

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
<p>FOR ALL</p> <ol style="list-style-type: none"> 1. OMB Circular A-127, Financial Management Systems 2. OMB's Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996 (January 2001) 3. JFMIP's revised Core Financial System Requirements(November 2001) 	<p><u>Core financial management</u></p>	<p>Basic</p>	<ol style="list-style-type: none"> 1. Classify accounting transactions by the following structures: <ul style="list-style-type: none"> • Fund • Program • Organization • Project • Activity • Cost center-Accumulated Cost • Object class (Chart of accounts), and • Any other data elements needed to meet the data classification and/or reporting needs of the organization. 2. Fund structure that defines each entity for which separate accounting and reporting are needed to meet legal and assigned responsibilities and reporting requirements. This structure should provide for identification of appropriation or fund accounts through the <ul style="list-style-type: none"> • Budget process, • Receipt accounts, • Clearing accounts, and • Other accounts as may be deemed necessary. 3. System provides the capability to establish an <u>organization structure based on responsibility segments</u>, such as offices, divisions, and branches. 4. System provides for the ability to tie responsible organizational units to programs and projects. 5. System provides a <u>project structure</u> that is independent of the other classification structures to allow multiple organizations, programs, and funding sources to be associated with a project. 6. System provides a <u>revenue source code structure</u> to identify and classify types of revenue and receipts received by an organization so that they are represented properly on the organization's financial statements. 7. System provides the capability to define additional data elements for use in data classification for internal reporting and/or control needs for organization-specific purposes. 8. System derive the expanded accounting classification structure from abbreviated user input so that user input is minimized, data entry is made easier, and errors are controlled and reduced. Examples of methods include entering "<u>shorthand codes</u>" using a keyboard function to look up additional elements, "<u>clicking</u>" on entries in a "<u>lookup table</u>" or 	<p>Segregation of duties</p> <p>This is more relevant in case of multiple donor structure</p> <p>Convey in theory</p>

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
			<p>“pop-up menu,” and using a scanning bar code.</p> <p>9. System provides <u>flexibility to process additions, deletions, and changes to accounting classification structure codes</u> without extensive program or system changes. Table-driven systems, where frequently changed information is kept in tables separate from program logic and under a system administrator’s control, and database management systems, are two examples of ways to provide such flexibility.</p> <p>System provides the ability to account for budgetary resources at a lower level in the accounting classification structure than they are budgeted and controlled</p>	Convey in theory
		The U. S. Government standard general ledger (GL) process – account definition	<p>10. System use a <u>chart of accounts consistent with the basic numbering structure provided in the GL</u>. Any expansion to the numbering system must roll up to the posting accounts provided in the GL.</p> <p>11. System use account titles consistent with the account titles provided in the GL.</p> <p>12. System supports the use of processing of information consistent with the standard transaction identification process rules from GL.</p> <p>13. System provides the <u>capability to create additional sub-accounts</u> to the GL for organization specific tracking and control. These sub-accounts will summarize and track back to the GL accounts.</p>	To be adopted in Pakistani context To be adopted in Pakistani context
		The standard general ledger process - transaction definition	<p>14. System use standardized transactions identified by reference codes to control transaction editing, posting to the appropriate GL accounts, and updating of other information maintained in the system, such as document balances and available funding.</p> <p>15. System <u>allows standardized transactions, including system-generated transactions, to be established, modified, or deleted by authorized personnel.</u></p> <p>16. System provides for traceability of changes <u>audit trail</u>.</p> <p>17. System <u>generates and post compound GL debit and credit entries</u> (at least four pairs) to the GL as a result of a single transaction.</p> <p>18. System <u>process system-generated transactions</u>, such as automated accruals, closing entries, cost assignment transactions, recurring payments, and transactions that generate other transactions in those cases where a single transaction is not sufficient.</p> <p>19. System provides the capability to add, modify, and maintain <u>editing and posting rules</u> through systems tables controlled by <u>authorized personnel</u>.</p>	Cost effective functions

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
		Transaction control process – audit trails	<p>20. System provides audit trails to trace transactions from source documents, original input, other systems, system-generated transactions, and internal assignment transactions through the system.</p> <p>21. System provides <u>transaction details</u> to support account balances.</p> <p>22. System provides <u>audit trails</u> to trace source documents and transactions through successive levels of summarization to the financial statements and the reverse.</p> <p>23. System provides audit trails to identify changes made to system parameters and tables that would affect the processing or reprocessing of any financial transactions.</p> <p>24. System provides audit trails that identify document input, change, approval, and deletions by originator.</p>	
		Transaction control process – transaction processing	<p>25. System <u>post to the current and prior months concurrently</u> until month-end closing, and maintains and provides on-line queries and reports on balances separately for the current and prior months. At a minimum, balances must be maintained on-line for both the current and prior months until prior month closing.</p> <p>26. System, at year's end, <u>post</u> to the current year by month, as well as to the <u>prior year</u>, regardless of when year end closing occurs. For example, a user should be able to post to the previous fiscal year while also posting transactions to the current year. Balances must be maintained and accessible through on-line queries for both the current and prior fiscal years until year-end closing.</p> <p>27. System provides control over the <u>correction and reprocessing</u> of all erroneous transactions through the use of <u>error file(s) and/or suspense accounts</u>. Erroneous transactions must be <u>maintained and tracked</u> until either corrected and posted or deleted at the specific request of an authorized user.</p> <p>28. System provides standard record format(s) for interface of transactions from other systems to the core financial system and subjects all transactions from interfacing systems to the core financial system edits, validations, and error correction procedures. Erroneous transactions must be maintained and tracked until either corrected and posted or deleted by an authorized user.</p> <p>29. System supports <u>both batch and real-time on-line data entry</u> and use the same edit and update rules as appropriate for each mode.</p> <p>30. System supports simultaneous data entry/access by <u>multiple users in a</u></p>	<p>For the organizations that have automated GL system.</p> <p>Details for all costs- no head of other expenses or miscellaneous</p> <p>In case of automation</p> <p>In case of automation</p>

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
			<p><u>variety of access modes.</u></p> <p>31. System supports management controls to ensure that transactions are processed in accordance with <u>government and USAID -prescribed standards and procedures</u>, the <u>integrity of data</u> in the system is maintained, and access is <u>restricted to authorized users</u>.</p> <p>32. System provides transaction edits that control, at a minimum, fund availability, account structure, and tolerance levels between related transactions, such as between an obligation and its related accrual.</p> <p>33. System provides controls to <u>prevent the creation of duplicate transactions</u>.</p> <p>34. Do the system's user entry and query screens support validation of codes entered on the screen and assist users in determining correct codes if an invalid code is entered.</p> <p>35. System provides for inquiry by the user to <u>verify valid codes during the data entry process</u>.</p> <p>36. System provides the capability to <u>enter and store for future processing any transactions</u> in the current month for processing the subsequent month.</p>	
	<u>General ledger management</u>	General ledger posting process	<p>1. System post transactions to GL in accordance with the transaction definitions established by the core financial system management function.</p> <p>2. System maintains historical data to produce <u>comparative financial reports for management use</u>.</p>	
		Accruals, closing, and consolidation process	<p>3. System provides for <u>automated month-and year-end closing</u> of GL accounts and rollover of GL account balances (note that this includes sub-accounts).</p> <p>4. System <u>allows selected transactions</u> (i.e., adjustments) to be processed.</p> <p>5. System allow for <u>accruals of contracts or other items that cross fiscal years</u>.</p> <p>6. System <u>selectively generates</u> required transactions as needed by the <u>year-end closing procedures</u>.</p> <p>7. System <u>prepares trial balances</u> and other <u>supporting information</u> needed for external reports and financial statements, <u>including consolidated statements</u>.</p> <p>8. System provides for a <u>year-end rollover</u> of appropriate system tables into the new fiscal year, under the control of an authorized system administrator.</p>	

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
			9. System provides the capability to process, track, and control prior fiscal year adjustment transactions.	
		General ledger analysis and reconciliation process	10. System report a comparison between amounts in other components of the core financial system and the related control accounts in the GL and annotate out-of-balance accounts on the report. 11. System provides <u>control accounts</u> in the general ledger to <u>balance between the general ledger and other systems</u> , such as property and travel management. 12. System provides the <u>capability for authorized users to correct out-of-balance conditions</u> discovered during the reconciliation process. 13. System maintains an <u>audit trail</u> of any such corrections. 14. System provides for reconciliation of all open accounting period (prior month, current month, prior fiscal year, and current fiscal year) balances to their respective subsidiaries through on-line queries and reports.	
	<u>Funds management</u>	Funds control process – funds availability editing	1. System provides for online notification of funds availability prior to the distribution of lower level funding and the processing of commitment, obligation, or expenditure transactions. 2. System supports the <u>timely recording of transactions</u> . 3. System checks commitment transactions against available funds. 4. System includes adequate controls to prevent the recording of commitments that exceed available balances. 5. System supports <u>recording obligations or expenditures that exceed available balances</u> and produce a report or otherwise provide a method that allows management to review the cause of this over obligation condition. 6. System <u>updates all appropriate accounts</u> to ensure that the system always maintains and reports the status of funds for all open accounting periods.	Subject to automation.
		Funds control process – commitments	7. System maintains information related to each commitment document, including amendments. At a minimum, the system must capture requisition number, accounting classification structures, and estimated amounts. 8. System allow for commitment documents to <u>be future dated, stored, and posted at the appropriate date</u> . 9. System subject these documents to <u>edit and validation procedures prior to posting</u> . 10. System close commitment documents under the following circumstances: (1) by the system upon issuance of an obligating	It is a memorandum and not a commitment. In local context

NGO RESOURCE CENTRE
(A PROJECT OF AGA KHAN FOUNDATION)

AGREED USAID STANDARDS-FINANCIAL MANAGEMENT

Ref Source	Standard	Components	Checklist	Comments
			document, (2) by an authorized user, and (3) as part of the year-end closing if the commitment is in an annual appropriation or in the last year of a multiyear appropriation.	
	<u>Payment management</u>	Payee information maintenance process	<ol style="list-style-type: none"> 1. System <u>maintains payee information</u> that includes data to support obligation, accounts payable, and disbursement processes. 2. System <u>allows multiple payment addresses and/or bank information for a single payee.</u> 3. System provides a <u>search capability for payee information.</u> 4. System produces <u>payee lists</u> based on organization-defined criteria, e.g., <u>payee name and number.</u> 	
		Payment warehousing process	<ol style="list-style-type: none"> 5. System provides the <u>capability to capture, store, and process</u> appropriate invoice information, including: <ol style="list-style-type: none"> I. Invoice number, II. Invoice amount, III. Obligating document references, IV. Payee name and address, V. Discount terms, VI. Invoice amount, VII. Invoice date, and 6. System <u>records an accrued liability</u> upon receipt and acceptance of goods and services and properly identifies them as capital asset, expense, prepaid expense, or construction. 	
		Payment execution process	<ol style="list-style-type: none"> 7. System <u>automatically identifies and select payments</u> to be disbursed in a <u>particular payment cycle based on their due dates.</u> System <u>process transactions resulting from payments made using other systems, such as payroll.</u> 	