

15 September 1987

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MEMORANDUM FOR:

FROM:

SUBJECT: Policy Issues

Issue

A decision is needed on whether or not the Office Of Finance will require a hard copy signature for certification of expenses.

Background

Throughout government, there is a legal requirement that disbursements of official funds be certified as proper and in accordance with regulations. The Agency has long followed the government-wide practice of having a certifying officer's signature on a hard copy voucher to certify that the expenses reflected on the voucher are correct and in accordance with Agency procedures. The certifying officers receive their authority from the Director of Finance and, upon transfer to other assignments, this authority may be revoked or amended. It is currently the responsibility of Audit and Certification Division to monitor these authorities. However, a precedent exists in the the CLASSB system allows the certifying officer to enter a password that constitutes a certification. Based on the presence of the password, the CLASSB data is released to GAS.

Alternatives

The question is whether or not the new systems environment will require a hard copy signature to constitute as a certification e.g. the current system, CONIF, produces a hard copy voucher which is signed by the financial certifying officer. Due to the fact that the function of certifying officer does not exist in the private sector, commercial software does not provide for any type of financial certification - either in hard copy or electronic signature - and this will require either a modification to the package or a change in philosophy regarding the certification of system generated payments.

It would appear that a change in philosophy would be substantiated by the following.

1) The precedent mentioned above in the case of the CLASSB system.

2) The Treasury Department has acknowledged that automation has impacted on the role of the certifying officer. It states:

Automated payment systems present special problems for certifying officers because you rarely examine individual payments or supporting documentation.....some verification of individual transactions is impossible, therefore, the basic issue in determining your liability is whether it was reasonable for you to rely on the system to continually produce legal and accurate payments."

Department Of
Treasury Pamphlet
'Now That You're A
Certifying Officer'

Recommendation

Explore the possibility of allowing the certification of expenses to be effected in a manner different from today's method. This cannot be fully determined until more experimentation is made with the packages.

Issue

The level at which the check for funds availability should be made in the upcoming funds control environment.

Background

Traditionally, the Agency has not had an automated funds control but has monitored it's funds availability through the allotment process. The obligations and expenses are collected in the General Accounting System from which they are passed to the Financial Resources System at the project/SOC level. The individual B&F officers manage their funds at the office level and use the trend reports at the project/SOC level for monitoring them.

Alternatives

The current method of monitoring has been acceptable due to the fact that the funds are being monitored after the fact, but in the new funds control environment, the lack of available funds will result in the rejection of transactions. Therefore the question arises as to the level at which the funds checks should occur.

1) If the funds are monitored at the Project/SOC level in an up-front funds control environment, the offices will be forced to do a great deal more reprogramming or there will be a number of rejected transactions which would adversely impede operations. This would be particularly true for those directorates with a large number of projects involving small amounts of funds.

2) If the funds are monitored at a higher level e.g. the office level, there will be less of an impact on operations due to fewer rejected transactions, however, this may not satisfy all of the Agency's requirements for funds control.

Recommendation

Explore the possibility of having the levels of control set at various criteria - office, project, etc. - based on the requirements of the individual directorates. This could be better determined through the prototyping effort of the release 1.3 which includes Funds Control.

Issue

Whether or not to retain the current MPA/PRA process for the purchase and replenishment of materiel and the subsequent issue of such materiel to operating components or to adopt a form of direct funding for such transactions.

Background

Unlike other government entities, the Agency operates on a single appropriation and whereas other agencies have a separate appropriation for a stock fund which is often maintained as a revolving fund in that issues to customers result in reimbursements to the fund, the Agency has an internal stock fund - Materiel Procurement Allotment (MPA) - which is capitalized annually by the funds from all of the other offices. In return for these funds the other offices are given a Property Requisitioning Authority (PRA) equal to the amount that they have relinquished to the MPA.

Under this arrangement, each office draws against their PRA when they request supplies and equipment on a Form 88 requisition. The submission of a Form 88 results in the creation of an encumbrance against the PRA. At the time that the materiel is issued, it results in a transaction that both clears the encumbrance and charges, or costs, the amount of the issue to the requesting components project number.

The replenishment of issued stock is effected by supply managers preparing a Form 1245 - Replenishment Requisition - and based on the submission of this form, a commitment of funds is generated. The commitment evolves into an obligation based on the issuance of a purchase order by procurement division. These commitments and obligations are targeted against the MPA. At the time the obligation is cleared by the payment to the vendor, the expenditure is made against the MPA and also recorded as an expended appropriation. The actual cost of the materiel is not effected until it is issued to the customer at which time the customer's project number is costed by the amount of the issue.

As mentioned above, the purchase of materiel results in commitments and obligations being effected against the appropriation which in this case is the MPA or stock fund. The receipt of goods at the depot results in an increase to inventory and establishes the accounts payable. The vendor payment results in a expenditure which is recorded against the appropriation and clears the accounts payable. When the customer requisitions the materiel, the inventory is reduced and the customer's project is costed for the amount of the issue.

However, currently a large portion of the materiel requested is not carried in stock and must be directly purchased upon request. This results in a double bookkeeping and is one of the primary reasons that MPA/PRA has become a cumbersome process to

administer.

Alternatives

The commercial software packages to be utilized in the BARS/CLAS system do not readily allow for a methodology such as MPA/PRA. Therefore it will be necessary to make some type of enhancements if the practice is to be continued or eliminate it altogether. The question is whether or not the Agency wishes to also eliminate the stocking of materiel. If not, then some method must be devised for the replenishing of such stock and expensing the purchases to the appropriation. These items must then be carried in an inventory account and issued and costed to the operating projects when the customer requests them.

Recommendation

The Office of Logistics, The Office of the Comptroller, and the Office of Finance jointly determine the best manner in which to implement an alternative to the current MPA/PRA process that will satisfy both the capability of the packages and the Agency requirements vis-a-vis expenditures, costs and inventory valuations.

Issue

A policy decision is needed to determine whether or not the Agency should adopt the standardized general ledger advocated for government agencies or continue to use it's own chart of accounts.

Background

The Agency has utilized it's own chart of accounts as developed in accordance with Agency needs and requirements. Recently there has been a movement government wide to employ a standardized set of accounts throughout all government agencies. The rationale behind this is to allow the government to have a balance sheet that embraces the entire government and would facilitate such things as consolidated cash management based on anticipated revenues and expenses.

Alternatives

Due to the Agency's unique requirements, especially in the areas of proprietary systems and field station accountabilities, it would probably be more difficult to employ the standard government wide accounts.

The only drawback would be if the failure to employ the standard accounts would serve as a flag to highlight the Agency and thus impede it's abilities to blend in with the rest of the government.

Recommendation

It is recommended that the Agency continue to employ it's own set of accounts and not utilize the standardized general ledgers.

Issue

The manner in which approvals for financial transactions should be handled in the new package environment.

Background

The Agency currently requires hard copy approvals on such financial transactions as travel orders, requests for advances, and certain invoices for payment.

Alternatives

The Agency could continue to require such hard copy approvals or it could accept electronic approvals for such transactions.

If electronic approvals are utilized, there are two options.

1) Develop an in-house system to the front-end of the packages. This would be similar to the effort employed in LIMS and would prove costly and time-consuming.

2) Utilize the approval mechanism provided by the packaged software. The current release of software is very scant in this area but it is understood that the new release will offer more in this area.

Recommendation

Determine the scope of approval capability in the 1.3 Funds release through the prototyping of those packages. As such capability is ascertained, allow OF management the opportunity to decide if it will satisfy our approval requirements.

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