

U.S. NUCLEAR REGULATORY COMMISSION MANAGEMENT DIRECTIVE (MD)

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| MD 4.3 | FINANCIAL MANAGEMENT SYSTEMS | DT-17-123 |
| <i>Volume:</i> | Financial Management | |
| <i>Approved By:</i> | Maureen E. Wylie, Chief Financial Officer | |
| <i>Date Approved:</i> | June 22, 2017 | |
| <i>Cert. Date:</i> | N/A, for the latest version of any NRC directive or handbook, see the online MD Catalog . | |
| <i>Issuing Office:</i> | Office of the Chief Financial Officer Division of the Controller | |
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| EXECUTIVE SUMMARY | | |
| <p>Management Directive 4.3, “Financial Management Systems,” is revised to reflect updates to the Financial Accounting and Integrated Management Information System (FAIMIS) and updates to the Office of Management and Budget (OMB) Circular A-11, OMB Circular A-123, and OMB Circular A-130.</p> | | |

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I. POLICY

It is the policy of the U.S. Nuclear Regulatory Commission that the development, operation, evaluation, and reporting of all NRC financial management systems adhere to the policies, procedures, and standards specified in this management directive (MD) and in conformance with Federal legislation and regulations.

II. OBJECTIVES

- Ensure that NRC financial systems provide for (1) complete, reliable, consistent, timely, and useful information that is responsive to the financial information needs of the Commission, NRC management, and other appropriate agencies, such as the Department of the Treasury, Office of Management and Budget (OMB), and Government Accountability Office (GAO); (2) deterrence of fraud, waste, and abuse; and (3) facilitation of efficient and effective delivery of NRC programs through relating financial consequences to program performance.
- Develop and implement plans and procedures for the (1) design, implementation, and evaluation of NRC financial systems; (2) preparation of required reports; and (3) correction of all noted instances of significant nonconformance using Federal legislation, regulations, guidelines, and definitions.
- Ensure the integrity of NRC financial information in accordance with the objectives, responsibilities, and requirements set forth in the Federal legislation and regulations.
- Submit an annual report to the President and Congress on whether the agency's financial management systems comply with the principles, standards, and related requirements prescribed by the Comptroller General of the United States in accordance with Section 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) (31 U.S.C. 3512(d)). The annual report also indicates whether the agency's financial management systems are in substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) (Public Law 104-208).
- Incorporate financial systems plans into the NRC's annual and strategic plans for the enterprise information technology (IT) infrastructure and enterprise information systems.
- Incorporate financial systems plans into the NRC's budget formulation and planning processes.

III. ORGANIZATIONAL RESPONSIBILITIES AND DELEGATIONS OF AUTHORITY

A. Chairman

1. Signs and transmits to the President and Congress an annual report on whether NRC's financial management systems comply with the principles, standards, and related requirements prescribed by the Comptroller General of the United States in accordance with Section 4 of the FMFIA. The annual report also indicates whether the agency's financial management systems are in compliance with the FFMIA.
2. Establishes and maintains systems of accounting and internal control as required by 31 U.S.C. 3512, "Executive Agency Accounting and Other Financial Management Reports and Plans" (31 U.S.C. 3512(b)).

B. Chief Financial Officer (CFO)

1. Ensures that the planning, design, implementation, operation, evaluation, and reporting on NRC's financial management systems are performed in accordance with Federal legislation and regulations, including, but not limited to—
 - (a) OMB Federal Financial Management System Requirements (FFMSR) Series;
 - (b) OMB Circular A-11, "Preparation, Submission, and Execution of the Budget"; OMB Circular A-123, "Compliance with the Federal Financial Management Improvement Act of 1993"; and OMB Circular A-130, "Managing Information as a Strategic Resource"; and
 - (c) OMB Memorandum M-04-19, "Information Technology (IT) Project Manager (PM) Qualification Guidance," July 21, 2004; OMB Memorandum M-13-23, "Appendix D to Circular No. A-123, Compliance with the Federal Financial Management Improvement Act of 1996," September 20, 2013; OMB Memorandum M-15-14, "Management and Oversight of Federal Information Technology," June 10, 2015; OMB Memorandum M-16-17, "OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control," July 15, 2016; and the Program Management Improvement Accountability Act (Pub. L. 114-264, 130 Stat. 1371 (2016)).
2. Reviews and approves the requirements defined for the agency's financial management systems and maintains an integrated financial management system that complies with the requirements of paragraph (a)(3) of 31 U.S.C. 902, "Authority and Functions of Agency Chief Financial Officers."
3. Serves as the senior agency official responsible for coordinating the overall NRC effort for assessing, improving, and reporting on financial management systems in accordance with the Federal legislation and regulations, including, but not limited to,

the OMB Circulars and Memoranda referenced in Sections III.B.1 (b) and (c) of this directive.

4. In coordination with the Executive Committee on Enterprise Risk Management, prepares the annual report to the President and Congress addressing the conformance of NRC's financial management systems with the principles, standards, and related requirements prescribed by the Comptroller General of the United States, as required by Section 4 of the FFMIA, OMB Circular A-11, OMB Memorandum M-13-23 (Appendix D to Circular A-123), OMB Circular A-130, and the Government Performance and Results Act Modernization Act (GPRAMA) of 2010. MD 4.4, "Internal Control," describes the policy guidance and direction to improve the accountability and effectiveness of NRC programs and operations by leveraging internal control best practices.
5. In coordination with OCIO, reviews and approves the design requirements, acquisition strategy and contracting vehicle(s), and budget for the development and enhancement of NRC financial management systems. MD 4.7, "Budget Formulation," describes the policy guidance and direction for developing the agency's annual budget, and MD 4.8, "Budget Execution," describes the policy guidance and direction for executing the agency's funded appropriation.
6. Monitors and evaluates the implementation of NRC financial management systems and conformance with the principles, standards, and related requirements prescribed by—
 - (a) The FFMIA;
 - (b) OMB Circular A-11, Appendix D to OMB Circular A-123, and OMB Circular A-130;
 - (c) OMB Memoranda M-10-26, "Immediate Review of Financial Systems IT Projects," and OMB Memoranda M-13-08, "Improving Financial Systems Through Shared Services";
 - (d) GPRAMA;
 - (e) The Clinger-Cohen Act (40 U.S.C. 1401 et seq.);
 - (f) The Federal Acquisition Streamlining Act of 1994 (FASA) (44 U.S.C. 3506);
 - (g) The E-Government Act of 2002 (44 U.S.C. 3501);
 - (h) Federal Information Security Modernization Act of 2014 (44 U.S.C. 3531 et seq.);
 - (i) Federal Information Technology Acquisition Reform Act (FITARA) of 2014, Pub. L. 113-291, §§ 831-837 of Div. A, Title VII, Subtitle D;
 - (j) Section 508 of the Rehabilitation Act, as amended (29 U.S.C. 794d);

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- (k) MD 2.8, "Integrated Information Technology/Information Management (IT/IM) Governance Framework"; MD 12.5, "NRC Cybersecurity Program"; MD 3.53, "NRC Records and Document Management Program," which discusses the Records and Information Management (RIM) process;
 - (l) The financial system objectives specified in Handbook 4.3, Section II;
 - (m) MD 6.9, "Performance Management," which provides policy guidance and direction for the agency's performance management process to ensure compliance with agency performance and reporting requirements in the GPRAMA and OMB Circular A-11; and
 - (n) MD 6.10, "Strategic Planning," which provides policy guidance and direction for the agency's strategic planning process to ensure compliance in the strategic planning process with the GPRAMA and OMB Circular A-11.
7. Evaluates and monitors contractor performance regarding technical design, development, and testing of financial systems. Ensures that adequate skills exist among contractor personnel to complete the system within budget and schedule. Measures project activities, milestones, and related deliverables against project plans.
 8. Develops and annually updates the agencywide inventory of all existing and proposed NRC financial management systems that are subject to the provisions of this directive.
 9. Establishes and maintains a quality assurance and monitoring program to—
 - (a) Ensure the adequacy of financial system assessments,
 - (b) Ensure efficient management of IT investments,
 - (c) Ensure that there is adequate justification for departures from OMB financial policies and objectives, and
 - (d) Track planned improvements.
 10. Ensures that the management of financial systems conforms to OMB Circular A-130 requirements for the management of information resources.
 11. Designates a qualified project manager, as defined by OMB Memorandum M-04-19, "Information Technology (IT) Project Manager (PM) Qualification Guidance," for each applicable financial management system in the inventory, listed in Handbook 4.3, Section I. OMB Memorandum M-04-19 is augmented by a December 16, 2013, Office of Federal Procurement Policy (OFPP) Memorandum, "Revisions to the Federal Acquisition Certification for Program and Project Managers (FAC-P/PM)."

12. Ensures that agency financial system project managers are adequately trained to fulfill the responsibilities described in this directive.
13. Ensures that timely corrective actions are taken regarding instances of nonconformance disclosed through financial system assessments.
14. Ensures that NRC's accounting principles and standards; NRC MD 4.1, "Accounting Policy and Practices"; and NRC financial management system requirements in Handbook 4.3, Section II, are implemented, maintained, and reviewed on an ongoing basis for financial management systems within the CFO's control.
15. Designs, operates, and evaluates financial management systems within the CFO's control (including sections of other systems within the CFO's control that are a part of the NRC financial management system) in compliance with MD 4.1, MD 2.8, and NRC's financial management system requirements specified in Handbook 4.3, Section II.
16. Ensures that software (purchased or developed internally) for special accounting needs are addressed through the capitalization of software component of MD 4.1.
17. Ensures that the acquisition of new financial systems complies with Federal financial system requirements.
18. Notifies the Inspector General (IG) when instances of fraud, waste, or abuse are suspected.
19. Delegates to the Controller, pursuant to the Chief Financial Officers' Act of 1990, responsibility for financial systems. The Controller is responsible for the overall management and integrity of financial systems and related financial information.

C. Controller

Shall report and be responsible to the CFO. The Controller has agencywide responsibility for financial systems. As such, the Controller is responsible for the overall management and integrity of financial systems and related financial information. Specifically, the Controller—

1. Leads efforts to streamline financial systems and identify systems improvement opportunities.
2. Provides agency senior management with expert technical advice and assistance related to financial systems.
3. Directs the establishment of the agency's financial systems development strategy and coordinates its implementation, ensuring that all NRC financial management systems meet established Federal requirements, encompass effective business process improvements, and comply with the established enterprise architecture.

4. Directs the implementation and maintenance of the agency's cost accounting system, ensuring that it meets established requirements for Federal financial systems.
5. Ensures financial systems are maintained, operated, and made available to agency users for the purposes of processing and recording the agency's official financial records resulting from financial transactions.

D. Inspector General (IG)

The NRC's Office of the Inspector General (OIG) was established on April 15, 1989, pursuant to Inspector General Act Amendments contained in Public Law 100-504.

1. Reviews NRC financial management systems and makes recommendations concerning the adequacy of financial management system operations, the effectiveness of internal controls, and the integrity of data maintained in the systems.
2. Provides technical assistance and advice to the CFO regarding the evaluation and improvement of financial management systems.
3. Reports to the Chairman that financial management system assessments have been performed in accordance with Section 4 of the FMFIA and OMB circulars and memoranda.
4. Reports all significant instances of the nonconformance of financial management systems to the CFO.
5. Performs assessments to determine the extent to which the policies, standards, objectives, and responsibilities established by and referenced in this directive are carried out.
6. Investigates suspected instances of fraud, waste, and abuse.

E. Chief Information Officer (CIO), Office of the Chief Information Officer (OCIO)

1. Develops agencywide policy and procedures for IT investment planning, development, maintenance, and decommissioning in conformance with Federal regulations and guidelines and ensures adherence by the IT investment sponsors.
2. Ensures that approval of IT investments for CFO-approved financial management systems are in compliance with the CPIC process and PMM, including consideration of business process improvements.
3. Ensures that financial management system design requirements align with IT investment planning and enterprise architecture.
4. Ensures alignment with CFO for Federal initiatives, such as shared services.

5. Ensures that financial management systems are in compliance with MD 3.53 and the RIM process.

F. Chief Information Security Officer (CISO), Office of the Chief Information Officer (OCIO)

Ensures that IT investments for CFO-approved financial management systems are in compliance with MD 12.5, “NRC Cybersecurity Program,” and Federal computer security and privacy regulations and guidelines.

G. Office Directors and Regional Administrators

Ensure that the sources of financial management data are the financial management systems identified in Handbook 4.3, Section I, and that the data are accurately reflected in analyses, reports, or other financial information.

H. Financial System Project Managers

1. Design and operate financial systems in compliance with NRC's accounting principles and standards; this MD, MD 2.8, MD 3.53, MD 4.1, and MD 12.5; and NRC's financial management system requirements specified in Handbook 4.3, Section II.
2. Ensure that financial management system design requirements are approved by the CFO and CIO before proceeding with the development or modification of a financial management system.
3. Ensure that the “under development” efforts of the financial management systems are using the earned value management (EVM) methodology and are monitored according to the CPIC process identified in MD 2.8. This step will ensure that the system development effort is managed efficiently.
4. Evaluate annually the procedural and systematic operations of the operational financial management systems for which they are responsible. The evaluations will be performed according to the guidance provided in Handbook 4.3, Section II.M.
5. Report to the CFO instances of financial system assessment nonconformance upon discovery, including documentation relative to proposed corrective action.
6. Maintain FAC-P/PM Certification. (An additional reference that can help project managers support the CFO is the Financial Systems Integration Office's (FSIO) document titled “FSIO OFFM-NO-0106, REQ. Core Financial System Requirements, 2006.”)

IV. APPLICABILITY

This MD applies to and must be followed by all NRC offices that either use financial management data from, or have management control over, a financial management system listed in Handbook 4.3, Section I.

V. DIRECTIVE HANDBOOK

Handbook 4.3 provides an inventory of NRC financial management systems, the NRC financial management system requirements, the guidelines for performing annual financial management system assessments, a description of the quality assurance and monitoring program, and a glossary.

VI. REPORTS

- A.** The Chairman must submit a financial report each year to the President and Congress addressing the compliance of NRC's integrated financial management systems with the principles, standards, and related requirements prescribed by the Comptroller General of the United States as required by the FMFIA; the FFMIA; the GPRAMA; the Clinger-Cohen Act; Federal Information Security Modernization Act; OMB Circular A-11, Appendix D to OMB Circular A-123, and OMB Circular A-130; and other OMB directives. This financial report is called the Annual Financial Report (AFR).

- B.** In accordance with MD 2.8, the CFO, together with the EDO and the CIO, reviews and approves the selections and budget for the IT/IM investment portfolio recommended by the IT/IM Portfolio Executive Council (IPEC) and submits recommendations to the Chairman, in accordance with FITARA. To support this effort, the financial system project manager shall, annually, prepare a report summarizing the results of the financial system assessment performed and shall submit the report to the CFO in accordance with the schedule established in the annual update to the Five-Year Plan for Review of Financial Management Systems. The CFO reviews and issues the Five-Year Financial Management System Plan for improving financial management systems. This plan is to be transmitted annually to OMB in accordance with OMB Circular A-11 and Appendix D to OMB Circular A-123. The plan is submitted as part of the NRC's annual budget submission and must—
 - 1. Address the NRC's strategy, priorities, and timetable for meeting Governmentwide objectives and requirements.
 - 2. Feature a review and change approval process for financial management systems.
 - 3. Include specific milestones, along with obligation and outlay estimates, for each financial management system making up the overall integrated NRC financial management system.

4. Include an inventory and schematic of current financial management systems, as well as future systems after planned improvements.
5. Include a statement as to the NRC's current level of compliance with Governmentwide requirements for financial management systems.

VII. REFERENCES

National Archives and Records Administration (NARA) Regulations (36 CFR Part 1236).

Nuclear Regulatory Commission Documents

Management Directives

- 2.8, "Integrated Information Technology/Information Management (IT/IM) Governance Framework."
- 3.53, "NRC Records and Document Management Program."
- 4.1, "Accounting Policy and Practices."
- 4.4, "Internal Control."
- 4.7, "Budget Formulation."
- 4.8, "Budget Execution."
- 6.9, "Performance Management."
- 6.10, "Strategic Planning."
- 12.5, "NRC Cybersecurity Program."

Office of Management and Budget (OMB)

OMB Office of Federal Financial Management (OFFM), Federal Financial Management System Requirements (FFMSR) Series (formerly JFMIP system requirements):

- FFMSR-0, "Framework for Federal Financial Management Systems," April 2004.
- FFMSR-1, "Core Financial System Requirements," November 2001.
- FFMSR-2, "HR/Payroll System Requirements," April 1999.
- FFMSR-3, "Travel System Requirements," July 1999.
- FFMSR-4, "Managerial Cost Accounting System Requirements," February 1998.
- FFMSR-7, "Inventory System Requirements," June 1995.

Office of Federal Procurement Policy

The Federal Acquisition Certification for Program and Project Managers, (FAC-P/PM), March 31, 2014.

Memorandum, "Acquisition Innovation Labs & Pilot for Digital Acquisition Innovation Lab," March 9, 2016.

Memorandum, "Revisions to the Federal Acquisition Certification for Program and Project Managers (FAC-P/PM)," December 16, 2013.

OMB Circulars and Memoranda

OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," (annually).

OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," July 15, 2016, as amended by OMB Memorandum M-16-17.

OMB Circular A-130, "Managing Information as a Strategic Resource," July 28, 2016.

OMB Memorandum M-04-19, "Information Technology (IT) Project Manager (PM) Qualification Guidance," July 21, 2004.

OMB Memorandum M-09-02, "Information Technology Management Structure and Governance Framework," October 21, 2008.

OMB Memorandum M-10-26, "Immediate Review of Financial Systems IT Projects," June 28, 2010.

OMB Memorandum M-11-29, "Chief Information Officer Authorities," August 8, 2011.

OMB Memorandum M-13-08, "Improving Financial Systems Through Shared Services," March 23, 2013.

OMB Memorandum M-13-23, "Appendix D to Circular No. A-123, Compliance with the Federal Financial Management Improvement Act of 1996," September 20, 2013.

OMB Memorandum M-15-12, "Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable," May 8, 2015.

OMB Memorandum M-15-14, "Management and Oversight of Federal Information Technology," June 10, 2015.

OMB Memorandum M-15-19, "Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing," July 17, 2015.

OMB Memorandum M-16-11, "Improving Administrative Functions Through Shared Services," May 4, 2016.

OMB Memorandum M-16-12, "Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing," June 2, 2016.

OMB Memorandum M-16-17, "OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control," July 15, 2016.

OMB Memorandum M-17-04, "Additional Guidance for Data Act Implementation: Further Requirements for Reporting and Assuring Data Reliability," November 4, 2016.

United States Code and Statutes

31 U.S.C. 902, "Authority and Functions of Agency Chief Financial Officers."

31 U.S.C. 3512, "Executive Agency Accounting and Other Financial Management Reports and Plans."

Chief Financial Officers Act of 1990, as amended, (31 U.S.C. 501-506, 901-903, 3512(a), 3515, 3521(e)-(h), and 9105-9106).

E-Government Act of 2002 (44 U.S.C. 3501 note).

Federal Acquisition Streamlining Act of 1994, Public Law 103-355.

Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 note).

Federal Information Security Modernization Act of 2014, (44 U.S.C. 3541 et seq.).

Federal Information Technology Acquisition Reform Act (FITARA) of 2014, Pub. L. 113-291, 831-837 of Div. A, Title VII, Subtitle D.

Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(d)).

Government Performance and Results Modernization Act of 2010 (GPRAMA).

Information Technology Management Reform Act of 1996 (also known as the Clinger-Cohen Act) (40 U.S.C. 1401(3) et seq.).

Inspector General Act Amendments, Public Law 100-504.

Office of Federal Procurement Policy (OFPP) Act, 41 U.S.C. 1101 et. seq., and OFPP Policy Letter 05-01.

Paperwork Reduction Act of 1995 (44 U.S.C. 3501).

Program Management Improvement Accountability Act of 2016 (P.L. 114-264).

Section 508 of the Rehabilitation Act, as amended (29 U.S.C. 794d).

United States Department of the Treasury, Bureau of Fiscal Services

Treasury Financial Manual, Volume I: Federal Agencies, "United States Standard General Ledger," Supplement at <http://fm.fiscal.treasury.gov/>.

U.S. NUCLEAR REGULATORY COMMISSION DIRECTIVE HANDBOOK (DH)

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| DH 4.3 | FINANCIAL MANAGEMENT SYSTEMS | DT-17-123 |
| <i>Volume :</i> | Financial Management | |
| <i>Approved By:</i> | Maureen E. Wylie, Chief Financial Officer | |
| <i>Date Approved:</i> | June 22, 2017 | |
| <i>Cert. Date:</i> | N/A, for the latest version of any NRC directive or handbook, see the online MD Catalog . | |
| <i>Issuing Office:</i> | Office of the Chief Financial Officer Division of the Controller | |
| <i>Contact Name:</i> | Tung Truong | |
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I. INVENTORY OF U.S. NUCLEAR REGULATORY COMMISSION FINANCIAL SYSTEMS

The following inventory of NRC financial management systems was developed in accordance with the criteria specified in Appendix D to Office of Management and Budget (OMB) Circular A-123, "Compliance with the Federal Financial Management Improvement Act of 1996," which has replaced the rescinded Circular A-127. This inventory of systems is subject to financial systems assessments. It includes systems that are currently operational (O) or under development (UD). The financial management systems are categorized as financial systems or mixed systems.

| Financial Management System Name | Office | Status |
|---|--------|--------|
| Financial Systems | | |
| Financial Accounting and Integrated Management Information System (FAIMIS)* | OCFO | O |
| Mixed Systems | | |
| Budget Formulation System (BFS) | OCFO | O |
| Human Resource Management System (HRMS) | OCFO | O |
| Federal Personnel/Payroll System (FPPS)** | OCHCO | O |
| Technical Assignment Control System (Legacy) | OCFO | O |
| Technical Assignment Control (TAC) Legacy System Replacement (LSR) | OCFO | UD |
| Electronic Government Travel System 2 (ETS 2) – operated by U.S. GSA | GSA | O |

OCFO = Office of the Chief Financial Officer
OCHCO = Office of the Chief Human Capital Officer
U.S. GSA = United States General Services Administration

O = Operational
UD = New system under development

*FAIMIS is an integrated system that includes functionality for agency's core financial, cost accounting, license fee billing, and capitalized property activities. FAIMIS was modernized and moved to the FedRAMP Microsoft Azure Government public cloud.

**NRC converted to the Department of the Interior's (DOI) FPPS as a result of a Federal mandate referred to as E-Payroll. The E-Payroll initiative is part of a larger E-Government project which plans to streamline common Federal processes. DOI provides Payroll services previously provided by OCFO. FPPS became the NRC system of record effective Sunday, November 2, 2003. OCHCO is the lead office for FPPS.

II. NRC FINANCIAL SYSTEM REQUIREMENTS

A. Agencywide Financial Information Classification Structure

1. The design of NRC financial management systems shall reflect an agencywide information classification structure that is consistent with the U.S. Government Standard General Ledger (SGL), provides for tracking of specific program expenditures, and covers financial and financially related information. The SGL is described in the Treasury Financial Manual, Volume I: Federal Agencies, "United States Standard General Ledger" supplement, available at <http://tfm.fiscal.treasury.gov/>. The structure should—
 - (a) Minimize data redundancy,
 - (b) Ensure that consistent information is collected for similar transactions,
 - (c) Encourage consistent formats for entering data directly into the financial management systems, and
 - (d) Ensure that consistent information is readily available and provided to agency managers at all levels.
2. The system designs shall support budget, accounting, and financial management reporting processes providing consistent information for budget formulation, budget execution, programmatic and financial management, performance measurement, and financial statement preparation.

B. Integrated Financial Management System

The financial systems comprising the NRC integrated financial management system shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the system. The financial systems shall have the following characteristics:

1. Common Data Elements. Standard data classifications (definitions and formats) shall be established and used for recording financial events. Governmentwide information standards and other external reporting requirements shall be incorporated into the agency's standard data classification requirements.
2. Common Transaction Processing. Common processes shall be used for processing similar kinds of transactions throughout the system to enable these transactions to be reported in a consistent manner.
3. Consistent Management Controls. Management controls over data entry, transaction processing, and reporting shall be applied consistently throughout the financial management system to ensure the validity of information and protection of Federal Government resources.
4. Efficient Transaction Entry. Financial system designs shall eliminate unnecessary duplication of transaction entry. Where appropriate, data needed by the systems to support financial functions shall be entered only once, and other parts of the system shall be updated through electronic means consistent with timing requirements.
5. Application of the U.S. Government Standard General Ledger at the Transaction Level. Financial events shall be recorded throughout the financial management system, applying the requirements of the SGL at the transaction level. Compliance requires that—
 - (a) Data in financial reports are consistent with the SGL,
 - (b) Transactions are recorded consistent with SGL rules,
 - (c) Supporting transaction detail for SGL accounts is readily available, and
 - (d) Any supplement to the application of the SGL must be in accordance with Treasury Financial Manual, Volume I.

C. Federal Accounting Standards

1. The NRC's financial management system shall maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the OMB Director and/or the Treasury Department. Where no accounting standards have been recommended by the FASAB and issued by OMB, the systems shall maintain data in accordance with the applicable accounting standards used by the agency for preparation of its financial statements. (Refer to Management Directive (MD) 4.1, "Accounting Policy and Practices.")
2. The financial management system shall be flexibly designed to adapt to changes in accounting standards.

D. Financial Reporting

The financial management system shall meet the following NRC reporting requirements:

1. Agency Financial Management Reporting. The financial management system shall be able to provide financial information in a timely and useful fashion to—
 - (a) Support management's fiduciary role;
 - (b) Support the legal, regulatory, and other special management requirements of the NRC;
 - (c) Support budget formulation and execution;
 - (d) Support fiscal management of program delivery and program decision making;
 - (e) Comply with internal and external reporting requirements, including the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, and the reporting requirements prescribed by the U.S. Department of the Treasury; and
 - (f) Monitor the financial management system to ensure the integrity of financial data.
2. Performance Measures. The financial management system shall be able to capture and produce financial information required for performance measurement under the Government Performance and Results Act Modernization Act (GPRAMA) of 2010.

E. Budget Reporting

The financial management system shall enable the preparation, execution, and reporting on the NRC's budget in accordance with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," and other circulars and bulletins issued by OMB.

F. Functional Requirements

The financial management system shall conform to the functional requirements for the design, development, operation, and maintenance of financial management systems defined in the Federal Financial Management System Requirements publications, originally issued by the Joint Financial Management Improvement Program (JFMIP), now an OMB Office of Federal Financial Management responsibility. Additional functional requirements may be established through OMB circulars, bulletins, and the Treasury Financial Manual.

G. Federal Information Security Management Act (FISMA) Requirements

Security controls shall be planned for and incorporated in accordance with the FISMA requirements, which were updated in the Federal Information Security Modernization Act of 2014, OMB Circular A-130, and MD 12.5, "NRC Cybersecurity Program."

H. Documentation

NRC financial systems shall be clearly documented in accordance with requirements contained in the Federal Financial Management System Requirements publications. System user documentation shall be in sufficient detail to permit a person knowledgeable of the NRC's programs, and of systems generally, to understand the entire operation of each financial system. Technical systems documentation, such as requirements documents, systems specifications, and operating instructions, shall be adequate to enable technical personnel to operate the system in an effective and efficient manner.

I. Recordkeeping Requirements

Financial management system records must be maintained in accordance with National Archives and Records Administration (NARA) approved records disposition schedules as required in the NARA regulations (36 CFR Part 1236) and the NRC's implementing procedures contained in NRC MD 3.53, "NRC Records and Document Management Program."

J. Internal Controls

1. The financial management system shall include a system of internal controls that ensure—
 - (a) Resource use is consistent with laws, regulations, and policies;
 - (b) Resources are safeguarded against waste, loss, and misuse; and
 - (c) Reliable data are obtained, maintained, and disclosed in reports.
2. Such system controls form a portion of the management control structure required by OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control.”
3. MD 4.4, “Internal Control,” provides an overall framework for establishing and maintaining internal control, and identifies and addresses major performance and management challenges and areas of greatest risk of fraud, waste, abuse, and mismanagement.

K. Training and User Support

Adequate training and appropriate user support shall be provided to the users of the financial management system, based on the level, responsibility, and roles of individual users, to enable the users of the system at all levels to understand, operate, and maintain the system.

L. Maintenance

Ongoing maintenance of the financial management systems shall be performed to enable the systems to continue to operate in an effective and efficient manner. The NRC shall periodically evaluate how effectively and efficiently the financial management systems support the NRC’s changing business practices and make appropriate modifications.

M. Annual Financial System Assessment Process

Decisionmakers and mandated processes will support the system owners. Decisionmakers comprise the Chairman, the Executive Director for Operations (EDO), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO). Mandated processes include IT Capital Planning and Investment Control (CPIC). Decisionmakers and financial system project managers, along with supporting staff who include information system security officers (ISSOs) and OCIO/IT security specialists, perform the following activities.

1. Financial system project managers shall evaluate annually the financial systems identified in the financial systems inventory in Section I of this handbook to determine conformance of the systems with the principles, standards, and other requirements of the Comptroller General and OMB Circular A-11 and implemented through Appendix D to OMB Circular A-123.
2. Financial system assessments must be based on the characteristics presented in the financial system requirements in Section II of this handbook and shall be performed in accordance with Appendix D to OMB Circular A-123.
3. The financial system project manager shall perform a detailed system evaluation, at least once every 3 years, of each financial system that is not to be replaced or combined with another financial system within the next 2 fiscal years. The financial system project manager shall establish a tailored program for the detailed system evaluation. The program must provide appropriate criteria for testing and measurement based on the financial system requirements in Section II of this handbook, as well as on the applicable requirements of law, regulations, or other authoritative sources. The program must provide for the testing of a variety of transactions selected on a valid sampling basis. Transactions must be traced through the financial system to determine how the system reacts and whether the reactions are in accordance with the criteria prescribed in the financial system project manager's evaluation program. The CFO shall review departures from the policies and objectives detailed in Appendix D to OMB Circular A-123 (also see Section II of this handbook) to determine if such departures can continue to be justified.
4. The financial system project manager shall perform a limited system review annually of each financial system if the system is not subject to a detailed system evaluation. The financial system project manager shall conduct the assessment in consultation with the operators and users through the use of an appropriate questionnaire, checklist, or a similar methodology.
5. The financial system project manager shall evaluate the results of each financial system assessment and take appropriate action to implement necessary improvements.
6. In accordance with MD 2.8, the CFO, together with the EDO and the CIO, reviews and approves the selections and budget for the IT/IM investment portfolio recommended by the IPEC and submits recommendations to the Chairman, in accordance with the Federal IT Acquisition Reform Act (FITARA). To support this effort, the financial system project manager shall prepare an annual report summarizing the results of the financial system assessment performed and submit

- the report to the CFO in accordance with the schedule established in the annual update to the Five-Year Plan for Review of Financial Management Systems issued by the CFO. The report shall—
- (a) Provide assurance that the financial system assessment has been performed in accordance with OMB Circular A-130 and Appendix D to OMB Circular A-123.
 - (b) State whether each financial system conforms to the accounting principles, standards, and requirements of the Comptroller General as implemented through Appendix D to OMB Circular A-123.
 - (c) State whether the report fairly portrays the financial system.
7. The CFO shall prepare a report summarizing the results of each financial system assessment and identifying each instance of material nonconformance with the policies and objectives set forth in Appendix D to OMB Circular A-123. A summary of planned improvements and the priority for each action shall be included in the report. This report shall be used as a basis for preparing the Five-Year Financial Management System Plan and the annual report from the Chairman to the President and Congress.
 8. The financial system project manager shall use the results of each financial system assessment for the subsequent assessment of the system.
 9. Financial system assessments under OMB Circular A-130 and Appendix D to OMB Circular A-123 must be coordinated or consolidated to the greatest extent practicable.
 10. The financial system project manager shall consider financial statement audits and other audits in establishing the scope of the program for a detailed system evaluation.

N. Quality Assurance and Monitoring Program

1. The financial system project manager shall provide written assurance to the CFO, for incorporation in the annual report from the Chairman to the President and Congress, that—
 - (a) The processes for the annual evaluation of each financial system have been carried out in accordance with OMB Circular A-130 and Appendix D to OMB Circular A-123.

- (b) Each financial system conforms to the accounting principles, standards, and requirements of the Comptroller General as implemented through Appendix D to OMB Circular A-123.
2. Each financial system project manager shall ensure that an appropriate annual financial system assessment is performed in accordance with Appendix D to OMB Circular A-123 and Section II.M of this handbook, the assessment results are evaluated, and corrective actions are documented, taken, and monitored.
 3. Each financial system project manager shall ensure that a further evaluation of each detailed system evaluation is performed. If feasible, this further evaluation shall be performed by an independent individual who is outside the supervision and control of the financial system project manager. The purpose of the further evaluation is to ensure that—
 - (a) The initial detailed system evaluation was conducted in accordance with this MD and OMB directives.
 - (b) Documentation exists to support the conclusions reached in the detailed system evaluation.
 - (c) The evaluation methods are described (including the transaction testing process).
 - (d) The personnel involved in the detailed system evaluation and their roles are identified.
 4. The CFO shall establish and maintain a monitoring system to ensure that both limited system reviews and detailed system evaluations are performed as required.
 - (a) Annually, the CFO shall update the Five-Year Plan for Review of Financial Management Systems to ensure compliance with annual and triennial assessments.
 - (b) The progress of each annual financial system assessment will be tracked to ensure that it is complete and timely.
 - (c) Information regarding departures from the policies and objectives in Appendix D to OMB Circular A-123 (also see Section II of this handbook) will be accumulated.
 - (d) Information regarding each instance of significant nonconformance with the policies and objectives set forth in Appendix D to OMB Circular A-123 will be

accumulated for consideration in the reports described in Section VI, "Reports," of this directive.

5. In conjunction with the CIO, the CFO shall track planned improvements to financial systems and report on the implementation in subsequent updates of the Five-Year Financial Management System Plan.

III. GLOSSARY

Accounting system. A financial system that includes the total structure of methods and procedures used to record, classify, and report information on the financial position and operations of NRC. The system comprises the various operations involving the authorizing, recording, classifying, and reporting of financial data related to revenues, expenses, assets, liabilities, and equity.

Application. A group of interrelated components of financial or mixed systems that supports one or more functions and has the following characteristics: a common database, common data element definitions, standardized processing of similar types of transactions, and common version control over software.

Architecture. A framework for describing the relationship between business functions and the technologies and information that support them.

Capital Planning and Investment Control (CPIC). The CPIC process, which is mandated by the Clinger/Cohen Act of 1996, provides the Chief Information Officer (CIO) with the technical and business value analyses necessary for selecting and monitoring the performance of the agency's IT investments. The NRC's CPIC process also provides information to the NRC's Information Technology/Information Management Portfolio Executive Council (IPEC), which prioritizes investments in the IT portfolio.

Detailed system evaluation. The substantive self-examination by project managers, operators, and users of a financial system made through the use of an evaluation program and including transaction testing.

Earned Value Management (EVM). A project (investment) management tool that effectively integrates the investment scope of work with schedule and cost elements for optimum investment planning and control.

Federal IT Acquisition Reform Act (FITARA). The FITARA, enacted on December 19, 2014, builds upon the requirements set forth in the Clinger-Cohen Act by establishing the Common Baseline for IT Management, representing a set of roles and responsibilities for the agency CIO and other senior agency officials.

Financial management system. A financial system and the financial portion of mixed systems that support the interrelationships and interdependencies between budget, cost, and management functions, and the information associated with business activities.

Financial system project manager. The individual designated as responsible for each financial management system identified in Handbook 4.3, Section II.A. This responsibility includes ensuring that the system is established, maintained, reviewed, improved, and reported upon in accordance with the requirements of this directive.

Financial systems. One or more applications that are used for any of the following:

- Collecting, processing, maintaining, transmitting, and reporting data about financial events;
- Supporting financial planning or budgeting activities;
- Accumulating and reporting cost information; or
- Supporting the preparation of financial statements.

A financial system supports the processes necessary to record the financial consequences of events that occur as a result of business activities. Such events include information related to the receipt of appropriations or resources; acquisition of goods or services; payment or collections; recognition of guarantees, benefits to be provided, or other potential liabilities or other reportable activities.

Information System Security Officer (ISSO). See MD 2.8 for IT roles and responsibilities.

Limited system review. A simple but structured procedure consisting of the use of a questionnaire, checklist, or similar methodology, to ascertain whether a financial system meets financial system requirements set forth in Handbook 4.3, Section II.B.

Mixed system. An information system that supports both financial and nonfinancial functions of NRC.

Project Management Methodology (PMM). An integrated IT system development solution developed in direct response to concerns raised by agency staff. PMM is the subject of MD 2.8, which includes the policy and a configuration process, as well as guidance, tools, and templates to support the implementation of that process.