

CHAPTER 2

CONCEPTUAL FRAMEWORK0201 INTRODUCTION

020101. System Architecture. The DoD Financial Management System consists of a triad architecture. The 3 segments of the triad are as follows:

A. Planning, Programing, Budgeting, and Execution System (PPBES). The PPBES is a cyclic process containing 3 distinct but interrelated phases: planning, programing, and budgeting. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The decisions are based on and consistent with a set of objectives, policies, priorities, and strategies derived from National Security Decision Directives. The ultimate objective of the PPBES is to provide the operational commanders-in-chief the best mix of forces, equipment, and support attainable within fiscal constraints. Throughout the PPBES, the Secretary of Defense provides centralized policy direction while placing program execution authority and responsibilities with the DoD Components. The DoD Components provide advice and information as requested by the Secretary of Defense and his staff so that execution and accountability may be assessed properly. The purpose of the PPBES is to produce a plan, a program, and finally, a budget for the Department of Defense. The budget is forwarded in summary to the President for his approval. The President's budget then is submitted to the Congress for authorization and appropriation.

B. Army, Navy, Air Force and Defense Agency Accounting Systems. An accounting system is the total structure of methods and procedures used to record, classify, and report information on the financial position and operations of a governmental unit or any of its funds and organizational components. It comprises the various operations involved in authorizing, recording, classifying, and reporting financial data related to financing sources and gains, expenses, losses and transfers out, assets, liabilities, and equity. It encompasses the procedures and processes from the point a transaction is authorized, through processing the data, to issuance of financial and management information statements, and reports containing the data in detail or summary form. It also includes payroll, disbursement, and cost accounting functions.

C. Other Financial Systems. All other systems exclusive of PPBES and accounting systems that provide financial information expressed in dollar terms to management fall into this category.

020102. System Integration. The PPBES, accounting systems, and other financial systems shall be fully integrated. Furthermore, other financial systems shall be established only after a determination has been made that an existing accounting system or budget system cannot produce the desired data display. Dollar information used by an other financial system shall be obtained from the accounting or budget system to ensure the integrity of management reports or

analysis. This Regulation addresses the accounting policies, procedures, and reporting requirements for the 4 DoD accounting systems identified in paragraph 020101.B, above.

0202 CONCEPTS

020201 Accounting System.

A. Statements of DoD accounting principles, objectives, standards, and procedures may be categorized as follows:

1. Principles - The body of doctrine commonly associated with the theory and procedures of accounting, serving as an explanation of current practices and as a guide for the selection of conventions or procedures where alternatives exist.

2. Objectives - Goals toward which accounting efforts are directed. The goals are derived directly from legal and regulatory requirements and the needs of intended users.

3. Standards - The specific rules governing accounting and financial reporting that are developed from the objectives.

4. Procedures - The methods followed to facilitate consistent application of the standards.

B. DoD accounting systems shall comply with the accounting principles, standards, and related requirements promulgated within this Regulation. Specific accounting system developmental criteria and guidelines are contained in [chapter 3](#) of this Volume. Any major investment in an accounting system shall be preceded by a comprehensive and rational planning process that includes a thorough requirements analysis, an assessment of alternatives, and a cost-benefit analysis. The amount of funds required for systems development should be determined during the system planning and pre-investment budget review analysis. Generally, funds will be made available only for systems that are integrated into the overall financial management structure.

C. The accounting principles upon which this Regulation is based are stated in the addendum to this chapter.

020202 Accounting System Objectives.

A. The primary objective of DoD accounting systems is to provide needed actual accounting data for use in:

1. Budget formulation.
2. Fund control for enacted budgets.
3. Accounting support for budget execution.

4. Supporting management with the financial information needed to help manage the cost of the U.S. Government.

5. Meeting legal accounting and reporting requirements of the Congress, Office of Management and Budget, and the Department of the Treasury.

B. DoD accounting systems shall maintain financial control over all resources during their life cycle and render accurate and timely accounting reports. This objective is met by following the principles, standards, and other requirements discussed in the remaining chapters of this Regulation.

C. Source data needed in an accounting system shall be entered only once and transferred to appropriate accounts or other segments of the system or its subsystems. Once data are entered into a system in a controlled environment, it is desirable that paper source documents not be transferred into other systems. If data is needed by both an accounting system and another administrative system, a determination shall be made as to which system shall retain the basic source document. If the accounting system does not retain the basic source document, an audit trail shall be established and maintained to allow for verification of the authenticity of the document by the accountant responsible for operating the accounting system.

020203 Accounting Entity.

A. The Defense Finance and Accounting Service is the accounting entity for the Department of Defense. The Defense Finance and Accounting Service shall maintain a central general ledger to account for the resources assigned to each DoD Component, to determine the costs of their operations, and to report on their financial position and cost of operations. The Defense Finance and Accounting Service shall perform accounting to the lowest level of management control within the DoD Components.

B. The DoD Components have been assigned agency index numbers by the U.S. Treasury to identify, separate, and report on authorized congressional appropriations and to meet DoD reporting requirements. The index numbers assigned are as follows:

<u>Department/Agency</u>	<u>Index Number</u>
Department of the Army	21
Department of the Navy	17
Department of the Air Force	57
Office of the Secretary of Defense	97

C. This Regulation establishes uniform, self-balancing budget execution control accounts (the 4000 series of accounts). The Defense Finance and Accounting Service shall establish mandatory subsidiary budgetary accounts for all of the appropriations or funds, including "M" accounts. The sequential processing of source documents to the budgetary accounts is critical because accountants must be able to identify possible violations of the Antideficiency Act as

individual transactions are recorded. It must be remembered that a violation of the Antideficiency Act occurs on a real-time basis, not just at month-end. Monthly reports on budget execution may not reveal violations that have occurred during the month. For example, if a contract is signed and released 1 day prior to receipt of necessary budget authority, a violation has occurred. The month-end report may mask the fact that a violation has occurred, but the accounting system shall provide an audit trail to identify the responsible person or persons.

D. This Regulation also establishes uniform proprietary control accounts. These accounts provide continuous accounting control over financial resources provided to the Department of Defense from the time an appropriation is received until the applicable resource is consumed (expensed), sold, or transferred to a non-DoD organization. The Defense Finance and Accounting Service shall maintain mandatory subsidiary proprietary accounts for each fund type that requires preparation of a TFS Form 220, "Report on Financial Position." Applicable fund types are set forth in [chapter 5](#) of [Volume 6](#) of this Regulation. The annual expense (cost) of operating the Department of Defense is contained within the 6000 series of proprietary accounts.

E. Standards for costing specific products, services, or programs are set forth in [Volume 4](#) of this Regulation. Products, services or programs are to be costed only when management has identified a need for such information. The proprietary control account 1541, "Inventory - Work in Process - In-House," captures all financial data entered into formal cost accounting systems and is the primary control account for such systems. Cost-finding techniques, such as analytical reviews or sampling, should be employed in lieu of maintaining a cost accounting system if satisfactory results can be achieved in a timely and more economical manner. When a formal cost accounting system is established, various additional subsidiary accounts of account 1541 shall be maintained. Cost is a monetary measure of the amount of resources applied to a cost objective. Cost applied to specific cost objectives includes depreciation, unfunded liabilities, for example, annual leave accruals, net decreases in inventories, amortization of investment premiums, and the total amount of severance pay for employees eligible for such pay. Cost data may be required by management for certain pricing decisions, make or buy decisions, productivity improvement decisions, and efficiency comparisons of like activities.

020204 General Ledger.

A. The Defense Finance and Accounting Service shall operate and maintain a central double-entry general ledger. The central general ledger and its subsidiary ledgers, registers, or supplemental reports shall serve as the source data base for financial reporting requirements levied on the Military Departments and Defense Agencies. Accounting systems and subsystems or modules shall be fully integrated with the central general ledger.

★B. [Chapter 7](#) of this Volume contains the United States Government Standard General Ledger accounts that is required for use in the accounting systems of the Department.

C. General ledger accounts with adjustments for prior period balances shall be the source of required budget execution reports and annual financial statements submitted to the Treasury Department.

020205 Accrual Accounting. The standards contained in this Regulation implement accrual accounting as prescribed by 31 U.S.C. 3512(d). That law and the General Accounting Office Policy and Procedures Manual for the Guidance of Federal Agencies require that the head of each executive agency shall cause the accounts of that agency to be maintained on an accrual basis while providing for suitable integration of the agency accounting with the central accounting and reporting responsibility of the Secretary of the Treasury. The accrual basis of accounting emphasizes the significance and accountable aspects of financial transactions and events as they occur. Accrual accounting can contribute materially to the effective financial control over resources and costs of operations, and is essential in order to develop adequate financial management information.

020206 Accuracy.

A. Each accounting system shall include adequate controls to promote the accuracy of the accounts and the data produced from the accounts. Procedures shall be established for periodic verification of general ledger balances with related balances in subsidiary records, and for periodic verification of the latter with related document files or the assigned value of related assets on hand. The term "document files" includes either hard-copy documents or document records internally maintained by computer systems. Accepted statistical sampling techniques may be used for these verifications.

B. To support certifications of obligations (see [Chapter 4, Volume 6](#)), the foregoing verifications for obligated fund balances shall be made in a manner that shall ensure all of the files and balances are reconciled and validated at least once each fiscal year (not necessarily as of September 30). The work papers and records on which the determinations are based shall be retained in a form to facilitate audit and reconciliation for such periods as may be necessary. As a minimum, the following documentation shall be required to support the periodic verifications of unliquidated obligations:

1. An overall summary of the methodology, criteria, and rationale used to select unliquidated obligations for review, such as statistical sampling techniques, aging, and months past delivery date.
2. Mechanized or manual listings identifying the unliquidated obligations selected for review and the results of their review.
3. Annotated supply status reports and letters, memoranda, or records of telephone calls requesting delivery status from contracting or procurement activities.
4. Records identifying the unliquidated obligations deobligated as a result of the review, the amount deobligated for each document, and the rationale for deobligation.
5. Deobligation documents or references to dated deobligation documents indicating the value and identity of documents deobligated.

C. Balances in appropriate subsidiary records and document files (such as records of receivables and unpaid obligations) shall be aged periodically. Items that are unduly outstanding or inactive shall be investigated and appropriate corrective action taken when necessary.

020207 System Processing Characteristics.

A. DoD Components shall use the most effective and efficient methods of processing accounting data.

B. Data shall be edited, validated, and in some instances, computed before it is integrated into an accounting system.

C. Data needed in an accounting system shall be entered only once and be transferred to appropriate accounts and other parts of the system.

D. The double-entry method of recording an event shall be employed whereby every debit entry has a corresponding credit entry. This is often accomplished through the use of transaction codes that automatically generate both entries.

E. Electronic methods of processing, communicating, and displaying data shall be relied upon instead of using paper.

F. Subject to internal control requirements, due consideration shall be given to providing on-line processing that allows the providers and users of financial information to input, edit, process, and request their own data at their own decentralized work stations. However, individual transactions shall be batched processed if batch processing is more economical and on-line processing is unnecessary.

G. A data base management system shall be used to reduce redundancy, allow a variety of users to concurrently update and retrieve data, and permit a variety of application modules to run independently. This means that certain accounting data is likely to be input into the system by nonaccountants external to the accounting office. For example, data concerning the issuance of a contract for, and the receipt of, property may be entered by logisticians. In such cases, the accounting office shall not obtain and maintain the source documentation but rely instead on the source documentation used and maintained by the logisticians. However, the accounting office shall ensure the existence of an adequate audit trail between its accounting records and the logisticians' source documents in order to verify the accounting records.

H. The use of a more efficient programming language for prototyping and applications development shall be considered for any major new system development effort.

I. Audit trails to the original documents and transactions shall be established and maintained.

J. Cost effective mass storage media such as optical disks, magnetic tape, microfilm, or microfiche shall be used to archive data so as to facilitate the retrieval of accounting system source documents and minimize the need for machine storage and paper copies.

K. Addendum A to this chapter, provides the DoD Financial Management System Principles, and Addendum B provides the Accounting System Data Processing Requirements.

020208 Security Requirements. All Automated Information Systems (AIS) that handle Classified or Sensitive Unclassified Information shall be safeguarded at all times while in AISs as directed in DoD Directive 5200.28. When classified information is involved, the information security requirements in DoD 5200.1-R shall be met. The information that is covered under the DoD Financial Management Regulation is generally considered either Privacy Act or Sensitive, Unclassified Information. The definition of Sensitive, Unclassified Information is described in DFAS Regulation 005, Enclosure 19. The definition of Privacy Information is provided in the Privacy Act of 1974. The minimum mandatory level of protection that is required for all this type of information contained on AISs is described in DoD Directive 5200.28 and it must be protected accordingly. The level of control and protection shall be commensurate with the maximum sensitivity of the information and shall provide the most restrictive control measures required by the data to be handled.

ADDENDUM 1
DoD FINANCIAL MANAGEMENT SYSTEM PRINCIPLES

The standards contained in this Regulation were designed to meet the following principles:

A. **USEFULNESS**

Financial management data shall be gathered and processed only when necessary to meet specific internal management needs or external requirements. Reports shall be tailored to specific user needs and if report usage does not justify cost, reports shall be terminated. Usefulness shall be determined in part through consultation with users as part of the reviews required by [Chapter 3](#) of this Volume.

B. **TIMELINESS**

Financial management data shall be recorded as soon as practicable after the occurrence of the event, and shall be made available to managers by the fifth working day following the end of the reporting period. Other standards of timeliness may be established when the DoD Component has inventoried reports and set specific standards, with user participation. Final, corrected data shall be available in time to meet external reporting requirements.

C. **RELIABILITY AND COMPLETENESS**

Financial management information shall be reasonably complete and accurate, shall be verifiable and ordinarily be drawn from the official records and systems, and shall be no more detailed than necessary to meet the needs of management and external requirements.

D. **COMPARABILITY AND CONSISTENCY**

Financial management data shall be recorded and reported in the same manner throughout the DoD Component, using uniform definitions. Accounting shall be synchronized with budgeting. Consistency over time shall be maintained. New and revised systems shall adopt common, existing definitions and classifications.

E. **EFFICIENCY AND ECONOMY**

DoD Component financial management systems shall be designed and operated with reasonable total costs and transaction costs, in accordance with OMB guidelines. Financial systems that are excessively costly shall be identified and phased out. This shall be accomplished through installation of effective systems of planning and evaluation, sharing of data, elimination of overlap and duplication, and use of the best contemporary technology, including commercially available packages with proven success in other DoD Components, non-DoD Federal agencies, or the private sector.

F. COST BENEFIT

Unless required to meet a legal or other specified purpose, information shall not be provided if the costs of providing it exceed the benefits to be derived.

G. FLEXIBILITY AND ADAPTABILITY

Accounting systems shall be capable of being adapted quickly to changing needs. Accounts shall be established and maintained at a level that enable data to be aggregated readily. Accounts also shall permit summarization by responsibility center, object of expenditure, and by program, as well as permit ready reclassification to reflect organizational and other changes. The coding structure shall be broad enough to handle expanded or revised classifications. Software shall be capable of being changed to accommodate organizational, system, and user changes without requiring extensive rewrites.

H. MATERIALITY

Information shall be reported in the financial statements when it is significant enough in magnitude or nature to make a difference to a reasonable person relying on it.

I. RELEVANCY

Accounting information shall have the capacity to make a difference by helping users form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations.

ADDENDUM 2
ACCOUNTING SYSTEM DATA PROCESSING REQUIREMENTS

The following software requirements are additive to the functional accounting principles and standards established in this Regulation and shall be followed to the extent they are consistent with the DoD Financial Management System Principles established in Addendum 1 to this Chapter.

A. **REPORTING**

The computer system software must have the following minimum reporting capabilities:

1. Produce information at specific time intervals or upon request, including reports that span fiscal year for multiyear projects.
2. Produce information in various media, including:
 - a. Record formats or files available for computer-to-computer transfer.
 - b. Output available for subsequent processing or production of microfiche.
 - c. Computer generated standard forms or predefined hard copy formats.
 - d. Ad hoc formats designed by management.
 - e. Terminal screen display for visual inspection and/or hard copy printout.
3. Accommodate additions, deletions, or changes to report content or format without mayor interruption to normal processing, including the ability to reclassify and reformat historical data for reporting purposes only.
4. Include a report writer with capability to:
 - a. Allow user-defined reports without intervention of a programmer.
 - b. Support multiple sort key sequences.
 - c. Produce output files as well as hard copy reports.
 - d. Save report requests in files for future use, unless changed or deleted.
 - e. Produce hierarchical levels of summarization data.
 - f. Permit modeling to include budget forecasting and costing.

- g. Permit table look-up and expansion codes.
- h. Permit logic for selection criteria in order to support flexible record selection.

B. GENERAL LEDGER

The general ledger accounts are the primary internal control feature in an accounting system. Computer programs must provide for the perpetuation of closing balances at the end of a period as the next period's opening balances; i.e., asset, liability, and capital balances must be perpetuated, not reconstructed at the beginning of each fiscal year. The minimum general ledger requirements that the computer system software must support are:

1. Provide for the automatic generation of recurring month-end and year-end closing entries and automated rollover of the general ledger account balances.
2. Provide the capability to post to two months concurrently. At year-end, provide for the capability to post to the current year by month, as well as to the prior year, regardless of when year-end closing occurs.
3. Provide for preliminary year-end closings before final year-end closing, while maintaining the capability to post current period data.
4. Identify those transactions which would be eliminated for both intra-agency and interagency consolidations.
5. Provide for automatic generation of recurring accrual entries and reversals in the next fiscal period.

C. BUDGET EXECUTION/FUNDS CONTROL

The minimum budget execution/funds control requirements that the computer system software must support are:

1. Maintain the original funding amounts separate from the reprogramming amounts, yet combine the two at the appropriate levels for funds control checking.
2. Change, retroactively, the accounting classification code structure and the funding limitations to reflect the approved appropriation after a continuing resolution.
3. Provide an interface for entry of commitment or obligating documents from existing agency systems.
4. Provide the capability to enter commitment or obligating documents into the funds control system on-line and from multiple locations.

5. Partially liquidate commitments in the case of partially obligated requisitions.
6. Provide control features which ensure that amounts reflected in the funds control structure agree with the general ledger account balances at the end of each update cycle.

D. ACCOUNTS PAYABLE

The minimum accounts payable requirements that the computer system software must support, either internally or through interface with other systems, are:

1. Commitments
 - a. Capture the desired delivery date.
 - b. Allow for commitment documents to be future-dated, archived, and posted at the appropriate level.
2. Obligations
 - a. Maintain an audit trail to original obligation document. This documentation must contain the following items, as applicable:
 - (1) Link item.
 - (a) Stock number.
 - (b) Description.
 - (c) Quantity.
 - (d) Unit price.
 - (e) Total price.
 - (f) Estimated freight charges.
 - (2) Expiration date.
 - (3) Expected receipt date.
 - (4) Vendor identification.
 - b. Verify extensions and computations.

- c. Maintain an on-line history file of closed out documents for a user-defined period of time.
- d. Record distribution of individual obligation line items to multiple classification structures.
- e. Retain for audit trail purposes the original machine readable records along with all amendments.
- f. Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented.
- g. Generate status and procurement history for documents such as multi-task contracts, grants, and blanket purchase agreements.

3. Receiving, Inspection, and Acceptance Process

- a. Define tolerances used for quantity variances between receiving reports and the obligating documents. The system should identify goods or services rejected if this tolerance is exceeded and provide for overrides by authorized personnel.
- b. Track quantity variances between the receiving report and the obligation document. Provide inquiry and reporting of this information.
- c. Communicate through the system those instances where a receiving report or acceptance is missing for an invoice, or where goods or services have been received and accepted, but an invoice has not been entered.
- d. Process purchase returns, including rejection of part of a shipment. The appropriate resulting transaction should be generated.

4. Matching Process

- a. Provide for the tracking and warehousing of vendor invoice from receipt of the invoice through disbursement, including those invoices returned to the vendor.
- b. Provide a matching capability by document including matching criteria for noncommodity orders such as subscriptions, memberships, and training.
- c. Allow orders to be reopened by authorized staff after final payment has been made.

5. Other Disbursements

- a. Allow transactions to be entered directly for those events that will result in payment but are not part of the normal commitment, obligation, and matching process. (For example, travel

advances.) Such transactions shall not be made without adequate internal controls, such as specific prior approval or preexisting conditions (approved travel orders, for example).

b. Establish the information so that the transactions can be included in the scheduling for disbursements.

6. Other Systems

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

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

7. Schedule for Disbursements

a. Generate the appropriate transactions to reflect discounts or withholdings and adding interest or penalties when appropriate.

b. Provide for automated approval of payment schedules.

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

(1) Order number.

(2) Invoice number.

(3) Disallowance (reason for and amount of).

(4) Interest penalty amount.

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

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

f. Allow changes to payment schedules by authorized personnel.

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

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

- i. Exclude certain transactions from the payment process (e.g., payrolls, letters of credit).
- j. Allow a payment to be removed from the automated scheduling stream and to be manually scheduled. The system must then perform all the other necessary functions related to that payment, such as updating the payment history, the general ledger function, and funds control function.
- k. Provide techniques to handle voided checks by reversing the accounting transactions leading to the disbursement and reestablishing the obligation, if applicable.
- l. Provide information about each payment to reflect the stage of the scheduling process that the payment has reached and the data each step was reached:
 - (1) Payment warehoused.
 - (2) Schedule sent to disbursing agent.
 - (3) Payment issued by disbursing agent.
- m. Provide for the automated comparison of the agency's payment schedule and the disbursing agent's accomplished payment schedule.

8. Vendor File

- a. Maintain a vendor file that includes data to support the accounts payable process.
- b. Maintain data related to employee payments which have been made through the financial system.
- c. Provide the capability to support payments made to financial institutions acting as agent for the vendor. Provide the capability to report IRS 1099 data to the vendor instead of to the financial institution.
- d. Accommodate more than one vendor address.
- e. Allow new vendors to be added to the vendor file if there is proper authorization.
- f. Permit users to define criteria for deleting vendors from the vendor file.
- g. Reject ancillary system transactions which do not have a valid vendor identified, except when overrides are properly authorized.

9. Inquiry

- a. Provide on-line access to vendor activity by vendor name, vendor short name, and vendor number.
- b. Provide on-line access to all document by selection criteria, e.g., document number.

10. Reporting

- a. Generate aged requisitions.
- b. Generate aged receiving reports without acceptance.
- c. Generate aged outstanding obligating documents by entry date and expected receipt date.
- d. Generate aged, unmatched vendor invoice report.
- e. Produce detailed listing by level of funds control for the commitment documents, obligation documents, and expenditure of funds.
- f. Generate vendor listing by vendor name and number.
- g. Generate a cash requirement projection report indicating the dollar amount of disbursements due to be made on a particular day.
- h. Generate a report listing the payments to be scheduled on a particular day.
- i. Produce audit trail reports to support data transferred from external systems to the financial system, including an error listing.

11. Other Capabilities

- a. Identify and store information related to reimbursements made to employees or others when the payment is considered miscellaneous income which is subject to federal tax and which must be reported to the IRS.
- b. Provide for reestablishing obligations for checks that have not been negotiated but that have been returned.
- c. Provide the ability to select items for audit, based on user-defined criteria, by type of transaction.
- d. Report, in accordance with OMB Circular A-125, "Prompt Payments," the:
 - (1) Number of interest penalties paid.

(2) Amount of interest penalties paid.

(3) Relative frequency, on a percentage basis, of interest penalty payment to the total number of payments.

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

E. ACCOUNTS RECEIVABLE

The minimum accounts receivable requirements that the computer system software must support, either internally or through interface with other systems, are:

1. Account File

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

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

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

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

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

2. Processing

a. Process data from various sources, such as, manually prepared billings or other billing and disbursing systems.

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

c. Provide the ability to produce billings for receivables from other government agencies.

d. Match receipt to account number and apply to appropriate billing document.

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

- f. Update accounts receivable balances on a document-by-document basis.
- g. Provide for automatic reversal for nonsufficient funds checks.
- h. Provide for the automated reporting of delinquent accounts to commercial credit bureaus and collection agencies or other appropriate governmental organization.
- i. Provide for administrative offset of funds due to delinquent indebtedness.
- j. Provide for the generation of repayment schedules for delinquent indebtedness.

3. Bill Generation

- a. Accept billing data from other internal systems. Ensure that the financial system does not produce bills for these transactions.
- b. Allow transactions related to manually prepared bills to be entered directly.
- c. Record adjustments to bills and post to customer accounts.
- d. Print statements as well as bills.

4. Reporting

- a. Provide on-line inquiry capability into the accounts receivable account file by selection criteria.
- b. Produce audit trail reports to support data transferred from external systems to the financial system, including error listings.

F. COST ACCUMULATION

If management determines the need for a formal cost accounting system, the minimum cost accumulation functions that the computer system software must have are:

- 1. Include the ability to input cost-based budgets directly into the financial system.
- 2. Provide cost information through (reports), on-line inquires, and downloaded data.