

U.S. Department of the Treasury
Financial Management Service

Supplement to Treasury Financial Manual (TFM) Volume I, Part 4,
Chapter 10000: Delegation of Disbursing Authority

Agency Self-Certification Guide
Version 13



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Background

Delegated disbursing authority is the specific authorization from the U.S. Department of the Treasury's (Treasury's) Financial Management Service (FMS) to an agency, permitting the agency to disburse funds for a specific purpose or application. The delegation of disbursing authority specifies the disbursement mechanism(s) and authorizations.

A delegation of disbursing authority is given under the authority granted by the Secretary of the Treasury in 31 U.S.C. 3321 (b). FMS's programmatic responsibility is to provide oversight and guidance to delegated disbursing agencies. Therefore, it is incumbent upon the Chief Disbursing Officer (CDO) to provide a review process to ensure that proper controls for accountability and security are in place.

FMS delegates disbursing authority to agencies on a very limited basis. Delegations are granted only when:

- An agency requires a level of service that FMS cannot provide; or
- It is cost beneficial to the Federal Government; and
- The agency has provided certified assurance that it has effective internal control measures and that security requirements will be followed.

Purpose

This guide prescribes procedures by which agencies with granted delegation of disbursing authority (see TFM Volume I, Part 4, Chapter 10000, subsection 10035.20, on the FMS Web site at <http://www.fms.treas.gov/tfm/vol1/v1p4c1000.pdf>) self-certify that their organization is in compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Section 2 and Section 4 requirements.

Authority

The applicable regulations and guidance governing this guide are:

- TFM Volume I, Part 4, Chapter 10000;
- FMFIA of 1982, Pub. Law No. 97-255 (31 U.S.C. § 3512);
- The Federal Financial Management Improvement Act of 1996 (FFMIA), Pub. Law No. 104-208 (31 U.S.C. § 3512);
- Office of Management and Budget (OMB) Circular No. A-123;
- OMB Circular No. A-127;
- TFM Volume I, Part 2, Chapter 3100;
- TFM Volume I, Part 4, Chapter 6000;
- 44 U.S.C. Chapters 21, 29, 31, and 35;
- Executive Order 13224.

Objectives

Every 2 years, agencies with delegated disbursing authority shall conduct a review of their disbursing operations to ensure that they are in compliance with FMFIA, Section 2 and Section 4 requirements. Specifically, each agency must self-certify that its Section 2 and Section 4 reports, as they relate to disbursements, provide reasonable assurance that the agency is in compliance with FMFIA, Section 2 and Section 4 requirements. To the extent that an agency self-certifies “non-compliance” or “qualified assurance” with Section 2 and Section 4 requirements, it must identify all material weaknesses and its corrective action plan to achieve compliance within an identified timeframe.

The responses given to the questions in the attached questionnaire for the functions of issuance and reporting, and inventory maintenance and reporting, will determine whether there is reasonable assurance that agency controls and security for delegated disbursement authority are adequate to compensate for any risks associated with the process. There are two aspects of the determination of assurance. First, there needs to be an evaluation of the degree of the risk inherent in the delegated disbursement authority. Second, there needs to be assurance that the existence of controls minimizes any inherent risk in the process. Therefore, the vulnerability (the risk presented to the Government) is the net effect of inherent risk and the countervailing controls.

The questionnaire portion also addresses the implementation of the standards enacted by the Debt Collection Improvement Act of 1996 (DCIA). The questions address the Non-Treasury Disbursing Office (NTDO) compliance of items outlined in the DCIA.

Definitions

The following definitions have been taken from various Government Accountability Office (GAO) reports and OMB or other Government directives and policies and, therefore, are generally accepted and understood.

Agency—The agency with delegated disbursement authority.

Abuse—Violation of Treasury, agency, or disbursement regulations or laws that impairs the effective and efficient performance of the responsibilities.

Assessable Unit—An agency program or administrative function or subdivision that is to be subject to an internal controls vulnerability assessment.

Automated Clearing House (ACH)—The process of sending electronic payments and corresponding data from the disbursing office to the payee’s financial institution account.

Control Objectives—A desired goal for a specific function that reduces the potential for fraud, waste, and abuse, and/or ensures efficiency, effectiveness, and economy of the operations.

Control Technique—A series of carefully constructed checks and balances that provide reasonable assurance that control objectives are met.

Debt Collection Improvement Act of 1996 (DCIA)—A law mandating non-tax debt owed to the U.S. Government that is 180 days delinquent, with certain exceptions, be referred to Treasury for collection.

Disbursement System—An automated system comprised of one or more applications that is used to transmit and/or issue payments.

Disbursement Process—A process or series of automated and/or manual functions used to issue payments.

Fiscal Points—The internal control review points between the initial certification of a payment and the issuance of that payment.

Financial Management System—The financial systems and the financial portions of mixed systems necessary to support financial management.

Financial System—An information system, comprised of one or more applications, that is used to collect, process, maintain, transmit, and report data about financial events; support financial planning; accumulate and report cost information; and support the preparation of financial statements.

Fedwire—A mechanism for making same-day electronic payments. Payments must be processed through the Federal Reserve Bank of New York. They are single payments of a high dollar value.

Fraud—The intentional, wrongful obtaining of money or obtaining some unfair or dishonest advantage. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, and collusive arrangements.

Function—An identified activity related to the disbursement process that is subject to internal controls.

General Control Environment—Various environmental factors that can influence the effectiveness of internal controls over the disbursement process.

Head of Agency—The individual with the authority to sign the delegated disbursing authority Memorandum of Understanding between the agency and FMS. This could be the Chief Financial Officer (CFO), the Deputy CFO, or a legally accepted equivalent.

Information System—The organized collection, processing, transmission, and dissemination of information in accordance with defined procedures, whether automated or manual.

Internal Controls—The steps that the agency takes to provide reasonable assurance that obligations and costs are in compliance with applicable regulations and laws; funds and property, and other assets, are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures applicable to agency operations are properly accounted for and recorded.

Material Weakness—See “Significant Deficiency” below.

Risk—A situation or set of circumstances under which an unwanted occurrence such as loss, error, fraud, or mismanagement might occur in a program or administration component because internal controls are not adopted or implemented or are inadequate.

Risk Assessment—An evaluation of the agency’s susceptibility to waste, fraud, and mismanagement.

Significant Deficiency (formerly known as material weakness)—A situation in which designed procedures or the degree of operational compliance therewith does not provide reasonable assurance that the objectives of internal controls are being accomplished.

Treasury Offset Program (TOP)—A centralized offset program, administered by FMS’s Debt Management Services (DMS).

Vulnerability Assessment—An internal controls assessment performed by the agency’s managers utilizing a process and forms developed by the agency’s management control officers, program coordinators, or program administrators.

Instructions

The following questionnaire should be used by your agency to determine if your agency is operating in accordance with prescribed internal control procedures and standards for disbursing. It also will be used by FMS to assess each agency’s compliance with TFM Volume I, Part 4, Chapter 10000. When answering the questions in the questionnaire, you should:

- Consider your agency’s overall delegated disbursement authority activities.
- Complete questions 1-23 and 36. In addition, agencies that disburse checks must answer questions 24-35.
- Complete all applicable questions on the questionnaire in full and mark questions that are determined to be nonapplicable as such on the questionnaire.

Your agency should forward a cover letter and the completed questionnaire to the Chief Disbursing Officer at FMS. The cover letter must include a signed certified statement from the agency head indicating that your agency has completed in full the questionnaire and, based on its response and analysis to the questions held therein, your agency (*select one*) **can give reasonable assurance** (unqualified statement); **can give reasonable assurance with the exception of the material weaknesses noted** (qualified statement); **cannot provide reasonable assurance** (a statement of no assurance) that it meets the prescribed standards for internal controls and disbursing.

Internal Control Assessment Questionnaire

Agency Background

1. What was the original purpose of your agency’s request for delegated disbursing authority?
2. When was the last time your agency evaluated the purpose for delegated disbursing authority against your original intent to see if the need for delegated disbursing is still valid, cost effective, and efficient?
3. What are the services that are provided by your agency that cannot be provided by a Treasury disbursing office? In your response **briefly** describe the organizational and system process used in the disbursement of funds. Furthermore, identify the process and fiscal points between the certification and the disbursement of payments along with the employee structure that supports the process. Indicate in your description:
 - The head of the agency;
 - The head of the functional area responsible for the delegated disbursing authority (this could be the agency head);
 - The designated Certifying Officer and the Disbursing Officers;

- The functional areas (e.g., disbursing, accounting, reporting units);
 - The number of employees who access the system; and
 - The number of external users who access the system.
4. How does your agency designate its Certifying and Disbursing Officers?
 - Does the head of your agency designate Certifying and Disbursing Officers?
 - What is the formal process your agency uses for determining Certifying and Disbursing Officers?
 - How are records of all designations maintained?
 - Do only Federal Government employees perform actual disbursements?
 5. By applicable payment type, (e.g., ACH payments, Fedwire, and check payments), what was the dollar amount of payments last fiscal year? What percentage, if any, of last fiscal year's (fiscal year 2009) payments were issued by external users (e.g., contractors, etc.)?
 6. By applicable payment type, (e.g., ACH payments, Fedwire, and check payments), what is the average time it takes to issue a payment from the point of certification to issuance? What are the longest and shortest times?
 7. Describe the amounts disbursed by volume and dollars for the categories of: Miscellaneous, Vendor, and Benefit.
 8. Does your agency cross-service/disburse payments for other agencies?

If yes:

 - For which agencies did your agency perform these services (include the volume of these disbursements and the dollar value for each agency).
 - Did you notify the Chief Disbursing Officer of these services being performed for the cross-serviced agency? If so, what form did the notification take?
 - Provide a copy of the Memorandum of Understanding or Letter of Agreement for the agencies for which your agency cross-serviced/disbursed payments.

Audits/Assessments/Reviews

9. Does your agency review the status of vendors in the Central Contractor Registration (CCR) before you disburse payments to them to assure that they are eligible to do business with the Government?

If yes:

 - As of October 30, 2005, each registrant of the CCR has been asked to validate its Taxpayer Identification Number (TIN); does your agency compare TIN information with the information provided by the payee?

- If your agency does compare this information, what actions are taken when there is a discrepancy?
- Are disbursements withheld if there is a discrepancy?

If not, explain why not.

10. Is your agency currently matching with the FMS database of delinquent debtors?

If yes:

- Are you withholding payment to recipients who have a delinquent debt with the Government?
- Do you track the number of offsets by both dollar amount and quantity?

If not:

- When does your agency intend to meet the compliance of the DCIA?
- What actions are being taken to meet this compliance?

11. Does your agency have an offset process?

- If yes, describe the process.
- If not, what assurance do you have that your agency is not disbursing payment to a delinquent debtor of the Federal Government?

12. When and by whom was your agency's last security assessment on the disbursement process performed?

13. Does your agency conduct Risk Assessments of the disbursement process? If yes, indicate the date and nature of the most recent assessment.

14. What disbursement-related audits have been conducted of your agency in the past 3 years?

15. Over the last 3 years has your agency ever been cited in an audit for material weaknesses or significant deficiencies that relate to disbursements?

If yes:

- What was the situation(s) under which your agency was found to have a material weakness/significant deficiency (enclose a copy of the audit)?
- What was the corrective action your agency has taken?
- How long did it take to resolve the above audit finding?
- Are any of these repeat findings?
- Have any of these audit findings remained unresolved longer than 1 year?

16. Within the last 3 years has your agency been in noncompliance or qualified assurance with FFMIA of 1996?

If yes:

- Explain the circumstances under which your agency was in noncompliance or qualified assurance.
- Describe the specific corrective actions taken by your agency to remedy issues of noncompliance or qualified assurance and the length of time it took to complete the corrective actions.

Agency Internal Controls for Disbursements

17. Describe your agency's overall internal controls with regard to disbursements. Within your description indicate the written procedures and manual and systematic controls that your agency utilizes to ensure:

- The proper certification of disbursements;
- The presence of supervisory controls and reviews;
- Employee separation of duties (Are responsibilities clearly divided so as to avoid duplication, overlap, or conflicts?);
- A clear delineation of authority and responsibility; and
- The absence of duplicate payments.

18. What precautions are used to abate theft, fraud, or abuse?

19. Describe how your agency's accounting interfaces with disbursements. Does your agency have written procedures that contain a description of the method(s), mechanism(s), and frequency for reporting your agency's disbursement transactions to Treasury?

20. In the case of a \$50 million or larger disbursement, does your agency give proper notification to Treasury beforehand?

21. Has your agency at any time failed to notify Treasury of an upcoming large dollar disbursement? If yes, what were the circumstances?

Agency Records/Maintenance Controls

22. Are disbursing records kept based on the formal record retention policy for your agency? Describe the interface between your agency's formal record retention policy and your agency's specific procedures for the maintenance, storage, and applicable destruction of manual and electronic disbursements, and disbursement accounting records.

23. Is access to areas that process and/or store electronic information limited to those with an official need to know? How is access controlled?

Agency Check Issuance, Check, and Check Stock Controls

24. How does your agency report your detailed check-issue transmittals to Treasury?
25. What is the frequency with which your agency reports your check issuance?
26. What measures does your agency take to ensure the timely reporting of your check issuance to FMS? Within the last fiscal year has your agency ever been late in reporting check issuance? If so, why and what measures has your agency taken to mitigate the situation?
27. Within the last fiscal year has your agency received an Advice of Check Issue Discrepancy? If so, what measures has your agency taken to correct the discrepancy and to mitigate future errors?
28. Describe all occurrences in the past 2 years in which your agency released duplicate or other improper payments.
29. Does your agency perform verifications of values, worth, or amounts of shipments related to check stock and live checks? (This would apply to the receipt at bulk storage points of shipments of check stock, verification of audits, and allotment shipments to the United States Postal Service.)
30. Describe the internal controls used by your agency to secure live checks and check stock. Include in your description the types of controlled areas in which live checks and check stock are stored and who and at what times individuals have access to these areas. Also describe the procedures for dual control and the escorting of visitors.
31. Describe the process and internal controls your agency uses when voiding live checks. Include in your description how and when checks are voided, who (job function) voids the checks, the supervisory controls, and/or how spoiled, damaged, unusable, and voided checks are accounted for and reported.
32. Has there ever been any evidence of fraud, waste, or abuse in the maintenance of live checks or check stock? Describe when the occurrence took place and any corrective action that was taken as a result of it.
33. Has there ever been any occurrence of lost check stock? Describe when the occurrence took place and any corrective action that was taken as a result of it.
34. Describe your agency's process for performing periodic check inventories of live checks and check stock.
35. Describe your agency's prescribed process for destroying checks. Include in your description the method(s) for destruction, how destroyed checks are recorded, and the controls for witnessing.

Miscellaneous

36. Does your agency submit to FMS a TIN Implementation Report as required?

Contacts

Direct questions concerning this guide to:

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