



**Subject: HHS Accounting Systems**

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**0-40-00 PURPOSE**

This chapter discusses the purposes, objectives, and characteristics of the HHS accounting system design concepts. It identifies specific Departmental and Agencies accounting systems which are subject to development based on design concepts. The General Accounting Office (GAO) requirements for development of accounting systems and for their approval by the Comptroller General are discussed and related to the HHS principles and standards and general system design concepts. This chapter also discusses responsibilities for development of accounting system manuals.

**0-40-10 ACCOUNTING SYSTEM DESIGN CONCEPTS**

This manual describes the accounting principles and standards and the general system design concepts of HHS.

The objectives of accounting systems must be:

1. To assure that each operating accounting system within the Department complies with the principles, standards, and related requirements prescribed by the Comptroller General.
2. To assure compliance with the requirements of the Congress, the Office of Management and Budget (OMB), the Treasury Department, and other control agencies.
3. To provide a sound comprehensive basic accounting system which is geared to the needs of HHS activities.
4. To provide a uniform basis for accounting operations where there is a justified need for such uniformity.

5. To permit ready extraction and consolidation of financial data common to the needs of the Department.

Characteristics of each accounting system design:

1. It should be integrated with the accounting data needs of the Treasury Department and OMB.
2. It should set forth the principles and standards governing all accounting activities carried on within the Department, Agency, or Region.
3. It should prescribe the general system design of the accounting system.
4. It should provide for the accrual basis of accounting.
5. It should prescribe a uniform chart of accounts covering assets, liabilities, appropriation control and equity, and income and expense.
6. It should contain the uniform codes and coding system to facilitate meaningful Departmental consolidation of reports, and to provide for inter-system data communications.
7. It should provide the basis for accountability for assets, and a business approach to cost and accrued liabilities.
8. It should make provision for the use of plans to permit periodic comparison of plans with actual in the areas of obligations, disbursements, and costs.
9. It must be designed to provide accounting support to the Budget as submitted to Congress.
10. It should be designed to provide accounting support, to the extent practicable, to the Planning Guidance Memorandum requirements.
11. It should be designed to facilitate the uniform handling of accounting transactions in the Regional Offices and at other accounting points which affect more than one Agency.
12. It should be designed to facilitate flexibility and decentralization of accounting responsibilities from one accounting point to another, within agencies and between agencies.
13. It should be designed to facilitate consolidated funding of a grantee that performs under multiple appropriations.

**0-40-20      DESIGNATION OF SYSTEMS**

The principles and standards described in this manual provide the framework for a financial management system that will satisfy the management requirements of HHS component organizations, applicable laws and regulations, and the accounting principles and standards prescribed by the Comptroller General. Within this framework several complete accounting entities and individual segments of a system have been designed as operating accounting systems. Generally, a complete accounting entity will parallel the organizational structure of the Department to the extent that an organization may have financial management aspects that differ substantially from other organizational components. Where there are relatively few variations requiring specification, several organizational components may follow a single accounting entity. A complete accounting entity will fully support the financial management needs of an HHS component organization, or organizations, and will provide reports internally to HHS and to all external control agencies. The individual segment of a system will be used throughout the Department; and will generate specialized financial information to flow in detail, or in summary, to a complete accounting entity.

Following are the systems that must conform to the aforementioned design concepts:

| <u>Complete Accounting Entities</u>  | <u>Organizational<br/>Component Served</u>   |
|--|--|
| Social Security Administration<br>Accounting System                                  | Social Security Administration   |
| Food and Drug Administration<br>Accounting System                                    | Food & Drug Administration   |
| Health Services Administration<br>Accounting System                                  | Health Services Administration,<br>Assistant Secretary for Health,<br>Health Resources Administration,<br>Alcohol/Drug Abuse and Mental<br>Health Administration |
| National Institutes of Health<br>Accounting System                                   | National Institutes of Health  |
| Center for Disease Control<br>Accounting System                                      | Center for Disease Control   |
| Office of Education Financial<br>Management System(OEFMIS)                           | Office of Education<br>Asst. Secretary for Education   |
| National Institute of Education<br>Fin. Mgmt. Infrmtn. System(NIEFMIS)               | National Institute of Education  |
| Social & Rehabilitation Service<br>Accounting & Finance Control<br>System (SRS-AFCS) | Social & Rehabilitation Service  |

Office of the Secretary Accounting  
System

Office of the Secretary,  
Office of Human Development  
Organizational

Individual System Segments

Central Payroll System  
Departmental Federal Assistance  
Financing System (DFAFS)  
Regional Accounting System(RAS)

Component Served

All regions and agencies  
All regions and agencies  
All regions and agencies except  
Social Security Administration,  
Food & Drug Administration, and  
National Institute of Education

All systems must be documented by an accounting procedures manual and an automated data processing operation manual. The Health Services Administration Accounting System will be supplemented by two additional accounting procedures manuals which will describe the unique requirements of the Health Resources and Alcohol/Drug Abuse and Mental Health Administration.

The Central Payroll System and DFAFS will furnish data to all complete accounting entities, and DFAFS will also furnish data to the RAS; the RAS will furnish data to complete accounting entities except the SSA, FDA and NIH.

The designated systems are to receive data processing support and services from the following computer centers:

Computer Center  
Social Security Administration  
Parklawn  
National Institutes of Health  
Center for Disease Control  
Departmental Management

System Served  
SSA Accounting System  
HSA Accounting System  
FDA Accounting System  
NIH Accounting System  
DFAFS  
CDC Accounting System  
OEFMIS  
NIEFMIS  
SRS-AFCS  
OS Accounting System  
Central Payroll System  
RAS

**0-40-30 GENERAL ACCOUNTING OFFICE APPROVAL OF ACCOUNTING SYSTEMS**

The Budget and Accounting Procedures Act of 1950 requires the accounting systems designs of the executive agencies of the Federal Government to be approved by the Comptroller General when deemed to be adequate and in conformance with the prescribing principles, standards, and related requirements.

The principle, standards, and related requirements prescribed by the Comptroller General are in Title 2 of the GAO Manual. The Comptroller General provides that accounting systems for which approval is sought may be developed in two stages, as follows:

1. Principles and standards established to govern the accounting system.
2. Design of the accounting system.

By letter dated April 13, 1970. (B-159843) the Comptroller General approved the HHS principles and standards of accounting and the general design concepts. "... as being in conformity in all material respects with the principles and standards prescribed by our office and as providing a general plan for the design and development of accounting subsystems for the various constituent agencies of the Department."

#### **0-40-40      REQUIREMENTS AND DOCUMENTATION OF SYSTEMS DESIGNS**

Each of the designated systems are required to carry out the following steps:

1. Develop and document the principles and standards and design of the system.
  2. Coordinate with the Office of the Deputy Assistant Secretary, Finance in submitting the system's documentation to the Comptroller General for approval.
- A. Develop and document, in manual form, the design of the system.

The principal requirement with respect to system development is that each:

Incorporate, where appropriate, the approval principles and standards described in Parts 1 and 2 of this manual; adhere to the general system design concepts evidenced by the transaction codes, general ledger account identifications and descriptions, input requirements, processing techniques (Common Accounting Number and Internal Machine Number), and general code structure which are described in Parts 3 and 4; and the basic output requirements of Part 5.

In addition, systems design should include requirements not provided for in this manual; processing output requirements; and such aspects of design which are peculiar only to the particular system.

For the purpose of presenting the system documentation for review for approval, the documentation may be in the form of a complete manual or it may be presented in the form of separate packages; each describing a segment of the system. However, approval of a system will be given only to the complete manual documentation but which may be in draft form.

The document submitted to the Comptroller General need not include detailed operating instructions to employees.

Although there is no prescribed format for documentation of system design, the submission to the Comptroller General for approval should include the following:

1. An introductory section which will include a general description of the design concept of the system. Also, a description of the mission, programs, budget structure and organizational structure of the agency served by the system. The description should also include any interfaces with the operating agency's management information system, or with Departmental systems, such as the Central Payroll System and the Grants Payment System. Also included in the introductory general system description should be a broad identification of the financial management needs of the organizations served.
2. A description of the locations and organizational levels at which supporting documentation will be maintained and at which accounting activities will be performed.
3. A summary of the classification coding to be used including the coding used in this manual.
4. A listing by title and number of the internal and external reports to be produced by the system. For internal reports, a sample format of each report should identify the frequency of the report and the period covered. The sample format should show the data elements being reported, with illustrative data inserted.
5. A description of the recurring reports produced by the system, both internal and external. In the case of internal reports, the description should identify the types of financial information to be provided to various levels of management.

6. Flow charts depicting the flow of documents through the principal accounting processes. The flow charts should be sufficiently descriptive to enable relating the actions charted to the internal controls and financial reporting requirements included in the system design.
7. Listing and definitions of the general ledger accounts to be maintained, including subsidiary accounts. The listings and definitions will be inclusive of all accounts contained in Chapter 4-20 of this manual that are pertinent to the operation of the system.
8. Identification and description (including journal entries) of those transaction codes contained in this manual (Exhibit 4-40-3) that will be used in the system.
9. An explanation of the methods to be used in determining and recording the amounts of and accounting for obligations, accrued expenditures, revenues and costs.
10. With respect to accounting for costs:
  - a. The role of cost accounting, in terms of resources consumed, whether funded or unfunded, in relation to the program and operation.
  - b. The degree of refinement of operational classifications for cost accounting purposes.
  - c. The rationale and criteria by which accrued expenditures for personal services, materials and supplies, equipment, and other purposes will be charged as costs in the operational classifications.
  - d. The role of cost centers or other accounts for allocating charging and accumulating costs.
  - e. An explanation of the coding structure used as a basis for distributing and summarizing costs by activity.
  - f. The extent of association of performance data with costs.
  - g. The relationship of the cost accounts to the agency's cost-based budgeting. This can be expressed in terms that will identify requirements to be met under current budgeting concepts as compared with requirements that will be necessary when budgets are submitted under the true cost-based budgeting concepts.

- h. Whether all elements of cost are included on only significant elements of cost and, if the latter,
        - (1) What elements of funded and unfunded cost will be included and excluded, and
        - (2) Whether distinction will be made between controllable and uncontrollable costs.
      - i. Identification of areas where cost-finding techniques will be employed and how the data will be used.
- 11. With respect to usage of ADP equipment:
  - a. The degree to which the system will be automated.
  - b. An overall narrative description and accompanying flow chart of the general flow of information through the system. This should tie in with the general description of the accounting system.
  - c. A description of the equipment configuration and transmission equipment, capabilities, and the computer language(s) which will be utilized in programming the processing operations. Where specific equipment has not been selected, the description should include a statement of the general equipment requirements for processing and storage and associated peripheral operations, and a statement of the primary computer language to be used. Programmed instructions are not required to be submitted for approval.
  - d. The design specifications which described the logic of the proposed ADP system, including:
    - (1) Flow charts showing the sequence of operations to be performed by each proposed computer run.
    - (2) For each proposed computer program, a brief description of the functions to be performed, processing frequency, type of input, and the resulting product(s).
    - (3) Description of the physical characteristics of the data elements to be contained in the transaction records and data files to the extent that such data elements are not described in this manual.

- (4) The media (punched card, magnetic tape, etc.) to be used.
  - (5) Description of controls to be provided over data
    - (a) inputs, including the types and purposes of edit and other purification or validation routines;
    - (b) processing, including the plan for back-up operations;
    - (c) storage, including the plan for reconstruction of the data files; and
    - (d) outputs.
  - (6) Identification of audit trails in the in the automated system with special attention given to systems in which conventional audit trails will be obscured in the processing operations and alternative procedures will be necessary.
12. With respect to internal controls:
- a. A description of the manner in which financial, manpower, and property resources are controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.
  - b. An outline of controls over quantity, timeliness, reliability, and accuracy of inputs, processing, and outputs sufficient to demonstrate reasonable assurance of accurate recording of transactions and reporting of their effects in the accounting period in which they occur.
  - c. A statement of the basis for auditability of the system in terms of results of operation and current condition, and identification of the audit trails throughout the system. This includes a description of the manner in which a particular element of data that exists in the files can be traced backward to the source of the transaction that created it and forward to its position in a report.
13. A brief description of the methods used or planned for testing the reliability of the system.

- B. Coordinate with the Office of the Deputy Assistant Secretary, Finance in submitting the systems's documentation to the Comptroller General for Approval.

The Deputy Assistant Secretary, Finance, acting on behalf of the Secretary, will approve all systems' documentation prior to submission to the Comptroller General for approval. This, formal submission of system designs will first be made to the Deputy Assistant Secretary, Finance. If approved, the designs will be forwarded to the Comptroller General.