OMB Circular A-127, Financial Management Systems.

<sup>6</sup> Improved financial systems must be developed in conformance with an agency's architecture guidelines as influenced by the evolving OMB-FEA reference models. Financial systems are a critical component of an agency's enterprise architecture (EA).

## Purpose—Framework for Federal Financial Management Systems

The Framework is the foundation document for the Federal Financial Management System Requirements series published by JFMIP. The Framework document describes the common financial management environment, vision, performance outcomes, business processes, information flows and desired characteristics that are applicable to all financial management systems covered by the JFMIP requirements. Together with all JFMIP requirements documents, the Framework achieves an illustration of an integrated financial management infrastructure that financial applications must be designed to support, and provides a broader context for understanding and interpreting the requirements outlined in the JFMIP Financial Management System Requirements (FFMSR) series.

The Framework document:

- ◆ Explains how federal financial management supports federal agencies and the mission of government as an inherent component of the delivery of all federal programs;
- ◆ Sets forth financial management performance goals, outcomes, and desired capabilities and characteristics that future systems should be designed to meet;
- ◆ Describes financial management functions, information flows, and systems that support the federal agencies in carrying out programs;
- ◆ Describes the agency and central agency roles;
- ◆ Links financial management to program performance and describes how it supports budget and performance;
- ◆ Presents the business needs, performance goals, and information architecture that drive financial systems requirements; and
- ◆ Summarizes the JFMIP Federal Financial Management Systems Requirements and their interrelationships

The Framework targets the following audiences:

- ◆ *CFOs and the financial management community.* Presents a more strategic and programmatic perspective that supports the increased emphasis on improving financial and program performance and providing meaningful information to multiple levels of users.
- ◆ *CIOs and enterprise architects.* Provides a model for the government-wide financial business and information framework that complements agency

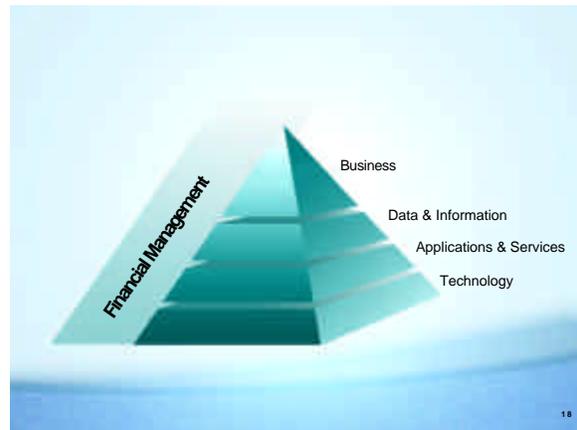
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architectures and fosters collaboration among the CFO<sup>7</sup>, CIO, and program communities;

- ◆ *Program executives and federal agencies.* Explains financial management and systems and links financial systems to improved program performance. The Framework raises awareness regarding the importance of financial management systems and encourages program executives to be partners in developing more effective mission support and decision making tools;
- ◆ *Commercial service providers.* Provides information allowing contracted service providers and systems vendors to better support the Federal government.

## Framework Document Organization

To be consistent with the Federal Enterprise Architecture (FEA), this Framework document is organized to correspond with the architectural layers<sup>8</sup> as follows: business architecture (Chapter 2), data and information architecture (Chapter 3), application and services architecture (Chapter 4), and technology architecture (Chapter 5). The layers are addresses in this document as follows:



- ◆ *Financial Management Business* architecture describes the financial management business imperatives, key processes and desired performance outcomes that financial management systems must support.
- ◆ *Data and Information* architecture specifies the data and information structure that financial management systems must support.
- ◆ *Applications and Services* architecture defines the applications, services and components that support the integrated business, data and information flows.
- ◆ *Technology architecture* describes the minimum technology and security features required for all financial management systems.

This document also has five appendixes:

- ◆ Appendix A contains a glossary;
- ◆ Appendix B summarizes relevant federal statutes, regulatory guidance, and Statements of Federal Financial Accounting Standards;

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<sup>7</sup> The CFO community includes all financial management or related professionals carrying out financial responsibilities under the purview of the CFO Act.

<sup>8</sup> The web-site of the CIO Council ([www.cio.gov](http://www.cio.gov)) maintains a repository of various architectural framework models currently in use.

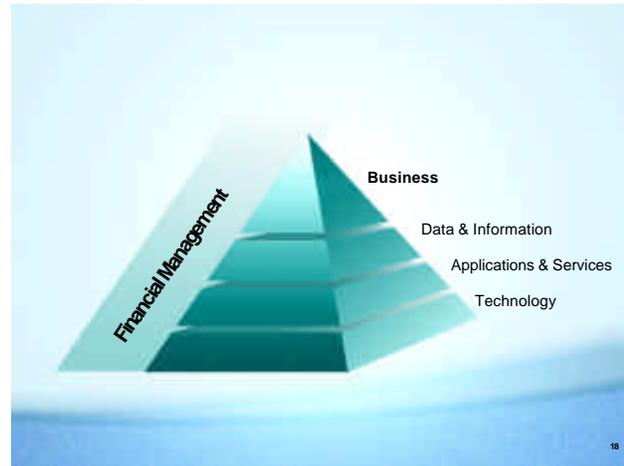
- ◆ Appendix C summarizes the central agency interrelationship performed by the Department of the Treasury Financial Management Service;
- ◆ Appendix D summarizes the JFMIP Federal Financial Management System Requirements (FFMSR) documents.
- ◆ Appendix E lists the contributors to the Framework document.

# Chapter 2—Financial Management Business

## The Future Federal Financial Management Systems Environment

The vision for federal financial management systems is a single integrated financial infrastructure with standardized applications and services that are supported and enabled by integrated financial management data and information.

Federal financial management systems must ensure accountability and control of resources, and produce accurate, consistent, timely, and useful financial and program information to measure performance and inform decision makers at all levels. To achieve that requires standardized financial management applications that support integrated business processes operating efficiently on common data.



## The Roles of Federal Financial Management

Federal financial management consists of the financial policies, processes, organizations, applications, and services that ensure financial integrity and efficiency in government.

Financial management fundamentally supports the mission of government and is an inherent function of the delivery of all programs. Financial management, at all levels of the government, must account for and control program execution through activities that: capture business event information; ensure budgetary integrity; establish financial control over obligations and costs; and produce accurate, consistent, and complete financial data to enable cost-effective mission achievement and risk mitigation.

***Financial management must ensure fiscal integrity and efficiency in government operations and the delivery of programs.***

## Overview of the Federal Financial Management Environment

The federal financial management environment encompasses an integrated process of program authorization, resourcing, governance, execution, and reporting (see Figure 1). Effective financial management depends upon appropriate control of business transactions, in accordance with internal control standards, and recording business event information in a manner that satisfies multiple users and uses.

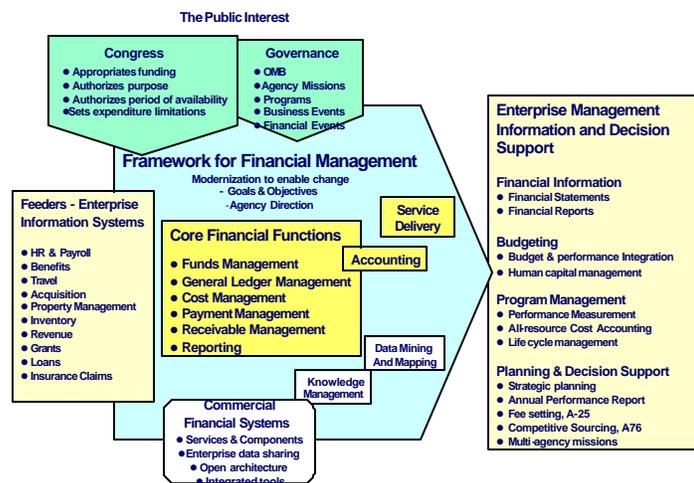
Financial events are the basis for producing financial related information. The combined data from all financial transactions provide the data for enterprise

management information and decision support. Users of financial information include the public, the President, Congress, agency heads, program managers, financial managers, the private sector, and other governments.

Specifically, financial event information must satisfy the following:

- ◆ Budgetary requirements (i.e., planned, authorized, and executed budgetary resources);
- ◆ Cash management requirements (i.e., recording and accounting for cash flows);
- ◆ Accrual requirements (i.e., recording financial impact—expenses or revenues associated with business events—at the point those business events occur);
- ◆ Internal control and audit requirements; and
- ◆ Information exchange requirements.

Figure 1. Financial Management Environment



Satisfying the diverse information needs of multiple users can occur only through defined business rules and a defined information and data architecture.

As federal programs are authorized, funding for them is derived from a number of sources, including appropriations, borrowing, deposit funds, and revenues. Agencies are authorized to use resources to carry out programs in accordance with the objectives intended by Congress, and within the authorized period of availability and expenditure limitations.

In carrying out missions/programs, agencies use approved strategies for program delivery that may include private-sector partners, state and local governments, or other government agencies. Program execution results in financial events such as payments, grants, loans, insurance payments, revenue collection, etc. Recipients of

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financial services include the public, other government agencies, private-sector companies, universities, local, state and other national governments and institutions.

## Financial Management Governance, Standards, and Stewardship

The foundation of the governmental financial management function is established in the U.S. Constitution, which invests Congress with the “power of the purse,” and the creation of a Treasury to perform the control functions of collecting, financing, and keeping the records. Article I of the Constitution gives the Congress the power to lay and collect taxes, duties, and excises to pay the debts and provide for the common defense and general welfare of the United States. It also mandates that “No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time.”

*Financial activity must be executed in accordance with appropriations law and federal regulations and recorded in accordance with federal accounting standards in a manner that results in required financial accountability.*

It also mandates that “No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time.”

Subsequent legislation created agencies, established funding for programs, and assigned fiduciary, oversight, and stewardship responsibilities:

- ◆ **Governance.** It is the responsibility of the Congress, OMB, Treasury, agency heads, CFOs, CIOs and other designated officials, to ensure that laws, regulations and policies are implemented in financial processes. Various organizations and committees, within agencies of the financial community<sup>9</sup>, are delegated governance roles to help facilitate the developing and implementing of standards uniformly across the enterprise;
- ◆ **Standards.** Financial management standards are needed to provide consistent and timely capture of data and reporting. Financial management classification and coding structures must follow government-wide classification and information standards, and support upstream and downstream entities that generate or use the same financial data; and
- ◆ **Stewardship.** Responsibilities for accountability and compliance rest generally with agency heads, CFOs, and program managers. Federal financial and program managers, as users of data, should ensure that existing standards and guidance are fully utilized.

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<sup>9</sup> E.g.: FASAB; USSGL Advisory Board; CFO Council; etc.

## Financial Management Performance

The public, the President, the Congress, OMB, agency heads, agency financial and program managers, and others require accurate, consistent, timely, and relevant financial management information for evaluating program performance and outcomes. Such information is necessary to link financial performance that occurs through budget execution to expected program outcomes and results.

*A performance-driven, results-oriented government that is accountable to its citizens depends on successful financial management systems that link financial management and program performance.*

Dimensions of financial management performance include the following:

- ◆ *Timely, accurate and consistent presentation of the financial condition of the entity and its components.* This information informs decision makers on trends, defined period, and up-to-date status of resources inflows, outflows, and sustainability. In the federal environment, this performance dimension includes presentation of information on a budgeted basis and on an accrual basis;
- ◆ *Adherence to defined business rules.* These operational performance metrics show current and trend information regarding foundation elements that support effective and efficient financial management and reporting. Examples include capturing information consistent with accounting standards, maintaining complete information, recording and reconciling transactions within defined parameters, and issuing payments accurately; and
- ◆ *Capture and reporting of full cost information and trends by entity, organization, program, project, activity, processes, outputs and outcomes.* This element of financial management performance provides information necessary for decision makers to improve managerial performance (cost efficiency), to assess whether the program results are worth the cost (cost effectiveness), and to establish appropriate reimbursements or fees.

## Financial Management Performance Goals

A performance-oriented, results-driven government requires clearly identifiable and measurable performance goals for both financial and non-financial programs. Financial management performance is a supporting component of overall performance and effectiveness of federal programs. As such, financial and program performance goals are interdependent.

The broad financial management performance goals and expected outcomes are to:

1. Maintain accountability and establish financial control over funds.
  - ◆ Ensure budgetary integrity by establishing financial control over funds, obligations, assets, and liabilities;

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- ◆ Safeguard and control federal resources to prevent waste, fraud, abuse, and mismanagement;
  - ◆ Ensure the reliability of the government's reported financial condition;
  - ◆ Ensure efficiency in financial operations by maintaining an effective financial infrastructure; and
  - ◆ Ensure public confidence and credibility through effective financial management governance, standards, and stewardship.
2. *Improve program performance by providing management information for decision support that links financial and program performance.*
- ◆ Maintain efficient business processes that capture and account for the financial components of business events;
  - ◆ Enable effective decision making at all levels of the government to support cost-effective mission achievement and risk mitigation;
  - ◆ Disclose the cost and performance of federal programs and activities to the citizens, President, Congress, program managers, and financial managers; and
  - ◆ Provide information and visibility regarding program costs, projections and performance, enabling decision makers to better address vital public needs;

## Linking Program Delivery with Financial Management

Congress, in exercising its power of the purse, authorizes programs and funding for specified purposes and uses that are carried out through agency missions and programs. Program delivery results in financial events such as acquisitions, grants, loans, payment of benefits, payroll, etc., which become the basis for financial transactions that must be captured through standard business processes and recorded.

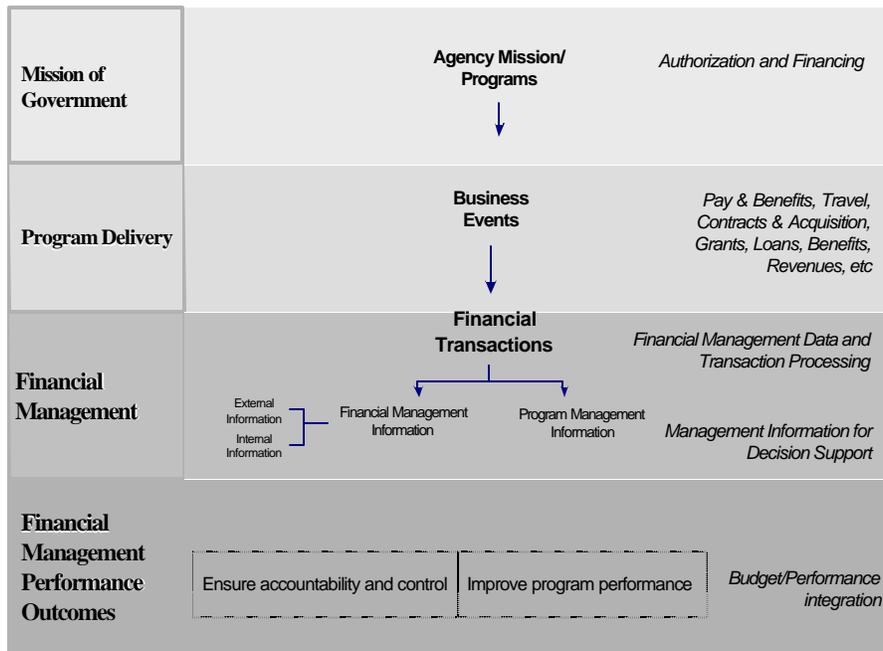
***A financial event is any activity carried out in the delivery of the agency mission and programs that has a financial impact. Financial transactions are the component of financial events that must be recorded.***

All financial events that occur in carrying out the delivery of government programs must be carried out in accordance with their intended purpose and recorded as financial transactions in accordance with standards.

Financial transaction processing provides accounting and control over financial events and is the basis for collecting and organizing financial data. The data collected from financial events become the basis for ensuring accountability and providing accurate and meaningful decision support information.

Figure 2 below illustrates how financial transaction processing links the agency mission and programs with the broad financial management performance goals of ensuring accountability and control and improving program performance.

Figure 2. Linking Financial Management and Program Delivery



## Key Financial Management Business Processes

This section summarizes the key federal financial management business processes that occur within and among federal agencies.

The key financial management business processes encompasses the interrelationships between both agency and central agency components.

The information needed for accountability and improved program performance begins with data collected through transaction processing. The key financial processes control, classify, organize, and consolidate common financial transactions and data from business events across the enterprise and provide the basis for integrated information and reporting.

Transaction information originates in multiple programs as unique program-specific business events, but share common accounting attributes. Business events are translated into financial transactions that can be classified and processed for reporting purposes. Integrated financial data and information are derived from the financial components of business events that originate in disparate programs, processes, and systems across the enterprise—into common financial transactions that capture financial information needed for downstream information and reporting requirements. As business processes become increasingly interdependent, financial systems must support the integration of data and information flows within these

### Key Financial Management Business Processes

- ◆ Budget and Finance
- ◆ Accounting
- ◆ Collections and Receivables
- ◆ Payments
- ◆ Assets and Liabilities
- ◆ Reporting and Information.

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systems. Moreover, data integrity should be maintained by strong internal control<sup>10</sup> including the establishment of an information security program as called for by the Federal Information Security Management Act of 2002 (FISMA)<sup>11</sup>.

## **1. Budget and Finance**

Managing the federal budget process involves planning, programming, and executing the federal budget as prescribed by the President and intended to be carried out by Congress and in accordance with legislation, laws, and policies. Performance measures must also be built into the budget process to enable budget execution results to be linked to program execution.

- ◆ *Budget formulation* involves managing the federal budget process, including the development of plans and programs, budgets, and performance outputs, outcomes and cost information. It encompasses the cycle wherein budget estimates are developed by agencies using projections and forecasts, submitted to OMB for review, transmitted by the President to Congress, and tracked through the congressional appropriations process. Budgets are formulated based on proposals, evaluations, prior performance, and policy decisions; and
- ◆ *Federal finance* includes funding federal programs and operations through appropriation and apportionment of direct and reimbursable spending authority, fund transfers, investments, and other financing mechanisms.

## **2. Accounting**

Accounting is fundamental to stewardship of public funds. The purpose of accounting is to record financial events and ensure accountability as required by law. Accounting data must also provide the basis for program performance measurement. Accounting principles and standards govern when, where, and how financial events are executed and recorded, and provide for accountability through agency and consolidated financial statements required by law. The financial component of business events must be properly recorded in accordance with applicable accounting and information classification standards. Accounting data must also be linked to performance measurements through assignment of costs to programs, projects, and activities. The following elements support the function of recording accounting transactions, and the subsequent preparation of financial statements:

- ◆ *Financial classification structure* maintains a government-wide and agency accounting and program classification structures, i.e., appropriations, OMB object classes, USSGL accounts, and other classifications for identifying end use, outcome, or organizational responsibility associated with financial transactions. It also includes managing the program, project, and activity classification for transactions needed for maintaining managerial cost accounting in support of program performance measures. A mandatory component of the financial classification structure is the U.S. Standard General Ledger. The *U.S. Standard General Ledger* maintains general ledger and control over proprietary and budgetary resources at the agency, department and government-wide levels.

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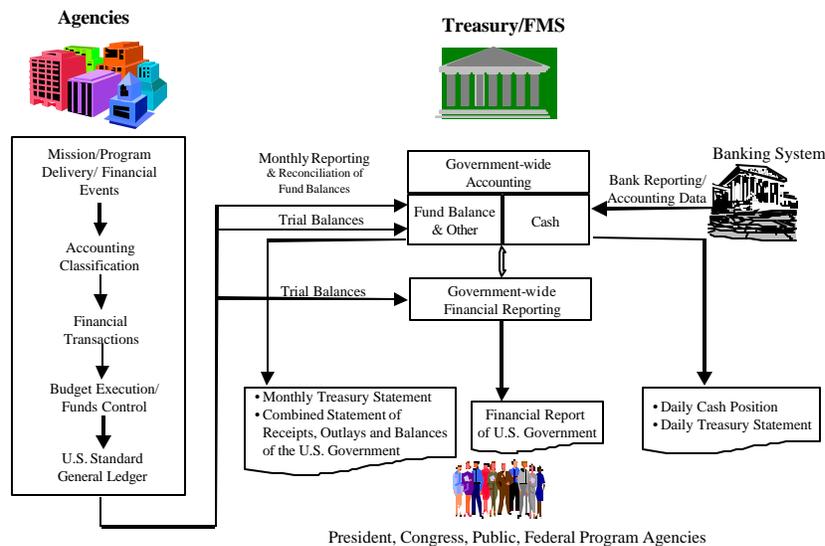
<sup>10</sup> E.g. Standards for Internal Control in the Federal Government as published by GAO

<sup>11</sup> Reference Appendix B.

- ◆ *Budgetary accounting* provides funds control and accounting for the execution of the budget (distribution of funds, advances, obligations, expenditures, collections, and receivables), including payroll and benefits management, travel management, acquisition of goods and services through private contracts and inter-agency agreements, acquisition of supplies and equipment, and administration of federal grants, subsidies, benefits, guarantees, and entitlements; and
- ◆ *Proprietary Accounting* records and reports on the all assets, liabilities, revenues, and expenditures related to appropriations and all other financial resources, federal agencies and the government as a whole. Proprietary and budgetary accounting must be linked through use of the U.S. Standard General Ledger.

Figure 3 provides an overview of the accounting process.

Figure 3. Overview of the Accounting Process



### 3. Collections and Receivables

Managing collections is an accounting and control function that ensures standard transaction processing for collecting funds into the Treasury and agency accounts in accordance with laws and applicable accounting standards. It encompasses the stewardship, governance, and infrastructure to support the constitutionally mandated function of collecting money to finance government into the Treasury through taxes, fines, fees, forfeitures, and donations. Funds are also collected through the sale of property, user fees, leases, royalties, etc., that result from government operations.

Federal program agencies, the Department of the Treasury, and the Federal Reserve System are the primary components responsible for establishing and ensuring fiscal integrity of collections processes. Federal agencies, in carrying out their missions and programs, collect funds from individuals, corporations, and governments (federal, state, local and international) as part of their daily operation and deposit them into Treasury accounts through the Federal Reserve System, using a variety of available

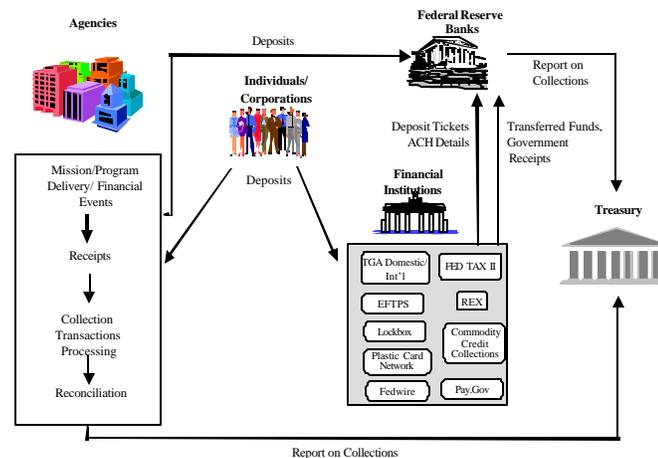
collection mechanisms<sup>12</sup> and systems. The Treasury records and accounts for the collection of funds on behalf of agencies and the public.

The following activities support the collections process:

- ◆ *Managing Revenue Collection Programs and Activities.* Developing pricing structures and determining user fees for exchange revenues for sales of goods and services to the public or other federal agencies or determining non-exchange revenue in accordance with applicable standards.
- ◆ *Collection Operations.* Maintaining effective program and agency processes and systems to ensure the timely and accurate collection of funds; and
- ◆ *Receivables Management.* The management of receivables, including their accuracy and tracking, and referring debt to the other entities in accordance with the Debt Collection Act and supporting policy.
- ◆ *Debt Management.* Managing the collection of receivables generated through program delivery and maintaining effective agency and central agency processes and mechanisms for collecting delinquent debt owed the U.S. government.

Figure 4 below provides an overview of the collections process.

*Figure 4. Overview of the Collections Process*



## 4. Payments

Processing payments refers to the disbursement of federal funds, via a variety of mechanisms,<sup>13</sup> to federal entities and private individuals, federal agencies, governments (state, local and international), and the private sector, to pay for goods and services or to distribute entitlements, benefits, grants, subsidies, loans, or claims.

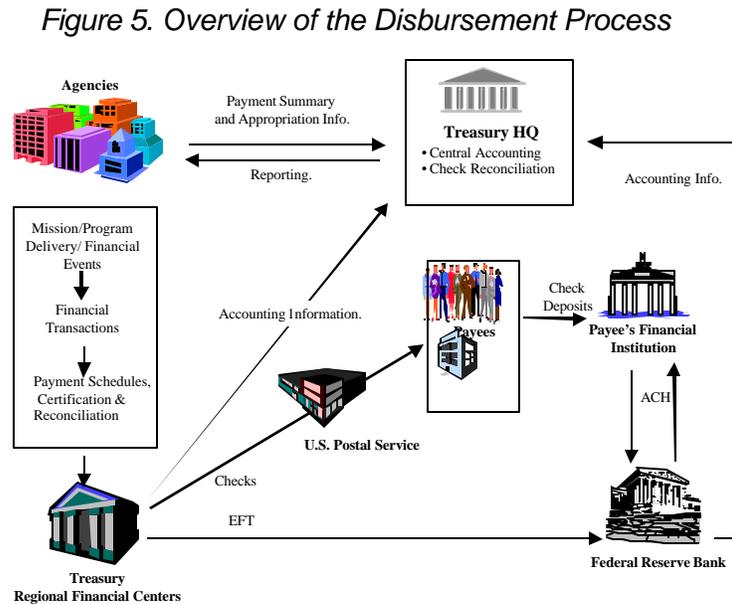
<sup>12</sup> The Treasury Financial Manual (TFM), available at [www.fms.treas.gov](http://www.fms.treas.gov) describes collections methods, systems, and formats.

<sup>13</sup> The Treasury Financial Manual (TFM), available at [www.fms.treas.gov](http://www.fms.treas.gov) describes disbursing methods, systems, and formats.

Managing payments is an accounting and control function that ensures standard transaction processing for disbursing funds out of the Treasury on behalf of federal program agencies and bona-fide liabilities incurred in carrying out federal programs and missions. It encompasses the stewardship, governance, and infrastructure to support the constitutionally mandated function of financing government operations.

Federal program agencies; the Department of the Treasury; Financial Management Service (FMS); and the Federal Reserve Banks are the primary components responsible for establishing and ensuring fiscal integrity of payment processes. Payments are made by the FMS or authorized non-Treasury disbursing office (e.g. Department of State, Department of Defense, U.S. Courts, etc.) and drawn on the U.S. Treasury on behalf of federal program agencies. Payments are made by disbursing funds against accounts maintained by Treasury, that identify the agency and appropriation from which the payments are requested. Agencies must certify payments and reconcile fund balances in agency accounts against those balances maintained at Treasury.

Figure 5 below provides an overview of the payments process.



## 5. Management of Assets and Liabilities

Managing government assets and liabilities is an accounting and control function that ensures standard transaction processing, accurate valuation, and disclosure of the acquisition and disposition of assets, and stewardship in accordance with standards.

The following activities support this function:

- ♦ **Cash management.** Managing the federal government's receipts, cash flow, and the cost of banking, borrowing, and financing associated with financing the daily operation of the federal government;

- 
- ◆ *Property Management.* Transaction processing, accounting, and valuation associated with acquiring or managing property, inventory, information technology, seized and forfeited, and other physical assets;
  - ◆ *Loan Management.* Transaction processing, valuation and accounting for loan portfolios either direct or guaranteed by the federal government.
  - ◆ *Management of trust funds.* Providing transaction processing in support of managing funded and unfunded liabilities, including benefit and insurance programs for social insurance, pensions, claims. etc; and
  - ◆ *Public Debt Management.* Managing and accounting for investments in Treasury securities and borrowing on behalf of federal agencies (intra-governmental), and sales of Treasury securities to the public.

## **6. Reporting and Information**

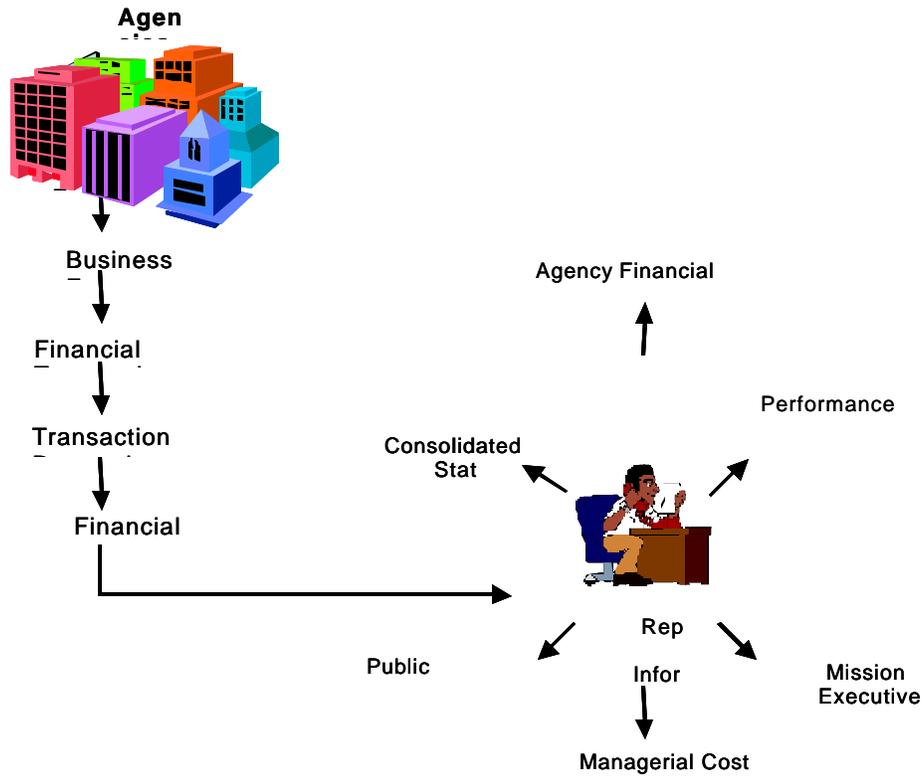
Financial information supports management decision-making and program performance. Generating financial management information for decision support is a by-product of accounting for the financial data collected through financial transaction processing. Financial managers, as the key stakeholders in financial data, must work with CIO and program managers to ensure that effective business processes, information flows, and data architectures meet decision support and reporting requirements. Providing financial management information and analysis is critical to ensuring fiscal integrity and improving program performance and linking financial management with program performance measures.

Reporting and providing information on the financial status of government operations and use of financial resources (financial reporting) to improve financial performance and support the goal of ensuring fiscal integrity include the following activities:

- ◆ *Preparation of financial statements.* Preparing agency financial statements as required by law for preparation by Treasury of the consolidated Financial Report of the United States Government; and
- ◆ *Program management information for decision support.* Providing financial information that is tailored to be useful to decision makers at multiple levels of responsibility. It relies on the capture of detailed financial and programmatic data that are converted to information using defined reports as well as analytic tools such as data warehousing, data modeling, and data mining. Budget and performance integration, and managerial cost accounting, are examples of program management information that can be used to support informed management decisions.

Figure 6 below provides an overview of the reporting and information process.

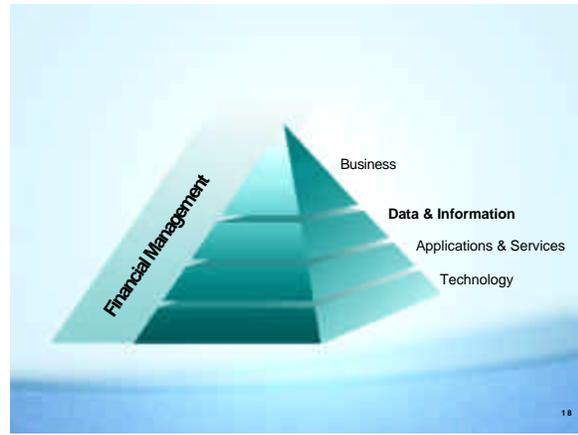
Figure 6. Overview of the Reporting and Information Process



# Chapter 3—Financial Management Data and Information

This chapter broadly describes the financial management data and information structure that financial management systems must support.

The financial management data and information structure encompass the data flows, information, and reporting that ensure accounting and control over financial events and provide management information to support program delivery.



The role of the financial management data and information architecture is critical to achieving the vision for financial management systems. The goal is not a single system, but to evolve from the current environment that is characterized by stove-piped and redundant systems to a single financial infrastructure with standardized applications and services that are supported and enabled by integrated financial management data and information. As financial events occur throughout the enterprise, financial managers are dependent upon integrated financial systems to meet enterprise management information and reporting requirements. Integrated financial management systems, to operate efficiently must be standardized and enabled by standardized business processes, information flows and a common data and information architecture. The CFOs, as users of financial data that occur throughout the federal government, must ensure that the information structures and processes are in place to collect and maintain data in financial systems to meet all expected financial and program performance information requirements.

## Overview of the Financial Management Information Process Flow

Program performance is enabled by financial management information that is based on an information architecture that captures and classifies data for financial reporting and performance measurement. The financial management information structure must provide the capability to capture financial data as events occur using a standard classification structure that facilitates efficient roll-up for downstream reporting and information at various levels.

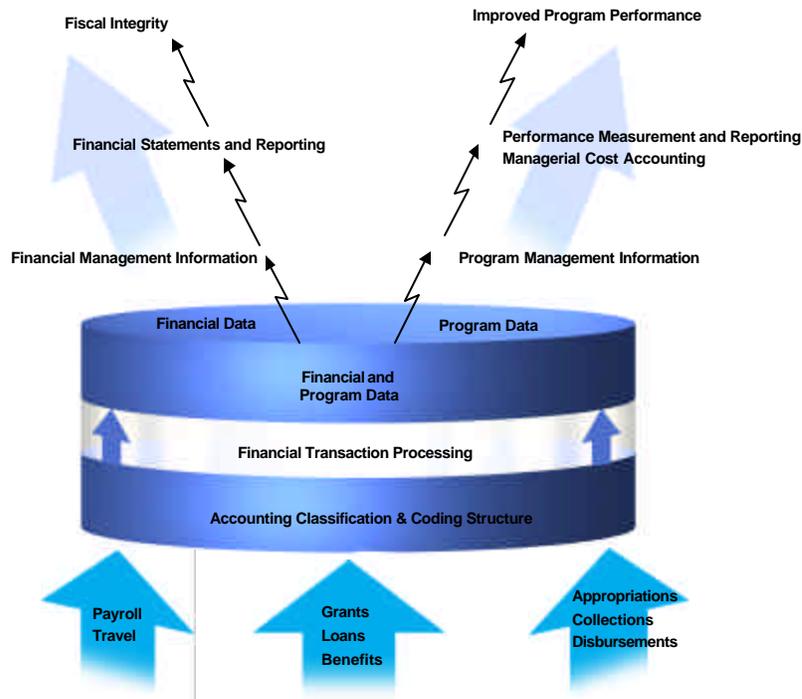
Data standardization<sup>14</sup> is essential to timely and accurate reporting. The accounting classification structure is the link between events, transaction data, and reporting. Financial and program data must be captured at the time of the financial event, to the extent possible, using standard data definitions and classification. It is the

<sup>14</sup> Data standardization is defined as the discipline of establishing common data definitions that are compatible across multiple systems and organizations owning data.

responsibility of financial managers to ensure that the accounting classification structure supports end-to-end data standardization in financial accounting processes.

Figure 7 below illustrates an overview of the flow of financial information and data.

Figure 7. Overview of the Financial Management Information Structure



The data collected become the basis for generating effective financial and program information and reporting. Transaction processing may be accomplished through different service delivery components (for example, done in-house, outsourced, or cross-serviced); however, internal control must still be built into all transaction processing, and data collected through transaction processing must provide information for both financial and program reporting:

- ◆ *Financial management information* includes financial information and reporting required by law, driven largely by external reporting requirements<sup>15</sup> and governed by applicable accounting standards. Examples of financial data include appropriations, fiscal year, standard general ledger account, OMB object class codes, and other means of classifying, accounting, and controlling financial transactions. The financial information structure must support an audit trail that links financial reporting and information with the supporting financial transactions and events; and
- ◆ *Program management information* is the information needed for program/mission support and performance. Examples of data supporting management information and reporting are the identification of cost with the program, project, activity, or

<sup>15</sup> Treasury, OMB, FASAB, etc.

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other data that support managerial cost accounting, performance measurement, and other means of evaluating mission effectiveness.

## **Data and Information Performance Goals**

The financial management information structure supports the broad goals of ensuring fiscal integrity and improving program performance. Performance goals and desired characteristics for financial data and information are described below:

- ◆ Enable compliance with federal accounting standards and requirements for financial information and reporting;
- ◆ Ensure that all financial data needed to meet financial and program information requirements are captured at the inception of a business event;
- ◆ Provide a management information and decision support structure that uses standard data definitions, business rules, and accounting classifications;
- ◆ Support the integration and roll-up of financial data to meet downstream reporting;
- ◆ Integrate budget and performance by providing full cost accounting for programs, projects, activities, and other performance measurement criteria; and
- ◆ Enable internal controls that ensures fiscal integrity through accountability and control.

## **Information Architecture**

The information architecture addresses financial information at the event (transaction) and reporting (summary) levels. Financial systems must support standard data classifications for recording financial events and maintaining summary level information. In addition, an agency's standard data classifications must incorporate government-wide data and information standards to support interrelated government-wide business processes or reporting.

Data standards may occur at either the event-level or the reporting-level of the information architecture. In either case, data classifications need to use consistent definitions throughout the financial event collection and reporting processes. Data element names, definitions, formats, domains, uses, and attributes should be specified in establishing data requirements used by financial management systems.

### ***Event-Level Architecture***

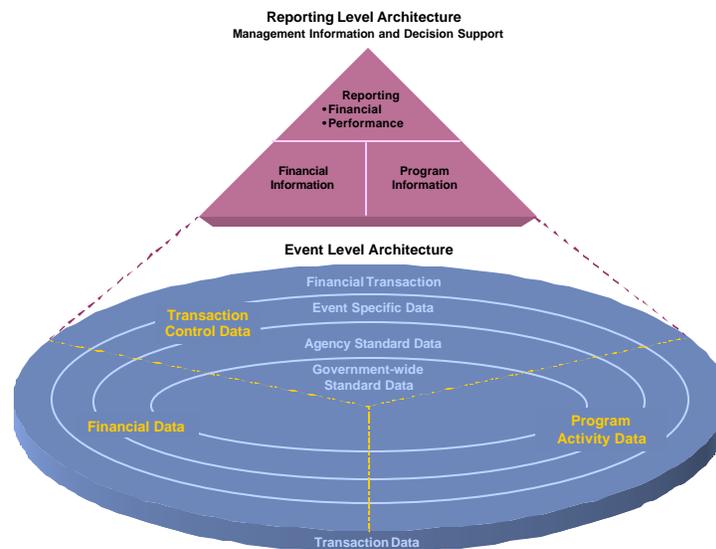
A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activity. Proper accounting classification of financial events is critical to the entire management information process. Events occur routinely as a result of the business

activity of the government. These events are recorded in financial management systems as “transactions.”

The event level architecture provides for the proper classification of data at the point of original entry to support all the elements of the reporting architecture. The event level architecture also provides for appropriate transaction identification and control, eliminates the need for redundant data collection processes for multiple reporting level architecture requirements, and supports the collection of complete transaction data when a financial event occurs.

The event level architecture is used to capture and record transaction data on individual financial events. Transaction data provide the critical link between program delivery and financial event processing, and provide the basis for information necessary for program managers, senior agency executives, and Congress to carry out their responsibilities to government and to the public. Transaction data about an individual financial event includes transaction control data for tracking the event, financial data for classifying the type of financial activity, and program activity data for capturing related non-financial characteristics.

*Figure 8. Event Level Architecture*



### ***Reporting-Level Architecture***

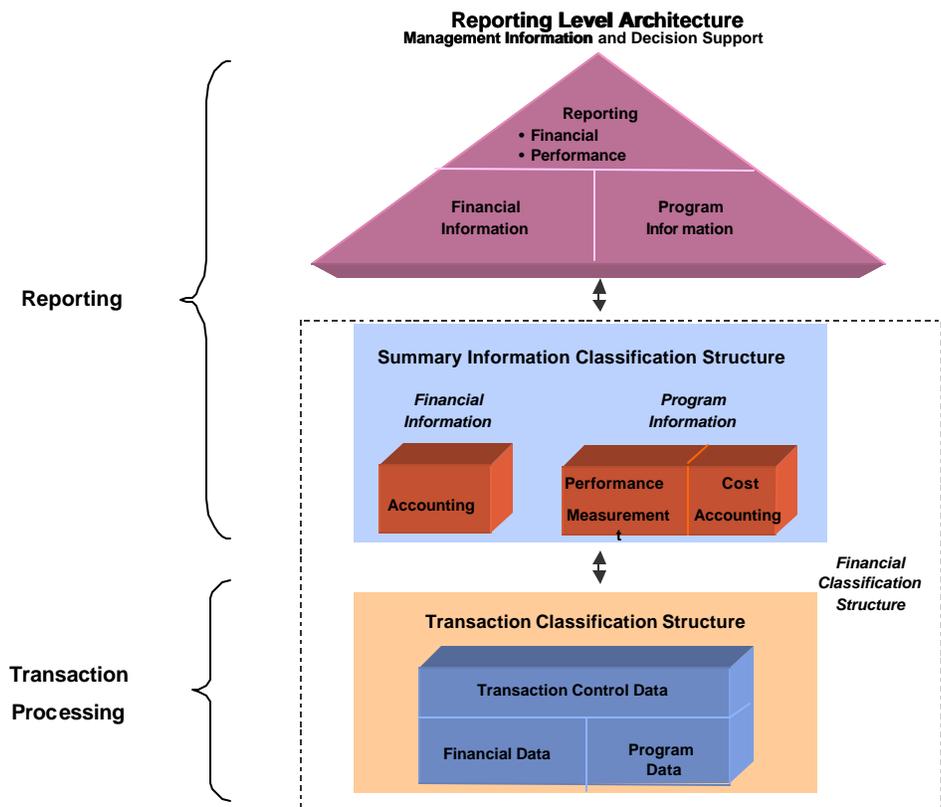
Effective program execution requires providing information to customers about their interactions with the federal government, to agency managers for operating decision making, to senior administration officials for policy decision-making, and to the Congress to understand the status of government programs. The reporting-level architecture is the structure of data and its presentation to meet these information

requirements (Figure 8). Reporting needs to be of proper scope, level of detail, timing, content, and presentation format to provide information of real value to users.

The reporting-level architecture is used to summarize transaction data and provide the financial and program information necessary for internal and external reporting.

The reporting component of the reporting-level architecture provides for the presentation of financial and performance information. It provides users access to understandable information about what the government is doing and how well it is doing it. Financial reporting provides information on the financial condition of the federal government at a point in time or over a period of time. Performance reporting answers the question: "How effective and efficient are operations and programs?" Performance reporting may use data from sources other than the financial management systems (e.g., economic indicators, crime rates) to measure program outcomes.

Figure 9. Reporting Level Architecture



## Structures Supporting the Information Architecture

The information architecture is supported by the data contained in the event-level architecture and the reporting-level architecture such that meaningful and useful information can be obtained. The various structures work together in a cohesive architecture to enable accurate, internally consistent, and meaningful data to be collected and reported on financial events.

The financial and related information classification structures provide the ability to collect and summarize information consistently and at the appropriate levels of detail for users at multiple levels in the government. Collectively, this information is used to support financial and performance reporting requirements. The reporting structure provides the necessary access to information captured by the financial management systems using the financial and related information classification structures.

Standardized and consistently defined data elements in the transaction classification structure linked together by appropriate encoding relationships with the summary information classification structure provide the bridge between the event-level data requirements and the summary-level information requirements. The summary information classification structure, supporting the summary-level information requirements, assembles the data into meaningful categories that can be made accessible for a variety of reporting purposes.

Financial and performance reporting is based on the summary information classification structure, but also may require data contained in data structures external to the financial management systems to be used to make the information meaningful, complete, and useful for decision making. The transaction classification structure of the event-level architecture and the summary information classification structure and reporting structure of the reporting-level architecture work together to provide the necessary description of financial events to ensure the integrity of financial and related information collected and reported.

### ***Transaction Classification Structure***

The data elements to properly track and classify a financial event are contained in the transaction classification structure and are categorized as financial data, program activity data, and transaction control data. The transaction classification structure is used to track individual transactions and relate them to financial events. The elements of financial data (e.g., fund, object class, dollar amount) and program activity data (e.g., activity type, program unit) within the transaction classification structure provide the minimum data needed to derive the full classification of information for financial and program information. Financial data and program activity data can work in concert to assess performance, and in some instances, performance measures can be extracted from either data type individually. Transaction control data within the transaction classification structure provide the audit trail for financial events and may also be used to assess performance. Transaction control data include such elements as transaction source, document/reference number, transaction ID or control number, transaction type, effective date, and posting date. This structure provides for the coding necessary to collect data to support the summary information classification structure.

### ***Summary Information Classification Structure***

The summary information classification structure consists of financial and program information. These classification structures are used to categorize summary-level financial and program information necessary for the users to understand the implications of financial decisions and to track performance of programs.

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The financial information classification structure is used for collecting, categorizing, tracking, monitoring, and reporting information on the status of financial resources at federal agencies. It provides the structure for collecting budget and financial information for reporting, ensuring financial accountability, and linking budget formulation and budget execution.

The program information classification structure is used for collecting, categorizing, tracking, monitoring, and reporting cost accounting, performance metrics or other management information for the status of programs and activities.

### ***Reporting Structure***

The reporting structure of the information architecture provides access to the information captured by the financial management systems. The reporting information structure supports requirements for reporting and providing information on the financial status of government use of financial resources (financial reporting) and the effectiveness and efficiency of delivery (performance reporting). The reporting structure facilitates analysis of financial and program performance.

# Chapter 4—Financial Management Applications and Services

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This chapter provides an overview of the federal financial management applications and services<sup>16</sup> architecture and describes the major applications that support federal financial management.

Financial applications and services refers to the financial management systems<sup>17</sup> that support federal financial management systems requirements.

The JFMIP requirements documents describe the primary financial applications<sup>18</sup> currently supporting the federal government. The specific JFMIP requirements documents list and describe the functionality that provides the basis for service-level components. Examples of service components might be funds control, advances, billing, or other functions that together constitute the functionality of the particular application.

## Role of Financial Management Systems in Supporting the Vision

To support the vision, financial management systems must support a single financial management infrastructure with standardized applications that are supported and enabled by integrated financial management data and information. Getting there is dependent upon achieving common business processes; integrated data and information; and developing applications that maximize the use of software that standardize, integrate and share data. The critical importance of an integrated information and data structure as a key dependency for achieving this goal was discussed in Chapter 3. Equally important is that financial applications should be designed with this goal in mind and be based on technology and approaches that facilitate rather than hinder the integration of data and information from multiple applications across the enterprise. Future financial applications must be designed to be flexible and not “locked in” to specific technologies or service providers that don’t enable easy integration of data across multiple applications or recognize commonality in other applications.

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<sup>16</sup> The financial applications and services are a component of the Federal Enterprise Architecture developed by the FEA Program Management Office. The JFMIP Federal Financial Management Systems Requirements series informs the financial management segment of the Federal Enterprise Architecture (FEA) at the Applications and Services layer.

<sup>17</sup> Financial systems are defined in OMB Circular A-127. Includes Core Financial, Mixed Systems, Subsidiary and central agency systems whether Commercial Off-the-Shelf Software (COTS), custom developed, hosted by another government entity, or provided by a commercial application service provider.

<sup>18</sup> Benefits, Guaranteed Loans, Direct Loans, Seized Property and Forfeited Assets, Travel, Human Resources and Payroll, Budget Formulation, Non-Tax Revenue, Acquisition, Property Management, Inventory, Grant Financial, Insurance Claims, and Core Financial.

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Along the way, the outcome of the changing applications and services environment must still remain constant—to record the financial aspects of all financial events, provide internal control and accountability, and provide the basis for integrated financial and program management information. The delivery of agency applications and services will continue to evolve through consolidation and outsourcing. The CFOs, as owners and stakeholders of the financial business requirements, must implement an acquisition strategy for financial systems that fully meets requirements but that also moves forward in step with the larger agency and government-wide strategy. Identifying the applications' services and components across the enterprise will help identify opportunities for shared services.

## Financial Management Systems Performance Goals

Financial management systems are the link between financial management and program performance. Financial systems that are effective and efficient must do the following:

- ◆ Demonstrate compliance with accounting standards and requirements;
- ◆ Provide timely, reliable, and complete financial management information for decision making at all levels of government;
- ◆ Meet downstream information and reporting requirements with data linked to transaction processing systems, i.e. have the financial transactions capture all the information needed for reporting purposes, and have the reporting tools linked to the transaction data so that reports and analyses can be produced.
- ◆ Provide and accept standardized data to and from other internal, government-wide, or private-sector processing environments (interoperability);
- ◆ Provide for “one-time” data entry and reuse of transaction data to support integration, interfacing, or business and reporting requirements;
- ◆ Build security, internal control, and accountability into processes and provide adequate audit trails;
- ◆ Be modular in design and built with reusability as an objective;
- ◆ Meet the needs for greater transparency and ready sharing of information;
- ◆ Scale to meet internal and external operational, reporting, and information requirements for both small and large entities; and
- ◆ Evolve to meet changing business needs, policy, and technology.

## Financial Applications Types

This section broadly defines the financial applications and services (systems) comprising the existing architecture as described by the JFMIP Financial

*Financial management relies on the applications systems and underlying technology to deliver the information needed to support analysis and decision making at every level.*

Management System Requirements. Identifying the interrelationships and dependencies among financial systems is critical to planning for the integration of financial information and services across the government enterprise.

Financial applications must integrate common data from multiple services across the enterprise. The primary financial applications types are core financial, subsidiary/feeder, mixed financial, and central agency. They are defined as follows:

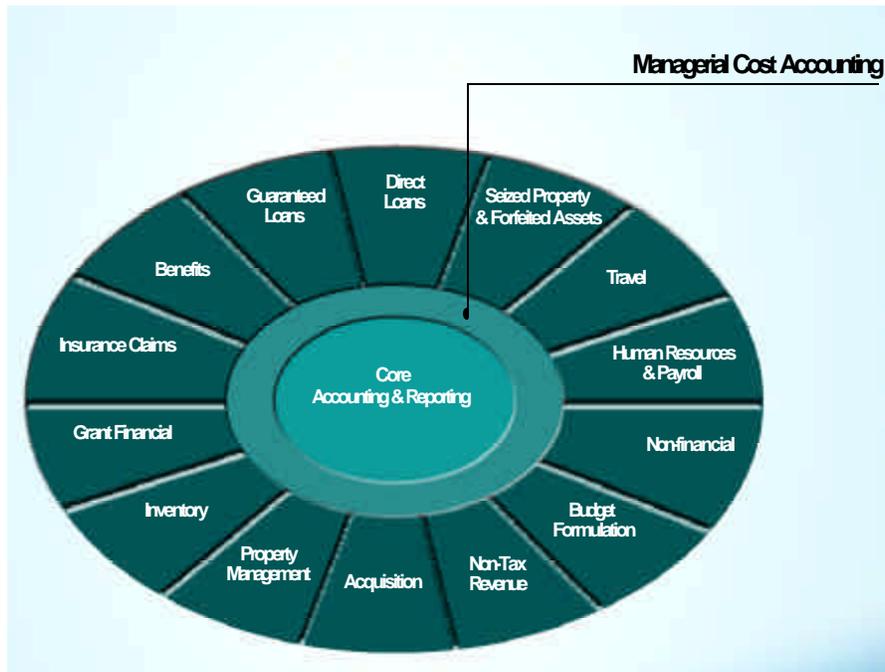
- ◆ *Core financial system.* The core financial system is an integral part of an agency's single integrated financial management system. It controls and supports the key functions of an agency's financial management, including general ledger management, funds management, payment management, receipt management, cost management, and reporting. The core financial system receives data from other financial and mixed systems and from direct user input, and it provides data and supports processing for those systems that need it, including department and government-wide reporting systems.
- ◆ *Subsidiary/feeder applications.* Subsidiary applications account for financial transactions (e.g., payroll, accounts receivable, accounts payable) externally, i.e. subsidiary to the core financial system. Subsidiary systems manage components of the core financial system functions of general ledger management, funds management, payment management, receipt management, cost management, and reporting. Subsidiary applications must "feed" related data to the core financial system to ensure general ledger and funds control. Integration of processes and data between core and subsidiary applications is a critical factor in producing timely and accurate financial management information and accountability.
- ◆ *Mixed financial applications.* Mixed financial applications are program/business support applications that have a financial management component. The financial data in mixed systems must integrate with the agency's general ledger, funds control, and financial reporting by feeding financial data to the agency's core or financial reporting system. Examples of mixed financial applications are loans, benefits, insurance claims, seized assets, property management, inventory, acquisition, and grants. Strategic planning for standardizing data and ensuring business efficient processes is critical for the CFO, as a key stakeholder in the financial data generated by mixed financial systems; and
- ◆ *Central agency applications.* Central agency applications provide centralized support for common government-wide business transaction processes and consolidated reporting. Central systems are provided by "Central Agencies", including the Department of the Treasury, OMB, and OPM. They support the central agency component of shared agency-central agency business processes. Examples are payments, collections, and consolidated financial reporting provided by Treasury (central agency) on behalf of federal program agencies. Appendix D, Department of Treasury, Financial Management Service Interrelationships, further describes the central agency role. Federal Financial System Requirements

## JFMIP Federal Financial Management System Requirements Series (FMFSR)

The JFMIP Financial Management System Requirements documents describe the core, mixed program and major subsidiary financial systems requirements for agencies. The framework overview below provides a view of the current financial management applications and services architecture described by the current JFMIP requirements series. While the Framework illustration below represents the current as-is applications and services environment, the individual requirements documents that comprise it address both current and future needs. Each financial system requirements document is organized around services and financial event processing that support various mission and program delivery, based on laws, regulations and standards, and developed with the consensus of financial and program stakeholders. The financial system requirements documents describe the services, components, and functional requirements for a particular application, based on the accounting standards, standardized business processes, data, and information that the system must be designed to meet. Agencies may also identify requirements and supplement those compiled by JFMIP.

Figure 10 illustrates the Framework.

Figure 10. Framework



## Financial Management Applications and Services Relationships

### Financial Applications Types

The financial applications and services described by JFMIP Financial System Requirements is composed of agency core financial, mixed, and subsidiary/feeder systems. Some applications may be designed as either subsidiary or mixed systems. The primary function of each application might also be described as either for the purpose of transaction processing or decision support. Table 1 describes these relationships.

Table 1. Financial Application Types

Applications	Application Types				
	Core Financial System	Subsidiary Financial System	Mixed Financial/Program System	Decision Support System	Transaction Processing System
Core Financial Systems	X				X
Managerial Cost Accounting Systems				X	
Budget Formulation Systems				X	
Revenue Systems		X	X		X
Acquisition Systems		X	X		X
Property Management Systems		X	X		X
Inventory Systems		X			X
Grants Systems			X		X
Insurance Claims Systems			X		X
Guaranteed Loan Systems			X		X
Direct Loan Systems			X		X
Benefits Systems			X		X
H/R Payroll Systems		X			X
Travel Systems		X			X
Seized and Forfeited Assets Systems			X		X

### Key Financial Processes Supported by Financial Application Types

Table 2 displays how the financial applications described by JFMIP requirements documents cuts across the key financial management business processes described earlier. Financial applications support the key financial business processes and are the foundation for processing transactions associated with business events and producing information output.

Table 2. Key Financial Processes Supported by Applications

Financial Applications Described by JFMIP requirements	Key Financial Business Processes					
	Accounting	Budget and Finance	Payments	Collections	Assets and Liabilities	Reporting and Information
Core Financial Systems	X					X
Budget Formulation Systems		X				
Revenue Systems				X		
Acquisition Systems					X	
Property Management Systems					X	
Inventory Systems					X	
Grants Systems			X			
Insurance Claims Systems		X	X		X	
Guaranteed Loan Systems		X		X	X	
Direct Loan Systems		X		X	X	
Benefits Systems		X	X			
H/R Payroll Systems			X			
Travel Systems						
Seized and Forfeited Assets Systems		X			X	

**Primary Transaction<sup>19</sup>  
Processing  
Accomplished by the  
Financial Applications**

*Table 3. Primary Transaction Processing  
Accomplished by Financial Applications*

Table 3 depicts the primary financial transactions processed by the various financial applications depicted by the JFMIP Framework. This chart helps to identify where different financial events may result in the same financial transaction type but processed in different financial systems. The chart may help identify efficiencies in transaction processing by identifying common transactions. Managerial Cost Accounting and Budget formulation are decision support systems as opposed to transaction processing systems.

Financial Applications	Primary Transactions											
	Appropriation, Apportionments Reimbursable Authority	Fund Transfers	Adjustments	Advances	Commitment/Obligation	Expenditures/Accounts Payable	Disbursement/Payment	Customer orders	Accounts Receivable	Collection		
Core Financial	X	X	X	X	X	X	X	X	X	X	X	X
Managerial Cost Accounting												
Budget Formulation												
Revenue		X						X	X	X		
Acquisition				X		X	X					
Property Management				X		X	X					
Inventory												
Grants				X	X	X	X					X
Insurance Claims								X				X
Guaranteed Loan			X			X	X					X
Direct Loan						X	X	X		X		X
Benefits								X				X
H/R Payroll				X			X	X				
Travel				X	X	X	X	X		X		
Seized and Forfeited Assets			X									X

**Government-wide Applications Integration**

Today, data often resides in unconnected, redundant, and at times incompatible stovepipe applications that reflect decades-old business processes. The financial environment of the future requires standardized data, common transaction processing, and consistent internal control to support data integration for accountability and decision support. Effective governance and leadership are needed to affect the magnitude of the change required to transition from the current environment to the future vision.

Achieving reliable, timely and accurate financial management information requires integration of financial systems and data. Integration of systems traditionally means that financial systems and the financial portions of mixed systems (including the software, hardware, personnel, processes (manual and automated), procedures, controls and data) are planned for and managed together, operated in an integrated fashion, and linked together electronically. Achieving an integrated financial infrastructure is key and presents the greatest challenge to achieving the future vision for financial managements.

Financial applications must be capable of accepting data from multiple sources in order to meet downstream reporting requirements. Integrating financial applications is dependent upon standardized data. To support improved accountability and

<sup>19</sup> Transactions described in the JFMIP Core Financial system Requirements

performance, financial data must be pulled from a variety of feeder and mixed applications.

Applications and technology of the future must be designed to improve upon data integration capabilities. However, achieving improved integration capability presents tremendous challenges for the owners of financial data, the CFOs. Integrated data is facilitated by development of an integrated data model; an architecture that enforces data standards on all entities and components; clear identification of transaction data that must be collected and passed between entities; clear distinction in responsibilities and roles for various entities; and a system that governs and communicates changes in business processes. The system of governance must have the support of all the stakeholder organizations.

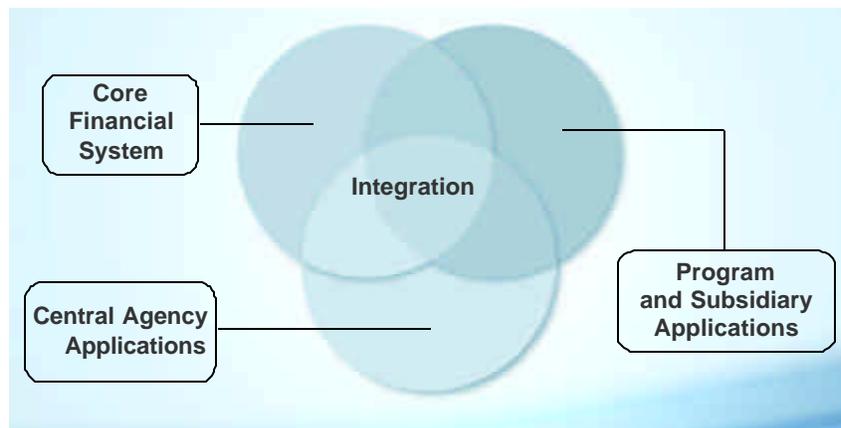
Central agencies are critical to integrating standardized data at the government-wide level. Integrated data at the government-wide level (i.e., budget, common data portals, etc.) requires government-wide use of standard financial and programmatic data definitions and formats, and efficient standard business processes and applications that exchange and consolidate data effectively. Common data elements should be used from the point of initial data entry, through transaction processing, storage and retrieval of financial information. This critical task is guided by government-wide information standards, such as the USSGL.

Common processes for processing similar kinds of transactions throughout the systems enable these transactions to be reported in a consistent, meaningful way. The internal controls used at data entry, transaction processing and reporting must be applied consistently. The best controls are those that are integral to the business processes.

The design of systems architectures should strive to capture data one time, as close to the triggering transactions as possible. Updating and posting to other parts of the integrated system should be electronic, with cycles consistent with both business line and accounting requirements.

Figure 11 provides an overview of the three primary integration points for financial systems.

*Figure 11. Overview of Financial Systems Types*



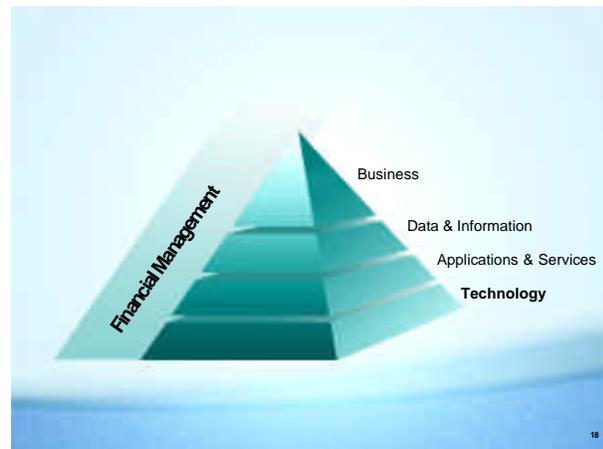


# Chapter 5—Financial Management Technology

This chapter describes the capabilities, characteristics, and performance outcomes for technology in achieving a vision for a future financial management and systems environment.

## Technology Supports for the Vision

The technical architecture that supports financial management applications must be driven by the business needs and performance expectations. The role of technology in supporting the vision is to link financial applications, data, and information processes across the enterprise to make financial information readily available for decision support.



## Role of Technology in Financial Management

The vision of the future financial management systems environment and the performance outcomes defined earlier are intended to provide useful guidance to providers of financial applications and services. The goal is not a single system, but to evolve from the current environment that is characterized by stove-piped and redundant systems to a single financial infrastructure with standardized applications and services that are supported and enabled by integrated financial management data and information.

The role of technology in achieving this is to deliver applications and services that are inherently designed to facilitate better integration of business and financial activities through integrated services operating on common data. The emphasis therefore is on developing systems capabilities that enable better integration. Of particular importance are services and components consistent with these directions; capability for enterprise data sharing of all information sources; open architecture to enable a modular implementation approach; enhanced interfaces and mapping to legacy systems; and integrated tools for knowledge management, data mining, and data mapping.

To achieve the vision, we must be able to identify where to consolidate applications, services, and investments. The current policy requires relying on third-party services from private concerns or other agencies and maximizing the use of COTS-based solutions to achieve cost savings and efficiencies. Financial systems must support agency and government-wide goals for systems, including strategies for e-government and consolidated systems.

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## Roles of the CFO and CIO Partnership in Achieving the Vision

The broader enterprise view and business needs should drive enterprise choices. The CFOs, as owners of the financial business and information architecture, are responsible for addressing the business and information framework and ensuring that financial data and information is integrated consistently across the enterprise. The CFOs are responsible for ensuring that the financial information meets the requirements, regardless of where the information originates. Agencies, under CIO leadership and in partnership with CFOs and other senior level officials, must have in place an information architecture that establishes how data interrelates, and the security of those data.

### Performance Goals

Integrated financial management systems must be secure, reliable, available, scalable, accessible, private, and interoperable to effectively achieve or support agency mission and goals:

- ◆ *Security.* The protection of information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide:
  - ▶ Integrity, which means guarding against improper information, modification, or destruction, and includes ensuring information non-repudiation and authenticity;
  - ▶ Confidentiality, which means preserving authorized restrictions on access and disclosure, including means for protecting personal privacy and proprietary information; and
- ◆ *Availability,* which means ensuring timely and reliable access to a business service, data, information or system resource;
- ◆ *Reliability.* The ability to ensure the integrity and consistency of the application and all of its transactions;
- ◆ *Scalability.* The ability to economically support the required quality of business service as the system load changes;
- ◆ *Accessibility.* The application accessibility through published application program interfaces (APIs) at the application level; also, the physical accessibility to the system through web access, client-server access, File Transmission Protocol (FTP) access, etc. In addition, as required by the Rehabilitation Act, Section 508, Subpart A 1194.1, the ability of federal employees with disabilities to have access to and use of information and data that are comparable to the access and use by federal employees who are not disabled;
- ◆ *Privacy.* The preservation of authorized access and disclosure restrictions, including means for protecting personal and proprietary information;

- ◆ *Interoperability*. The ability of software and hardware on different machines from different vendors to share data;

## **Planning and Change Management**

The architecture, technology and financial requirements are not an end state but are ever changing and staying the course is important. Improvements and investments in financial systems should be viewed as a continuing executive leadership responsibility. Communication and partnership between the CFO and CIO in planning for investments in both new systems and upgrades is critical in that it encompasses business goals and direction, not just software. The CFOs must bring changing business requirements into the planning process so that CIOs will know to integrate financial management requirements into overall enterprise architecture planning.



## Appendix A—Glossary

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Term	Definition	Source <sup>20</sup>
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 an agency includes in its accounting classification structure will depend in part on the implementation strategy for the USSGL, data aggregation requirements for preparation of financial statements under the CFO Act, appropriation structure, and other reporting and management needs of the agency.	JFMIP Financial System Requirements; Multiple sources
Acquisition	The acquiring by contract with appropriated funds 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.	FAR 2.101(b)(2)
Agency	The term "agency" means any executive department, military department, government corporation, government controlled corporation, or other establishment in the executive branch of the Federal government, or any independent regulatory agency. Within the Executive Office of the President, the term includes only OMB and the Office of Administration.	OMB Circular A-130
Allotment	A subdivision of an apportionment made by an agency.	OMB Circular A-11
Apportionment	A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combinations of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.	OMB Circular A-11

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<sup>20</sup> Sources are provided if available, otherwise the term definition was developed for clarification of terminology.

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Term	Definition	Source <sup>20</sup>
Appropriation	A provision of law (not necessarily an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.	OMB Circular A-11
Borrowing Authority	A type of budget authority that permits obligations and outlays to be financed by borrowing. Also known as public debt financing.	OMB Circular A-11
Budget	The Budget of the United States Government setting forth the President's comprehensive financial plan for allocating resources. The Government uses the budget system to allocate resources among its major functions and individual programs. The budget process has three main phases: formulation, congressional action on the budget, and execution.	FASAB Statement of Federal Financial Accounting Standards No. 24
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-11
Budget Execution	Includes funds control and provides features to record, distribute, and control budget authority and spending in accordance with the provisions of OMB Circular A-34, Instructions on Budget Execution. Budget execution provides the ability to track the effects of financial events on the sources and uses of budgetary resources authorized by the President and Congress. Its primary purpose is to ensure that spending does not exceed funds appropriated or authorized.	OMB Circular A-11
Budget Formulation	During this phase of the budget cycle, the Executive Branch prepares the President's budget. OMB and the Federal agencies begin preparing the next budget almost as soon as the President has sent the last one to Congress. OMB officially starts the process by sending planning guidance to Executive Branch agencies in the Spring. The President completes this phase by sending the budget to Congress on the first Monday in February, as specified in law, although occasionally Presidents have sent it later for various reasons.	OMB Circular A-11

Term	Definition	Source <sup>20</sup>
Capital planning and investment control (CPIC)	CPIC is the same as capital programming and is a decision making process for ensuring that information technology (IT) investments integrate strategic planning, budgeting, procurement, and the management of IT in support of agency missions and business needs. The term comes from the Clinger-Cohen Act of 1996 and generally is used in relationship to IT management issues.	OMB Circular A-11
Capital planning and investment control process	A management process for ongoing identification, selection, control, and evaluation of investments in information resources. The process links budget formulation and execution, and is focused on agency missions and achieving specific program outcomes.	OMB Circular A-130
Cash Management	Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.	Treasury Financial Manual, Volume 1, Part 6, Section 8000
Claim	A demand for money or property.	Appropriations Law Manual, Chapter 12
Collection	Money collected by the Government that the budget records as a receipt, an offsetting collection, or an offsetting receipt.	OMB Circular A-11
Debt Claim	A claim by the government against others.	Appropriations Law Manual, Chapter 12

Term	Definition	Source <sup>20</sup>
Deposit Funds	<p>Established by the FMS to record moneys that do not belong to the Federal Government. The deposit fund (liability) classification is proper for any account that meets one of the following three criteria:</p> <ul style="list-style-type: none"> <li>➤ Moneys withheld by the Government from payments for goods and services received. Agencies may treat this transaction as a deposit fund liability only when they have charged a budget account and the Government is holding the funds pending payment (for example, payroll deductions for savings bonds or State income taxes); or</li> <li>➤ Deposits received from outside sources for which the Government is acting solely as a banker, fiscal agent or custodian; or</li> <li>➤ Moneys the Government is holding awaiting distribution based on a legal determination or investigation. This category includes moneys in dispute (between the Government and outside parties) where ownership is in doubt and there is no present basis for estimating ultimate distribution.</li> </ul>	TFM, Part II, Chapter 1500, Section 1535
Direct Loans	Loans issued by the agency to a borrower, who then repays the loan to the agency.	OMB Circular A-11
Disbursements	Amounts paid out by Federal agencies during the fiscal year. This term is used interchangeably with the term outlay.	TFM, Supplement to Volume I
Disbursing Authority	Authority to disburse public money to officers and employees of other Federal agencies in accordance with 31 U.S.C. § 3321(b).	TFM 4-10000
Electronic Funds Transfer	Any method used to transfer funds electronically, such as wire, Automated Clearing House (ACH), Credit or Debit Card, or FMS' Online Payment and Collection (OPAC) system.	TFM 1- Part 6 - Chapter 8000
E-government (E-gov)	E-gov is the use by the government of web-based Internet applications and other information technologies, combined with processes that implement these technologies.	OMB Circular A-11, Section 53, Preparing, Executing, and Submitting the Budget

Term	Definition	Source <sup>20</sup>
Enterprise Architecture	A strategic information asset base that defines the business, information necessary to operate the business, technologies necessary to support the business operations, and transitional processes for implementing new technologies in response to the changing needs of the business.	Federal Enterprise Architecture Framework, V.1.1, Federal CIO Council, September 1999
FACTS I	FACTS I Application allows FMS to collect proprietary accounting information from the agencies on a Standard General Ledger basis.	Treasury FMS
FACTS II	FACTS II Application allows FMS to collect budgetary accounting information from the agencies on a Standard General Ledger basis.	Treasury FMS
Federal Enterprise Architecture	To facilitate efforts to transform the Federal Government to one that is citizen-centered, results-oriented, and market-based, the Office of Management and Budget (OMB) is developing the Federal Enterprise Architecture (FEA), a business-based framework for Government-wide improvement. The FEA is being constructed through a collection of interrelated “reference models” designed to facilitate cross-agency analysis and the identification of duplicative investments, gaps, and opportunities for collaboration within and across Federal Agencies.	Federal Enterprise Architecture Program Management Office
Federal Enterprise Architecture Business Reference Model (BRM)	The BRM is a function-driven framework for describing the Lines of Business and internal functions performed by the Federal Government independent of the agencies that perform them. The BRM serves as the business layer of the Federal Enterprise Architecture (FEA). It provides a foundation on which the applications, data, and technology layers of the FEA are developed. Agency Capital Asset Plans (Exhibit 300s) will be mapped against this framework to identify opportunities for cross-agency collaboration and potential system redundancies.	OMB Circular A-11 Preparing, Executing, and Submitting the Budget

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Term	Definition	Source <sup>20</sup>
Federal Enterprise Architecture Framework	The Federal Enterprise Architecture Framework (FEAF) provides an organized structure and a collection of common terms by which Federal segments can integrate their respective architectures into the Federal Enterprise Architecture.	Federal Enterprise Architecture Framework, V.1.1, Federal CIO Council, September 1999
Federal Payment	Any payment made by an agency. The term includes, but is not limited to: (1) Federal wage, salary, and retirement payments; (2) vendor and expense reimbursement payments; (3) benefit payments; and (4) miscellaneous payments including, but not limited to, interagency payments; grants; loans; fees; principal, interest, and other payments related to United States marketable and nonmarketable securities, overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.	Treasury Green Book
Financial Accounting	A branch of accounting. The most noteworthy interpretations or classifications are those about which data pertain to the past and which pertain to the future. In other words, financial accounting is largely concerned with assigning the value of past transactions to appropriate time periods.	FASAB, SFFAS No. 1: Objectives of Federal Financial Reporting
Financial Event	Any occurrence having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities.	OMB Circular A-127, Financial Management Systems
Financial Management Systems	Financial systems and the financial portions of mixed systems necessary to support financial management, including manual or automated processes, procedures, controls, hardware, software and support personnel. Financial systems include an information system, comprised of one or more applications, that is used for (A) collecting, processing, maintaining, transmitting or reporting data about financial events; (B) supporting financial or budgeting activities; (C) accumulating and reporting cost information, or: (D) supporting the preparation of financial statements.	Federal Financial Management Improvement Act (FFMIA), OMB Circular A-127

Term	Definition	Source <sup>20</sup>
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.	FFMIA; OMB Circular A-127
Financing, Means of	Borrowing, the change in cash balances, and certain other transactions that are used to finance a deficit or a surplus. By definition, the means of financing are not treated as receipts or outlays.	OMB Circular A-11
Grant	A form of assistance authorized by statute in which a federal agency (the grantor) transfers something of value to a party (the grantee) usually, but not always, outside of the federal government, for a purpose, undertaking, or activity of the grantee which the government has chosen to assist, to be carried out without substantial involvement on the part of the federal government.	Appropriations Law Manual
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

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Term	Definition	Source <sup>20</sup>
Information Security	The protection of information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide: (A) integrity, which means guarding against improper information modification or destruction, and includes ensuring information nonrepudiation and authenticity; (B) confidentiality, which means preserving authorized restrictions on access and disclosure, including means for protecting personal privacy and proprietary information; and (C) availability, which means ensuring timely and reliable access to and use of information.	Federal Information Security Management Act of 2002
Information System	A discrete set of information technology, data, and related resources, such as personnel, hardware, software, and associated information technology services organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of information.	OMB Circular A-11
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
Interface Requirements	A need for access or movement of information, such as data requirements, reporting needs, internal control, or edit requirements, required by the acquisition, accounting, property, financial assistance, travel and other finance functions as a result of transactions within the single integrated financial management system.	
Internal Control	A subset of management controls are the internal controls used to assure that there is prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets.	OMB Circular A-123
Intra-governmental Collections	Collection of amounts from other federal entities, such as interest paid by Treasury on public debt securities held by trust funds and other government accounts, the employer share of federal employee retirement, the general fund subsidy of the supplementary medical insurance, and reimbursements paid by one federal agency to another.	Treasury FMS

Term	Definition	Source <sup>20</sup>
Liability	A probable and measurable future outflow of resources arising from past transactions	FASAB SFFAS #1
Loan Guarantee	Guaranteed loans are loans issued by a third-party lender to a borrower with the repayment of the loan guaranteed by the government. In cases where the borrower defaults on a guaranteed loan, the agency pays the lender all or a portion of the loan, depending on the guaranteed loan program rules.	OMB Circular A-11
Management Controls	Management controls are the organization, policies, and procedures used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making. Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include processes for planning, organizing, directing, and controlling program operations.	OMB Circular A-123
Managerial Cost Accounting	Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practicable, should be integrated with other parts of the system. Managerial costing should use a basis of accounting, recognition, and measurement appropriate for the intended purpose. Cost information developed for different purposes should be drawn from a common data source, and output reports should be reconcilable to each other.	FASAB, SFFAS No. 4: Managerial Cost Accounting Standards and Concepts
Mixed System	An information system that supports both financial and non-financial functions of the Federal government or components thereof.	OMB Circular A-11 Preparing, Executing, and Submitting the Budget
Non-financial system	An information system that supports non-financial functions of the Federal government or components thereof and any financial data included in the system are insignificant to agency financial management and/or not required for the preparation of financial statements.	OMB Circular A-11, Section 53, Preparing, Executing, and Submitting the Budget

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Term	Definition	Source <sup>20</sup>
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, Section 83
Offsetting Collections	Collections that are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further annual action by Congress. They result from business-type or market-oriented activities with the public and other Government accounts. The authority to spend offsetting collections is a form of budget authority. (Compare to receipts and offsetting receipts.)	OMB Circular A-11
Offsetting Receipts	Collections that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they result from business-type or market-oriented activities with the public and other Government accounts. (Compare to receipts and offsetting collections.)	OMB Circular A-11
Outlay	Outlay means a payment to liquidate an obligation (other than the repayment of debt principal). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. Outlays are the measure of Government spending.	OMB Circular A-11

Term	Definition	Source <sup>20</sup>
Payment	A government disbursement of monies to any payee, including vendors, employees, private citizens, state, local and foreign governments) 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.	Treasury Financial Manual
Payment Claim	A claim against the United States.	Appropriations Law Manual
Performance Budget	<p>"performance budget" should include:</p> <ul style="list-style-type: none"> <li>• A description of what you plan to accomplish, organized by strategic goal;</li> <li>• Background on what you have accomplished;</li> <li>• Performance targets for current and budget years and how you expect to achieve those targets; and</li> <li>• What resources you are allocating in the current year and requesting in the budget year to achieve the targets.</li> </ul>	OMB Circular A-11, Section 26
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.	
Program Income	Revenue generated from the expenditure of grant, loan, or loan guarantee program funds.	Appropriations Law Manual
Public Debt	Issuance and redemption of debt securities to and from the public and government accounts, and the payment of interest thereon.	
Receipts	Receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment, and gifts of money to the Government. They are compared to outlays in calculating a surplus or deficit. (See section 20.7.) (Compare to offsetting collections and offsetting receipts.)	OMB Circular A-11, Preparation, Submission and Execution of the Budget

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Term	Definition	Source <sup>20</sup>
Responsibility Center	An organizational unit headed by a manager or a group of managers who are responsible for its activities. Responsibility centers can be measured as revenue centers (accountable for revenue/sales only), cost centers (accountable for costs/expenses only), profit centers (accountable for revenues and costs), or investment centers (accountable for investments, revenues, and costs).	FASAB Original Pro-nouncements, Version 3 (01/2004), Appendix E
Revolving Funds	Established to finance a continuing cycle of specific operations.	TFM, Supplement to Volume I
Shared Services	Shared services is a bringing together of functions that are frequently duplicated across component agencies, and delivering these services more efficiently and with a customer service orientation. It is the focus on the customer service aspect of the process that distinguishes the shared services model from the concept of consolidation. The focus is on the customers because they demand the best quality, timely, accurate and reliable product(s) attainable. Sharing services leads to the elimination of redundancies. The concurrent redesign of accounting processes, organizations and supporting systems leads to radical improvements in time, cost, quality and user satisfaction in regard to the service provided.	
Single Integrated Financial Management System	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.	OMB Circular A-127
Software	The application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system.	
Special Funds	These funds consist of revenues earmarked by law for a specific purpose.	TFM, Supplement to Volume I

Term	Definition	Source <sup>20</sup>
Spending Authority from Offsetting Collections	A type of budget authority that permits obligations and outlays to be financed by offsetting collections	OMB Circular A-11, Preparation, Submission and Execution of the Budget
Trading Partner	A customer, contractor, other governmental entity or service provider (such as a bank, hospital, or manufacturer) that conducts business with another organization.	
Transfer Payments	Payment of social insurance benefits (such as social security, Medicare, supplemental security income, and unemployment compensation) and other payments to individuals that are not made in exchange for the provision of goods and services (such as food stamps).	
Treasury Financial Manual	The <a href="#">manual issued by the Financial Management Service</a> containing procedures to be observed by all agencies, Federal Reserve Banks, and financial institutions with respect to payments, collections, central accounting, financial reporting, and other government-wide fiscal responsibilities of the Treasury.	Green Book, Glossary
Trust funds:	Established to account for resources held in trust for specific programs or purposes.	TFM, Supplement to Volume I, Glossary
Unified systems	Unified systems means that the systems are planned for 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.	

Term	Definition	Source <sup>20</sup>
United States Standard General Ledger (USSGL)	A uniform list of accounts that 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.	Treasury Financial Manual, Volume I
User Charges	<p>Also called user fees (or revenue generation) user charges based on the authority of federal agencies to charge for the goods and services they provide. The user may be another federal agency, or a private person or entity.</p> <p>Collection of receipts and other amounts resulting from the powers of government other than taxation including the following: deposits of earnings from the Federal Reserve System; fees for permits, regulation, and judicial services; fines, penalties, and forfeitures; gifts and contributions; interest, dividends, rent and royalties; sale of products, services, and property; and other sources.</p>	Appropriations Law Manual, OMB Circular A-25
USSGL Account:	An account, within the uniform chart of accounts used by Federal agencies to record budgetary and proprietary accounting transactions.	TFM, Supplement to Volume I
Vendor	Any person, organization, or business concern engaged in a profession, trade, or business, and any not-for-profit entity operating as a contractor (including State and local governments and foreign entities and foreign governments, but excluding Federal entities).	5 CFR, Chapter III, Sec. 1315
Vendor Payment	The electronic transfer of funds and payment-related information used by the Federal government for payments to businesses that provide goods and services to Federal agencies and other payment recipients, such as State/local governments and educational institutions.	Treasury Green Book 2000, Glossary

## Appendix B—Laws and Regulations

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### Federal Statutes

#### *Appropriations Law*

Fundamental, long-standing statutes deal with the appropriation of monies to agencies from Congress, including the appropriate use and control of these monies. These statutes deal with the purpose, amount, and time of appropriations, as well as the availability of the associated monies. The following summary provides specific citations to these statutes, their common names, and their requirements.

#### ***Federal Managers' Financial Integrity Act of 1982***

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 amended the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative control of each executive agency. FMFIA is comprised of two parts. OMB Circular A-123 is the primary vehicle for implementing FMFIA in the executive branch. OMB Circular A-123 describes internal control requirements. Agencies are also required to report annually on whether the agency accounting system complies with OMB A-127.

The FMFIA requires Agency heads to establish controls that reasonably ensure:  
Obligations and costs are in compliance with applicable law;  
Funds, property, and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

Revenues and expenditures are properly recorded and accounted for.

(OMB revised Circular A-123 in 1995 to incorporate ideas from subsequent management legislation, such as the Chief Financial Officers Act.) The circular provides guidance on improving the accountability and effectiveness of federal programs and operations by establishing and reporting on management controls.

#### ***Prompt Payment Act of 1982 and Amendments of 1996***

The Prompt Payment Act (PPA), and related amendments, encourages government managers to improve their bill-paying procedures. It provides for the use of interest penalties against the operating budgets of programs when managers fail to pay bills on time. These penalties also are used to compensate businesses when payments are late. The PPA generally requires agencies to:

- ◆ Make vendor payments within 30 days from the date of submission of a properly prepared invoice; and
- ◆ Pay interest at a rate established by the Secretary of the Treasury for amounts that are not paid on time.

OMB provides PPA implementation guidance to agencies in the Prompt Payment Final Rule (formerly OMB Circular A-125), which specifies basic time frames for proper payment of obligations. It also requires agencies to have defined payment

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processes in place and to provide results data to OMB for government-wide reporting purposes.

### ***Chief Financial Officers Act of 1990 and Government Management Reform Act of 1994***

The Chief Financial Officers Act of 1990 laid the foundation for significant financial management reform in the federal government. The Act emphasizes strong financial leadership, improved systems of accounting, financial management and internal control, and reliable financial information. A key element of the Act is the requirement for federal agencies to produce audited financial statements. The Government Management Reform Act (GMRA) expanded financial statement audit coverage to include Department-wide and Government-wide audited financial statements.

The CFO Act mandates three actions:

- ◆ Strong financial management leadership: The CFO Act established, in OMB, the Deputy Director for Management and the Office of Federal Financial Management, and created chief financial officer positions in major agencies to provide financial management direction;
- ◆ Enhanced financial management systems: The CFO Act mandates that agency CFOs develop and maintain agency financial management systems that comply with applicable accounting principles, standards, and requirements, internal control standards, and requirements of OMB and Treasury; and
- ◆ Improved financial information: by requiring agency CFOs to maintain systems that report cost information, integrate accounting and budgeting, and systematically measure performance, the CFO Act emphasizes improved reliability and usefulness of agency financial information. Most importantly, the CFO Act requires that financial statements be prepared and audited.

### ***Government Performance and Results Act of 1993***

The Government Performance and Results Act (GPRA) of 1993 holds federal agencies accountable for achieving program results and requires them to identify missions, set goals, measure performance, and report on their accomplishments.

Under GPRA, each federal agency must develop and submit a multi-year strategic plan, which contains the agency's mission statements and long-term strategic goals. Agencies must also submit annual performance plans, which include performance goals linked to the budget and indicators of how performance will be measured. Annual performance reports, also required under the Act, provide information on the extent to which the agency met its annual performance goals.

### ***Federal Financial Management Improvement Act of 1996***

The Federal Financial Management Improvement Act (FFMIA) of 1996 requires agencies to implement and maintain systems that substantially comply with (1) Federal accounting standards, (2) the Standard General Ledger (USSGL) at the

transaction level, and (3) Federal financial management systems requirements. In addition, the FFMIA requires agencies' auditors to report whether agency systems comply with FFMIA's systems requirements. Agencies that determine their systems do not substantially comply must develop and submit remediation plans to OMB.

To comply with federal financial management system requirements, OMB implementation guidance requires that systems meet the Circular A-127 requirements, [JFMIP's Federal Financial Management Systems Requirements](#), and Circular A-130, Appendix III.

### ***Debt Collection Act of 1982 and Debt Collection Improvement Act of 1996***

The Debt Collection Improvement Act (DCIA) is an extension of the Debt Collection Act. The purpose of these Acts is to require proper collection of debts, to authorize the compromise or suspension of some debts, and to authorize the use of certain collection tools that are available in the private sector. The use of electronic payment and offset methods is required.

### ***Clinger-Cohen Act of 1996***

The purpose of the Clinger-Cohen Act is to improve the productivity, efficiency, and effectiveness of federal programs through improved acquisition, use, and disposal of information technology resources. Among other provisions, the law:

- ◆ Requires agencies to base decisions about IT investments on quantitative and qualitative factors associated with costs, benefits, and risks and use performance data to demonstrate how well the IT expenditures support improvements to agency programs;
- ◆ Streamlines IT acquisition and encourages smaller, modular IT acquisition projects;
- ◆ Requires the appointment of a Chief Information Officer (CIO), reporting to the agency head, and assigns specific responsibilities to the CIO; and
- ◆ Assigns agency CIOs the responsibility of developing, maintaining, and facilitating implementation of a sound and integrated information technology architecture for the agency.

The Act defines the IT architecture as an integrated framework for evolving or maintaining existing (and acquiring new) information technology to achieve the agency's strategic and information resource management goals. The Clinger-Cohen Act is implemented in part by OMB Circular A-130, which also implements other legislation.

### ***Federal Information Security Management Act (FISMA) of 2002*** ([Public Law 107-347, Title III](#))

The FISMA reiterates security requirements contained in existing OMB policies and in Federal laws such as the Computer Security Act of 1987, the Paper Reduction Act of 1995, and Clinger-Cohen Act of 1996. The Act mandates that federal agencies

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implement an information security program and designate a senior information security officer. FISMA also established evaluation and reporting requirements that requires each agency to report any significant deficiencies and an information security policy, procedure or practice. If relating to financial management systems as a lack of substantial compliance with FFMIA.

### ***Reports Consolidation Act of 2000***

This Act gives OMB the authority to combine financial reports to the President and Congress that contains performance and accountability information.

### ***E-government Act of 2002 ([Public Law No: 107-347](#))***

The E-government Act of 2002 aims to enhance the management and promotion of electronic government services and processes by establishing a Federal Chief Information Officer within the Office of Management and Budget, and by establishing a broad framework of measures that require using Internet-based information technology to enhance citizen access to government information and services, and for other purposes. Title III of the E-government Act is the Federal Information Security Management Act.

## **Regulatory Guidance**

### ***NIST Special Publication 800-53***

**DRAFT NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*** provides a recommended set of controls for low and moderate impact systems (based upon the security categorization definitions in FIPS 199, pre-publication. Special Publication 800-53, when completed, will stand as NIST interim guidance until 2005, which is the statutory deadline to publish minimum standards for all non-national security systems. The draft can be accessed at: <http://csrc.nist.gov/publications/drafts.html>

### ***OMB Circular A-11, *Preparing, Submitting, and Executing the Budget**** (Revised 7/25/2003)

OMB made major revisions to A-11 that merged the budget formulation and execution guidance to reinforce the requirement for agencies to integrate budget and performance and to improve the quality of their financial information. In addition, A-11 contains new guidance on managing physical and financial assets.

### ***OMB Circular A-25, *User Charges****

The Circular:

- ◆ Establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources;
- ◆ Provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set; and

- ◆ Provides guidance for agency implementation of charges and the disposition of collections.

### ***OMB Circular A-76, Performance of Commercial Activities***

OMB Circular A-76 establishes federal policy for the competition of commercial activities. The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition. In accordance with this circular, including Attachments A-D, agencies shall:

- ◆ Identify all activities performed by government personnel as either commercial or inherently governmental;
- ◆ Perform inherently governmental activities with government personnel;
- ◆ Use a streamlined or standard competition to determine if government personnel should perform a commercial activity;
- ◆ Apply the Federal Acquisition Regulation (FAR), 48 C.F.R. Chapter 1, in conjunction with this circular, for streamlined and standard competitions;
- ◆ Develop government cost estimates for standard and streamlined competitions in accordance with Attachment C using the COMPARE costing software. Agencies shall not use agency budgetary estimates to develop government cost estimates in a streamlined or standard competition;

### ***OMB Circular A-123, Management Accountability and Control (or Successor Documents)*** (6/21/1995)

This circular, which is the primary OMB guidance for FMFIA, is described in the section that relates to that act.

### ***Prompt Payment Final Rule (Formerly OMB Circular A-125, Prompt Payment)*** (9/29/1999)

The Final Rule, the primary OMB guidance for PPA, is described in the section related to the specific act.

### ***OMB Circular A-127, Financial Management Systems (or Successor Documents)*** (7/23/1993)

This circular augments FFMA by specifically mandating that federal agencies implement integrated core accounting and financial management systems. To be fully integrated, the system must address:

- ◆ Standard data classification (both data and format);
- ◆ Common processes for handling similar accounting events;

- 
- ◆ Consistent internal control mechanisms; and
  - ◆ Elimination of duplicate transaction entry.

Circular A-127 also prescribes policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems generally. It incorporates, by reference, Circulars A-123 and A-130, as well as all federal financial management systems requirements published by [JFMIP](#).

### **OMB Circular A-129, Managing Federal Credit Programs (11/2000)**

This Circular prescribes policies and procedures for justifying, designing, and managing Federal credit programs, and for collecting non-tax receivables. It sets principles for designing credit programs, including:

- ◆ Preparation and review of legislation and regulations;
- ◆ Budgeting for the costs of credit programs and minimizing unintended costs to the Government; and
- ◆ Improving the efficiency and effectiveness of Federal credit programs.

Circular A-129 also sets standards for extending credit, managing lenders participating in Government guaranteed loan programs, servicing credit and non-tax receivables, and collecting delinquent debt.

### **OMB Circular A-130, Management of Federal Information Resources (11/28/2000)**

OMB re-issued Circular A-130 in revised form in December 2000 as Transmittal Memorandum No. 4. The expanded version of A-130 provides guidance on the Paperwork Reduction Act, the Clinger-Cohen Act, the CFO Act, and others. This includes the requirement for all electronic systems, including financial management systems, to have a defined association with the agency's enterprise architecture.

The circular provides specific guidance on collecting and managing information and records management, including:

- ◆ Electronic information collection;
- ◆ Provision of information to the public;
- ◆ Information dissemination systems; and
- ◆ Information safeguards.

It further mandates agencies to establish a capital planning and investment control process (CPIC) that links information technology investments to improved mission performance. The CPIC also establishes the links among agency processes including strategic planning, IT planning, enterprise architecture integration, performance planning, financial management planning pursuant to the Chief Financial Officers Act of 1990, and budget formulation and execution. Specifically, sections of A-130 cover these four areas:

- ◆ *Capital planning and investment control* processes must be followed and documented by all agencies. These processes, stemming from Clinger-Cohen, must integrate IRM strategic and performance plans, financial management plans, the agency's IT enterprise architecture, and its budget. The agency's process for capital planning and investment control should include an IRM strategic plan, an IT capital plan, and an IT investment portfolio as described in OMB Circular A-11, the annual budget circular;
- ◆ *Enterprise architecture* framework and planning processes require an agency to document (and submit to OMB) its current and target IT architecture and related support strategies, transition roadmaps, and IT and security standards, as well as a summary of the information services used throughout the agency. The enterprise architecture framework anticipated by A-130 is driven by the business needs of the agency and is composed of layers complying with the Federal Enterprise Architecture Framework (FEAF) developed by the CIO Council;<sup>21</sup>
- ◆ *Ensuring security in information systems* is accomplished by explicitly incorporating security into the enterprise architecture and life-cycle planning for systems, and ensuring that security supports the agency's business operations. The agency's security plan must comply with the procedures and policies outlined in Appendix III to A-130, Security of Federal Automated Information Resources, the Federal Information Security Management Act (Public Law 107-347, Title III, and guidance provided by the National Institute of Standards and Technology (NIST). Independent advice and comment on the security plan must be solicited prior to the plan's implementation; and
- ◆ *Information technology acquisition* requires the use of adequate competition in contracting, allocating risk between the government and the contractor, and maximizing the return on investment. Major information systems should be structured into useful segments with narrow scope and brief duration. Off-the-shelf software should be used unless analysis clearly documents other approaches are more effective.

## Statements of Federal Financial Accounting Standards

The FASAB was created in 1990 to develop and recommend Statements of Federal Financial Accounting Standards (SFFASs) for use by the federal government. The growing body of SFFAS issued by FASAB is considered to be Generally Accepted Accounting Principles for Federal governmental entities.

The accounting standards that have resulted from FASAB's work are central to effectively meeting financial management improvement goals of the CFO Act and other legislation. In particular, FASAB's standards for managerial cost accounting, as described in SFFAS 4, are a primary source of guidance. This and other FASAB standards foster financial information and reporting that is understandable, relevant, and reliable concerning the financial position, activities, and results of operations for the federal government and its departments and agencies. Furthermore, the

<sup>21</sup> The FEAF layers describe and link business processes, information flows, applications, data descriptions and relationships, and technology infrastructure.

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standards prescribe accounting systems and internal control that help demonstrate that federal programs are conducted in compliance with laws and regulations.



## Appendix C—Department of the Treasury, Financial Management Service Inter-relationships

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This section describes the central agency view of the Federal financial management business. An important prerequisite to developing the financial management business “segment” of the Federal Enterprise Architecture is articulating the primary interdependent agency to central agency business processes that support agency program execution and operations. Those processes include Government-wide Accounting, Debt Collection, Collections, and Payments.

### **Government-wide Accounting**

GWA provides accurate, accessible and timely government-wide financial information and reports which contribute to improved quality of the nation’s financial decision making. The Constitution requires the Secretary of the Treasury to report to the President, the Congress, and the people on the financial condition of the Federal Government. GWA encompasses four sub-processes: Management of the federal government’s cash; Accounting and funds control for receipts, outlays, appropriations, transfers and other internal activities; Preparation of Consolidated Financial statements of the U.S. Government; and Issuance of detailed accounting guidance for agency use through the U. S. Standard General Ledger. There are many inter-dependent relationships among these four areas.

#### ***Management of the Federal government’s cash***

The U.S. is like any other financial entity in that it must manage its cash flows to ensure that it remains solvent. The potentially catastrophic impact of failure; however, makes the job critically important. GWA works closely with the Office of the Fiscal Assistant Secretary and the Federal Reserve Bank to manage the cash of the Federal Government in the most efficient manner. The amount of cash at the end of the last three fiscal years averaged \$110 billion. “CashTrack” is the primary system involved and The Daily Treasury Statement is the primary output.

#### ***Accounting and funds control for receipts, outlays, appropriations, transfers and other internal activities***

In addition to helping to manage the Federal Government’s cash, GWA must also track financial activity at a much lower level of detail. In the Federal system of checks and balances, the Congressional “Power of the Purse” is the most important check on presidential power. The Congress determines for what the executive branch will obligate funds, when the funds may be obligated, and how much is available. GWA’s central accounting function helps to manage cash as discussed above, and also classifies financial activity into a system of detailed accounts against which agencies must report. The reports based on these detailed classifications allow the Congress to exercise its power of the purse, and provide useful information for financial managers and the public. It is this system, for example, that provides reports on the Federal surplus or deficit. The Monthly Treasury Statement, and the Combined Statement of Receipts, Outlays, and Balances of the United States Government are the major outputs from the central accounting function, and there is a constant flow of data

between program agencies and the central accounting system. “GOALS”, “IPAC”, and “FACTS II” are some of the systems used for data communication.

### ***Preparation of Consolidated Financial Statements of the U.S. Government***

The Government Management Reform Act of 1994 dramatically increased attention on the third area of GWA activity, the preparation of business-type financial statements for the U. S. Government on the accrual basis. The law requires Treasury to prepare and the General Accounting Office (GAO) to audit consolidated financial statements of the executive branch beginning with Fiscal Year 1997 reporting. In 1990, Congress passed the Chief Financial Officers Act and created the Federal Accounting Standards Advisory Board. The decade of the 1990s saw a revolution in Federal accounting as agencies implemented the FASAB standards and worked toward clean audit opinions.

### ***Issuance of detailed accounting guidance for agency use through the U. S. Standard General Ledger***

GWA is responsible for maintaining the United States Standard General Ledger (USSGL). GWA has built two major data collection systems, FACTS I and FACTS II, which are able to accept direct feeds from the accounting systems of agencies that use the USSGL.

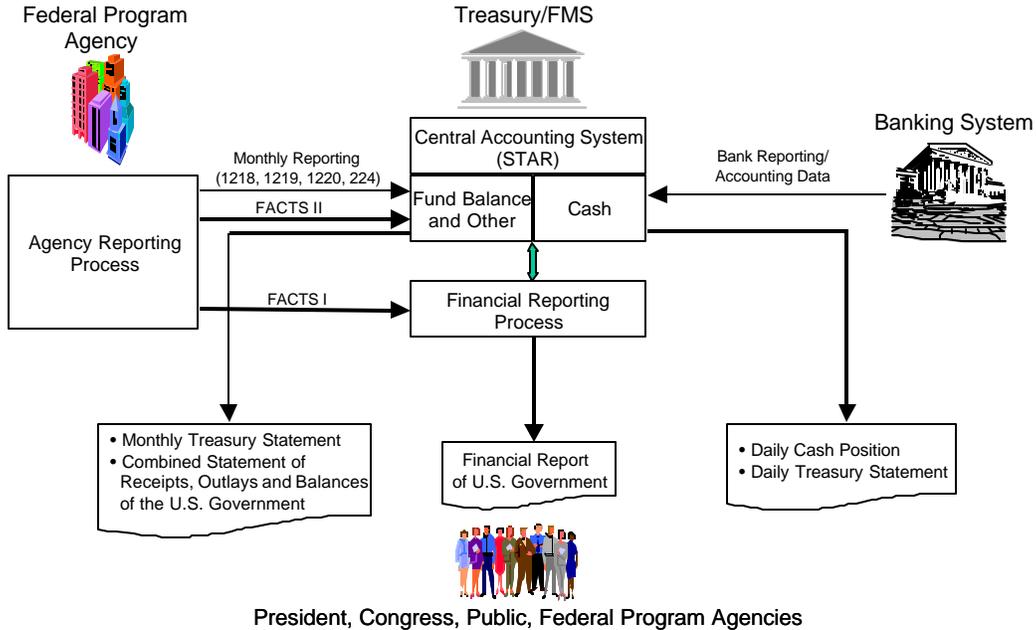
### ***Stakeholders***

Stakeholders for Government-wide accounting include:

- ◆ Congress, the President, and the Public;
- ◆ All Federal agencies use GWA to monitor their fund balance, collections and receipts; and
- ◆ The Federal Reserve System and many financial institutions partner with GWA in operating systems and in using GWA information.

Figure 12 illustrates FMS’s Government-wide Accounting “Business”.

Figure 11. Financial Management Service Government-wide Accounting



## Debt Collection

The Debt Collection process supports the provisions of the Debt Collection Improvement Act of 1996 to maximize collection on government delinquent debt by providing efficient and effective centralized debt collection services. The key business processes for the Debt Collection Business Line are the Treasury Offset Program and the Cross-Servicing Program.

### Treasury Offset Program

The Treasury Offset Program (TOP) matches outgoing federal payments against delinquent debts maintained in the TOP system. A variety of debts from a number of different organizations are referred to the TOP system including federal non-tax debts, federal tax debts, state income tax debts, and Child Support debts. Currently there are a number of federal payments that can be offset including tax refund payments, federal retirement payments, federal salary payments, vendor payments and some benefit payments.

If a payee's name and his/her Taxpayer Identification Number (TIN) match a debtor's name and TIN, the TOP system offsets some or all of the payment to pay down the debt. The payee is then mailed a notice indicating that their payment has been offset to pay their delinquent debt. If the total payment was not offset, the remaining amount will be sent to the payee. The TOP system updates the debtor's balance, and then sends the amount of the offset to the creditor agency that is owed the debt.

### Cross-Servicing Program

The Cross-Servicing Program is the federal government's centralized debt collection program. Federal non-tax debts are referred to Cross-Servicing and based on the

types of debts received, the Cross-Servicing program administers a variety of debt collection tools to collect or resolve the debts. These tools may include sending demand letters requesting payment, establishing repayment agreements, referring debts to the Treasury Offset Program, reporting debts to Credit Bureaus, referring debts to Private Collection Agencies on contract with FMS, referring debts to the Department of Justice for enforced collection, garnishing debtors private sector wages through Administrative Wage Garnishment, and sending the discharged debt information via a 1099c to IRS if all collection efforts fail.

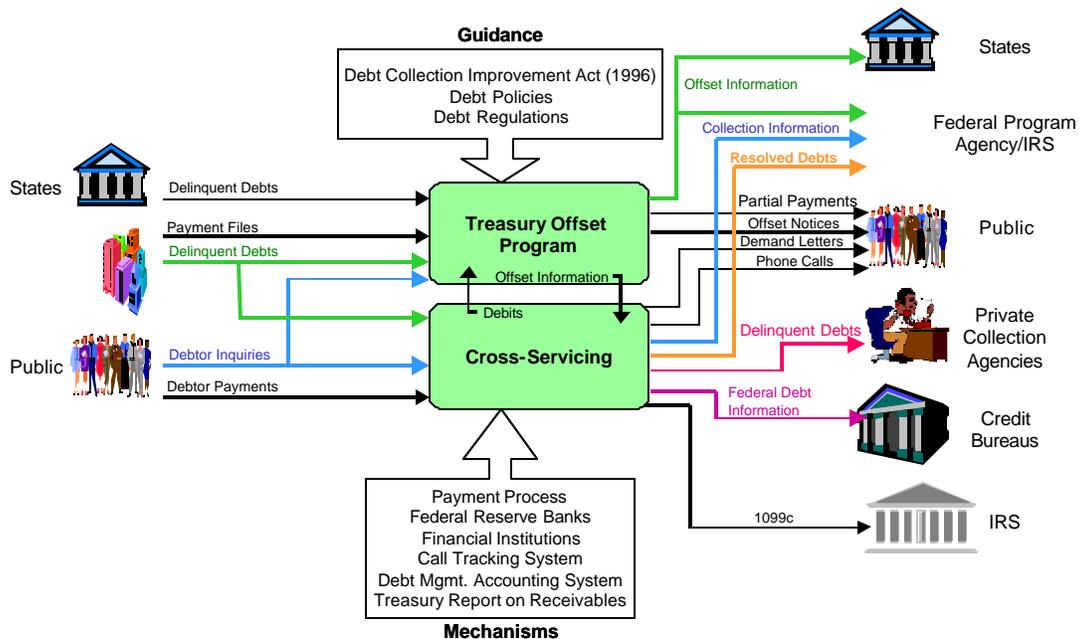
## **Stakeholders**

Stakeholders and customers for debt collection include:

- ◆ Congress—Established the Debt Collection Improvement Act of 1996 and continues to have oversight into the improvement of federal debt collection;
- ◆ General Public—Individuals and businesses can owe delinquent debts and/or receive federal payments;
- ◆ Federal Agencies—Key customers because they refer the delinquent debts that are to be collected, and they provide the payment information needed to offset the debts in TOP;
- ◆ States—States refer delinquent state income tax debts to the TOP system, and manage the collection of child support debts;
- ◆ Internal Revenue Service—IRS is a key federal agency because delinquent tax debts are levied through TOP, and because most of the payments offset through TOP are against IRS tax refund payments;
- ◆ The Federal Reserve Banks—The Federal Reserve is involved because electronic payments flow through the Federal Reserve and Treasury checks are settled through the Federal Reserve;
- ◆ Financial Institutions—Banks are involved because partial payments made electronically are sent to bank accounts. Treasury checks are cleared through financial institutions. In the case of Cross-Servicing, lock boxes are established with financial institutions to process payments sent in by debtors to pay off debts;
- ◆ Credit Bureaus—In Cross-Servicing, regular updates on federal non-tax delinquent debts are sent to Credit Bureaus; and
- ◆ Private Collection Agencies—PCAs bid on contracts to provide debt collection services for delinquent non-tax debts managed by the Cross-Servicing program.

Figure 13 below illustrates FMS' Debt Collection Process.

Figure 12. Financial Management Service Debt Collection Business Line



## Collections

In FY 2002, the Federal government collected nearly \$2.3 trillion through 10,000 financial agents, with nearly \$1.8 trillion collected electronically. “Managing Collections” includes cash management activities, establishing/authorizing bank accounts on behalf of program agencies to receive deposits from the public, and ensuring proper compensation to financial institutions for the performance of collection services. The purpose of these activities is to assure the timely and efficient collection and deposit of funds into the Treasury, on behalf of Federal program agencies. This revenue stream provides the basis for funding government operations and disbursements.

### Processing Collections

All of the collection information is filtered through the CashLink system. This system receives all agency deposit information, initiates funds transfers, and concentrates daily deposits made through multiple collection mechanisms in the Treasury’s account at the Federal Reserve Bank of New York. This system provides Federal agencies with information to verify deposits, Automated Clearing House (ACH) and Fedwire transfers, as well as adjustment information used to reconcile agency accounts. It also assists Treasury in managing deposits serviced by financial institutions and monitors the cash position of the U.S. government. The variety of mechanisms through which these collections are processed include:

- ◆ Electronic Federal Tax Payment System (EFTPS)—Primarily used by corporations in remitting tax withholdings;
- ◆ Plastic Card Network (PCN)—Used by the public to pay via credit and debit card for goods and services, fees, fines, and debts;

- ◆ Automated Clearing House (ACH)—Used by businesses and individuals to pay primarily for recurring amounts due to the government;
- ◆ Fedwire—Used primarily by large corporations to remit large deposits due to the government;
- ◆ Pay.gov—Used by corporations and individuals to remit funds due via a web-based collections application;
- ◆ Federal Tax Deposit (FTD) system—Used by smaller corporations to remit withholding taxes via over-the-counter presentment of a payment coupon and amounts due at financial institutions;
- ◆ Lockbox—High-volume operation in which forms from individuals and businesses, such as tax returns, accompany remittances in the form of paper check or money order; and
- ◆ Treasury General Accounts—A means for program agencies to deposit revenue over the counter at a locally designated financial institution in the form of cash, checks, and money orders received within their program offices.

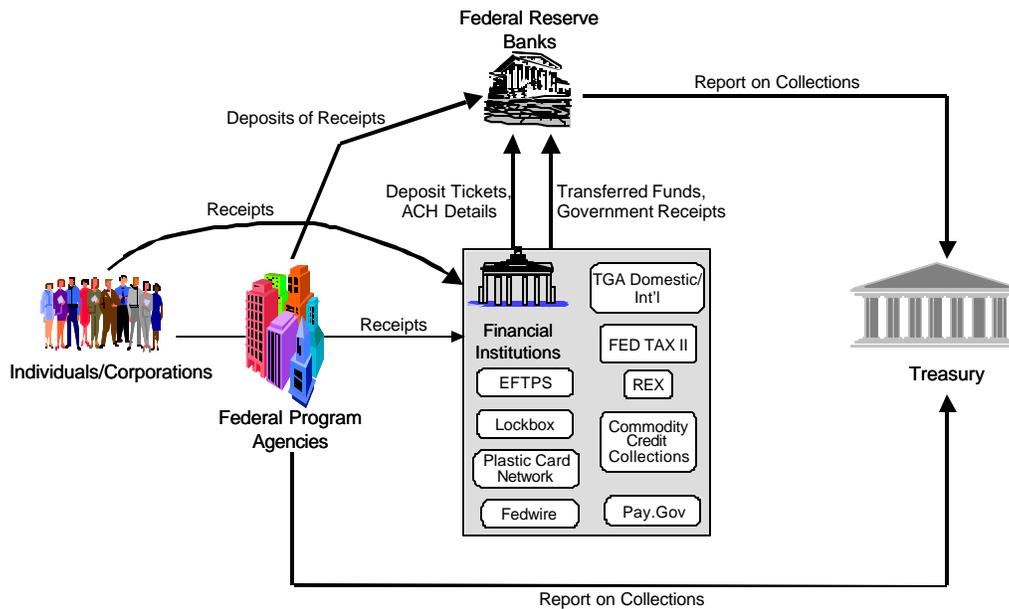
### **Stakeholders**

Stakeholders and customers for collections include:

- ◆ Taxpayers;
- ◆ Central agencies such as the Treasury and Office of Management and Budget;
- ◆ Program agencies and their customers;
- ◆ Financial institutions; and
- ◆ Federal Reserve.

Figure 14 below illustrates FMS' Collections Business Line.

Figure 13. Financial Management Service Collections Business Line



## Payments

The central payments process provides banking services including disbursing, claims, reconciliation, and accounting for payments made on behalf of Federal agencies. In addition, the payments business encourages and sponsors the use of modern electronic technology in payment methods in order to reduce cost of the government's cash flow.

The function of the Payments Process is to implement Federal payment policy and procedures, issue and distribute payments, promote the use of electronics in the payment process, and assist agencies in converting payment from paper checks to Electronic Funds Transfer (EFT). The control and financial integrity of the payments and collections process includes reconciliation, accounting, and claims activities. The claims activity settles claims against the United States resulting from Government checks which have been forged, lost, stolen, or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of Government checks.

The key payments sub-processes are to Process Payment Request From Federal Program Agencies, Issue Payments, Perform Check Reconciliation, Handle Exceptions, and Perform Accounting/Reporting.

### **Process Payment Request from Federal Agencies**

The goals of the payments process are to strengthen Federal financial management through effective, timely, and accurate disbursement of payments and to provide agencies with easy and secure access to systems and information. Federal Program agencies determine eligibility, prepare payment files, certify to regional disbursement

centers by paper voucher or electronic certification, and transmit payment data via Electronic Certification System (ECS) or magnetic tape.

### ***Issue Payments***

The function of this sub-process is to provide timely and accurate Federal payments. Treasury FMS assigns trace numbers, pre-sorts for postal discounts, and releases payment via the Federal Reserve or USPS. Permanent records are maintained for payments issued.

### ***Perform Check Reconciliation***

The function of this sub-process is to compare the issue data with the payment data. If the data matches, it is archived. If the data does not match, an exception report is produced. The purpose of this process is to maintain optimum levels of efficiency, integrity, and quality in all payment related functions.

### ***Handle Exceptions***

The function of this sub-process is to receive, process, and resolve claims, holds, and reconciliation exceptions. The purpose is to ensure accuracy of payment and proper reconciliation, including the process of receiving, processing, and resolving claims, holds, and reconciliation exceptions.

### ***Perform Accounting/Reporting***

The function of this sub-process is to produce all accounting actions and documentation associated with the payment process and the collection process to make sure the government account is balanced. The purpose is to increase program efficiencies and reduce barriers for stakeholders to take action in support of improved accounting and reporting.

### ***Stakeholders***

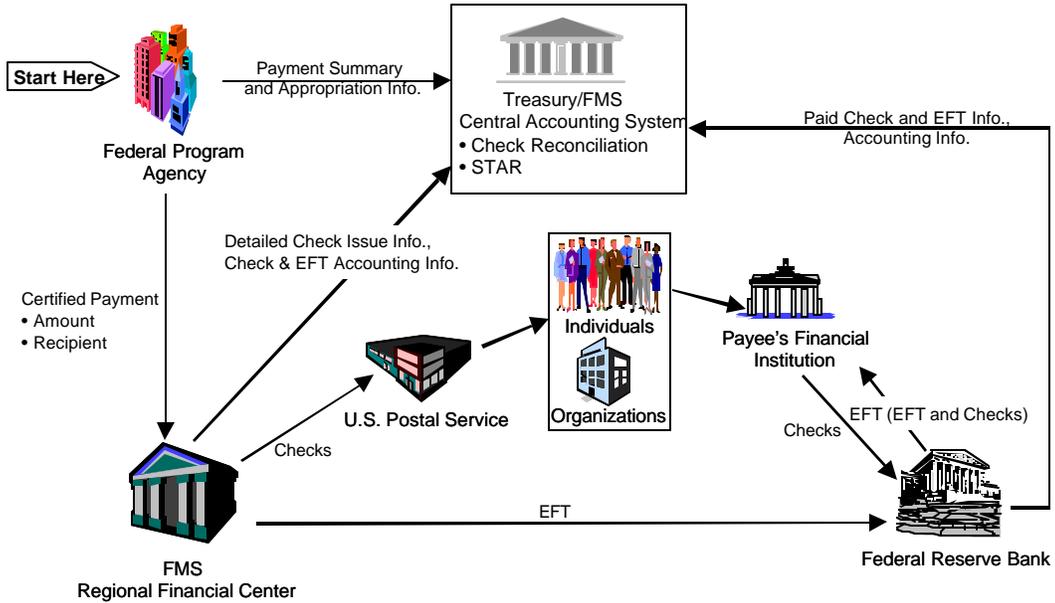
Stakeholders and customers for payments include:

- ◆ Federal Program agencies;
- ◆ Recipients of Federal payments;
- ◆ Consumer and community-based organizations;
- ◆ Government vendors;
- ◆ Federal Reserve System;
- ◆ Financial institutions;
- ◆ Congress;
- ◆ Office of Management and Budget; and

- ◆ Regional Financial Centers.

Figure 15 below illustrates FMS' Payments Business Line

*Figure 14. Financial Management Service Payments Business Line*



## Appendix D—Summary of JFMIP Federal Financial Management System Requirements

Service Function	Overview
Core Financial System Requirements	<p>Identifies the accounting and reporting requirements for the agency's accounting system of record that supports budget execution, funds control and reporting. The primary components of the core financial system are:</p> <p><i>Core Financial Systems Management.</i> Administration of the accounting classification and coding structures designed to capture data at the transaction entry level needed for downstream information and reporting;</p> <p><i>Funds Management.</i> Process funds control transactions in support of the execution of programs and appropriations;</p> <p><i>Standard General Ledger Management.</i> Maintenance of general ledger posting rules associated with funds management, payments and collections transactions;</p> <p><i>Cost Management.</i> Measuring the total cost of performing activities;</p> <p><i>Payments Management.</i> Providing appropriate control over payments made on behalf of an agency;</p> <p><i>Receipts Management.</i> Supports activities associated with collecting receipts and receivables; and</p> <p><i>Reporting.</i> Providing timely and useful financial information for reporting, budget formulation and execution, fiscal management of program delivery, and internal and external reporting.</p>
Budget Formulation System Requirements	<p>Budget formulation systems requirements for maintaining and processing information and schedules associated with the management of the Federal Budget Process. Includes planning, forecasting, pricing, associated with developing budgets; developing schedules and exhibits dictated by the budget cycle; allocation of funding for Federal programs and operation; and performance measurement such as unit costs, marginal costs, outputs and outcomes.</p>
Travel System Requirements	<p>Financial system requirements for processing accounting, payment and collection transactions associated with Federal civilian Travel Management. Includes: accounting for travel allotments, authorizations, advances, and claims, associated with travel, local travel and change of station (Functions); managing payments and payment processes to travelers and service providers; and managing collections of any overpayments or unused advances.</p>
Acquisition/ Financial Systems Interface Requirements	<p>Financial System requirements for interfacing between core accounting and acquisition systems that process funds control, invoicing, receiving and payment collection transactions associated with managing Federal acquisition and contracting</p>

Service Function	Overview
	for goods and services. Includes: accounting and funds control for purchases, contracts, leases and intra-governmental transactions: maintenance of payment records and specifications for individuals, vendors, Federal and other governments providing goods or services through contractual agreements; managing payments and payment processes to Federal and non-Federal service providers and associated cash management and prompt payment activities; and managing <i>collections</i> of any overpayments.
Property Management Systems Requirements	Financial System requirements for processing accounting transactions associated with the acquiring, managing and disposing of Federally owned property assets. Includes: accounting and funds control for the acquisition of land, buildings, equipment, technology, and other tangible property assets acquired through purchase, lease, construction, transfer, grant or donation; accounting for the capitalization, usage and valuation of assets through utilization, maintenance and improvement overhaul, retirement or disposal of property; cost accounting in support of property management.
Inventory System Requirements	Financial systems requirements for accounting for inventory and property held for resale in support of numerous Federal programs that provide goods for sale; Accounting for inventory assets, valuation, gain and loss associated with maintaining inventory of goods for sale; Supporting the acquisition, procurement or manufacturing of inventory. Accounting and funds control for inventory assets and sales.
Revenue System Requirements	Financial System requirements for processing non-income tax revenue (exchange and non-exchange) transactions associated with the mission of government and program delivery throughout the Federal government, that collect revenues. Includes: accounting for the collection of taxes, insurance, donations, fees, fines, penalties, and forfeitures from individuals, the private sector, Federal, state, local and national governments; managing collection operations and processes; associated cash management; forecasting revenues and developing pricing and user fee structures; and managing debt collection activities.
Grant Financial System Requirements	Financial System requirements for processing funds control, payment and collection transactions associated with Federal grants management. Includes: accounting for funding and drawdowns associated with the distribution of Federal grants to recipients; managing payment processes, payment information and payments to grant recipients; fund transfers, and managing collections of any overpayments or unused advances.
Insurance Claims Systems Requirement	Financial systems requirements for processing funds control, payment and collection transactions associated with Federal insurance programs.

Service Function	Overview
Benefit System Requirements	Financial systems requirements for processing financial transactions associated with administering <i>Federal benefits programs</i> . Reflects financial system requirements associated with Federal benefit systems used in administering programs that do not involve a health care component (i.e., non-health care benefit programs). Managing and administration of benefits claims and entitlements. Processing payments to individuals for Federal assistance, old age, disability, retirement, death and other Federal benefits in support of social security, veterans, retirement and other Federal programs. Accounting for benefit transactions. Managing Collection for overpayments.
Guaranteed Loan System Requirements	Financial system requirements for processing accounting, payment and collection transactions associated with management of Federal credit programs. Includes: manage working capital, cash management and Treasury financing; processing and servicing guaranteed loans and claims; accounting and funds control for assets, liabilities, and resources; analysis and decision support for managing guaranteed loan programs; and managing the collection of delinquent debts.
Direct Loan System Requirements	Financial system requirements for processing accounting, payment and collection transactions associated with management of Federal credit programs. Includes: processing and servicing direct loans to individuals, businesses, and governments to carry out Federal credit programs for agricultural, small business, housing, education, mortgage etc.; accounting and funds control; managing loan portfolios; and managing the collection of delinquent debts.
Seized Property and Forfeited Assets Systems Requirements	Financial system requirements for processing accounting, collection and payment transactions associated with the custody and administration of property and assets acquired through criminal, civil and administrative law enforcement (tax collection; confiscations by police agencies from criminal activity; customs seizures, property seized for evidence; mortgage foreclosures; abandoned property, etc.). Includes: accounting for property and assets and for revenues and costs associated with the inventory, appropriation or sales of seized or forfeited assets and deposits to the Treasury general fund; processing revenue and collection transactions for disposals; administration of debt collection activities; managing valuation and inventory of seized or forfeited assets and property; valuation and accounting for liabilities resulting from mortgage foreclosures and claims.
Managerial Cost Accounting System Requirements	Financial systems requirements for the re-allocation of costs classified at the initial recording of the business transaction to additional cost pools needed to support further downstream resource management decisions. Managerial cost accounting systems are one component of managerial cost accounting in

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<b>Service Function</b>	<b>Overview</b>
	addition to information provided by the core financial system and other mixed financial systems. The success of cost accounting systems is dependent upon the discipline of establishing an effective and efficient accounting classification and coding structure that supports current and downstream information requirements.
Human Resources and Payroll System Requirements	

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