

Chapter 1 - Introduction

Introduction to the User Guide	1-1
Purpose of the User Guide.....	1-1
Other AFS Documentation.....	1-1
User Guide Organization.....	1-2
• Volume I	1-2
• Volume II	1-2
• Additional AFS Subsystems	1-3
The AFS System Administrator.....	1-3
 Overview of AFS.....	 1-4
AFS: A Unique Approach.....	1-4
• Functionality	1-4
• Full Integration of Financial Data.....	1-4
• Operating Flexibility	1-6
• Comprehensive Decision Support.....	1-6
Key Features.....	1-7
• Automated Accounting for all Funds.....	1-7
• Multiple Bases of Accounting	1-7
• Integration with the Budget.....	1-7
• Standard Governmental Accounting Processes.....	1-8
• Flexible Account Classification	1-9
• System Tables Reduce Coding & Provide Reporting Inferences	1-11
• Integrated Budget Control	1-11
• AFS Flexible Reporting Needs	1-12

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Chapter 1 - Introduction

Introduction to the User Guide

The Advantage Financial System (AFS) is a complete financial management system specifically designed to support the functions performed by governments. In addition to the standard accounting functions of accounts payable, accounts receivable and general ledger, AFS also performs the specialized functions of encumbrance control, fund accounting, and grants and project management. Using data provided by its users, AFS maintains a financial database from which a variety of detail and summary level reports may be produced.

Purpose of the User Guide

This guide presents a detailed description of AFS for the financial manager as well as those users in the billing, payroll, purchasing, budgeting, and accounting offices who provide the data to AFS and receive its reports. The manual gives daily AFS users a basic knowledge of AFS, from which they can supply meaningful data to the system, correct the errors, interpret the reports, and otherwise carry on with their daily accounting, bookkeeping, and clerical duties within AFS's requirements. It also explains AFS accounting and processing concepts in enough detail for the user to understand how data is processed by AFS, how the various controls and system options affect the processing of that data, and the relationships among various data elements.

Other AFS Documentation

The *ISIS/AFS User Guide* is one of several AFS documents. The other documents are directed towards persons with different responsibilities within AFS, but they may be helpful references to AFS users:

- *ISIS/AFS Online Features Guide*. For anyone responsible for keying data for AFS. Includes detailed instructions for offline and online data entry. Also includes detailed coding instructions for online master table keying and inquiry.
- *ISIS/AFS Operations Guide*. For the System Administrator and others responsible for running the AFS application on computer hardware. Includes program flowcharts and processing sequences, storage and retrieval considerations, and backup and recovery recommendations.
- *ISIS/AFS Reports Manual*. For anyone responsible for reviewing system reports. Includes general and field-by-field descriptions of all reports and a sample page of the report.

User Guide Organization

The *ISIS/AFS User Guide* is divided into two volumes. Volume I addresses general system and operating considerations. Volume II describes each of the functional modules (e.g., budgeting, expenditures, etc.) provided with the basic AFS package.

Volume I

The remainder of this chapter introduces AFS.

Chapter 2 discusses in detail the AFS data base, focusing on the concept of master tables and ledgers within the AFS system. It also defines the terminology used throughout the rest of the guide, and provides a processing overview necessary for understanding how AFS actually works. The final section in this chapter summarizes management responsibilities towards AFS.

Chapter 3 describes the AFS chart of accounts, the various reporting hierarchies that are available in AFS, and other special-use, or default, codes in the system.

Chapter 4 describes the many processing and control options and features offered by AFS. All of these features require management level decisions before processing can begin. This chapter will assist the System Administrator in choosing the features that best suit the State's needs.

Chapter 5 discusses the AFS reporting capabilities and standard reports.

Volume II

Chapters 1, 2, 3, and 4 describe the AFS budget module, expenditure accounting, revenue accounting, and general accounting modules, respectively. Each chapter contains sections on coding requirements, system-maintained master tables affected, and models of accounting transactions, as well as specialized discussions appropriate to each section.

Chapter 5 contains a discussion of accounting period closing. Included is an explanation of open items clearing and any other activities required to officially close an accounting period in AFS.

Chapter 6 deals with annual closing and fiscal year-end functions.

Chapter 7 describes miscellaneous special features provided by AFS. These features are addressed in a separate chapter as they do not fall directly under a topic covered by one of the other chapters.

Chapter 8 discusses security within AFS. Basic security is described as well as the tables used to validate security.

Chapter 9 discusses AFS federal aid management capabilities. The Federal Aid Management subsystem is included as part of the basic AFS package.

INTRODUCTION

Lastly, Chapter 10 describes the AFS Project Accounting subsystem, which is also included as part of the basic AFS package.

Additional AFS Subsystems

The AFS specialized "add-on" modules, or optional subsystems, are documented in the *ISIS/AFS Subsystems User Guide*. Transaction input coding instructions, table explanations, and report descriptions for these modules are included in the appropriate chapter of the supplementary User Guide. These chapters are:

Advanced Budget Preparation	(not used in Louisiana)
Advanced Receivables	(not used in Louisiana)
Cost Allocation	
Debt Management	(not used in Louisiana)
Deposit Trust	(not used in Louisiana)
Extended Purchasing	(not used in Louisiana)
Fixed Assets	(not used in Louisiana)
Fleet Management	(not used in Louisiana)
Inventory Control	
Investment Management	(not used in Louisiana)
Job Cost Accounting	(not used in Louisiana)
Performance Measurement	(not used in Louisiana)
Project Billing	(not used in Louisiana)
Travel Accounting	(not used in Louisiana)
Work Order	(not used in Louisiana)

The AFS System Administrator

This guide refers frequently to a "System Administrator." The phrase indicates some person (or persons) responsible for the data processing and operational aspects of AFS. The System Administrator's responsibilities are documented in the *ISIS/AFS Operations Guide*.

Overview of AFS

AFS is more than simply a software package. It's an approach to meeting the needs of government managers. AFS allows managers to control financial resources and be responsive to the challenges of modern public finance.

AFS: A Unique Approach

The basic AFS system goes beyond the budgeting, general ledger, encumbrance, accounts payable, and accounts receivable capabilities normally found in a comprehensive financial package. AFS incorporates all of these functions along with grant and project accounting, cost accounting, and financial planning into the basic system configuration. The result is a single, integrated system which addresses all the key financial management processes a government needs.

A variety of optional subsystems are also available, extending AFS capabilities into all aspects of government financial administration. These subsystems are fully integrated with basic AFS - they share the same chart of accounts and data base - to provide you with a total system solution. And, importantly, each of the optional subsystems can be implemented according to your needs and schedule.

Functionality

Because significant differences exist between effective financial management in the public and private sectors, ADVANTAGE Financial is designed specifically to meet the financial information needs of the public sector.

The result is a system that provides comprehensive, efficient, site-specific functionality and easy straightforward use. Various accounting and procedural options are built into each of the 24 integrated modules. This lets you easily tailor your system through system changes.

ADVANTAGE Financial provides real-time processing, system-integration, host-workstation links, and a comprehensive decision-support tool. The system is powerful enough to meet your expanding information needs, yet uncomplicated enough for your non-technical personnel to use easily.

Full Integration of Financial Data

The AFS architecture provides complete functional and technical integration across all modules. This means that users across your organization will have a consistent view of the system, and will always operate from the same base of information. This helps ensure the consistency and accuracy of financial information.

AFS achieves this integration through:

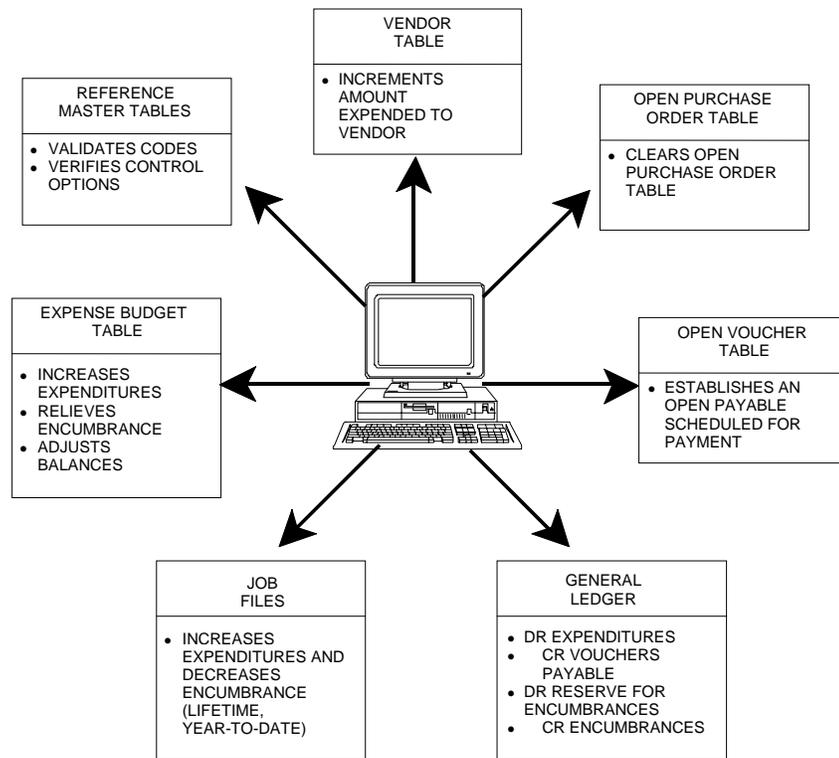
- Comprehensive front-end editing;
- Maintenance of a single, unified data base;
- Simultaneous update of all data base records;
- Using a single account structure.

The benefits of this approach are substantial:

- Integrated processing provides consistent management information;
- Single data entry reduces clerical burden;
- No back-end interfaces reduces operations costs and risks;
- Single-event processing improves auditability and lowers audit costs;
- New subsystems can be easily added.

Figure 1-1 illustrates the integration of various AFS components.

Figure 1-1
AFS - An Integrated System



INTRODUCTION

Operating Flexibility

AFS makes extensive use of system control tables to let you select the features and options that are appropriate for your organization without requiring software modifications to the basic system.

With AFS, you select the set of options and procedures that best fit your requirements. For example, you may elect to budget by organization in certain funds but use program budgets in other special funds. You can also vary the levels at which formal budgetary control is exercised.

Comprehensive Decision Support

AFS combines a complete set of reporting and inquiry capabilities with an integrated, unified data base, permitting all your users to have total access to financial information. Effective, timely reporting requires your system to be easily used by business and departmental staffs, and by data processing personnel. It must also support both common and unusual inquiry needs using all the processing benefits available with both mainframe and microcomputers. And, it must meet these needs while ensuring the consistency and accuracy of your data.

The AFS approach provides a total decision support environment based upon the need for easy access to all your financial information.

It is designed to be tailored to your unique needs. Decision support tools available with AFS include:

- **Online Inquiry** - more than 120 structured on-line views of the integrated AFS data base, designed to answer routine questions about your financial data;
- **Standard Reports** - many standard reports which cover management and financial reporting needs.

With AFS, each of these facilities has access to all information in the system. No artificial boundaries or borders between modules need to be crossed. And they all use the AFS Report Data Dictionary to ensure consistency across applications. Check with your AFS System Administrator to find which tools you have access to at your installation.

Key Features

AFS provides fund-based financial accounting, GAAP-based reporting, and integrated encumbrance and budgetary control.

Automated Accounting for all Funds

AFS provides automated accounting for all fund types necessary to support government accounting. You can define as many individual funds as needed to effectively account for your operation both in terms of local legislation and GAAP-based financial reporting. AFS ensures that debits equal credits within each fund, and edits to control the types of transactions which are posted to a particular fund.

Based upon the fund type, these entries are properly classified for both financial reporting and budgetary control. Flexible, table-defined relationships enable you to aggregate funds for both internal and external reporting purposes. Support for all fund types automates CAFR Reporting. See Chapter 3, The AFS Chart of Accounts, for a listing of fund types.

Multiple Bases of Accounting

In order to meet both generally accepted accounting principles (GAAP) and local reporting requirements, the accounting system for many local governments must be capable of reporting its results on different bases of accounting. GAAP currently specifies that governments report on either the full or modified accrual basis, depending upon fund type. The most recent GASB exposure draft recommends a move to accrual accounting for all funds to more accurately reflect inter-period equity. However, compliance with local legislation, particularly in terms of budgetary reporting, may require you to report on a cash basis.

AFS allows you to simultaneously report on all these bases by proper classification of accounting events at the transaction level. The reporting processes simply select the appropriate records based upon the requirements for a report. You do not need to perform complex, manual calculations to get from one basis to the other.

Integration With the Budget

One of the key characteristics of public sector accounting is the close relationship between the budget and operational accounting. A government must not only report the results of accounting operations in terms of financial position, but also performance against the officially adopted budget. AFS meets this need by integrating budgetary accounting, and budget controls, with financial accounting.

AFS generates, and posts to the accounting system, entries to record both the appropriations and estimated revenues for the government. Processing these budgetary entries continues all the way through the fiscal year; handling transfers, modifications, or carryovers at year end.

INTRODUCTION

Standard Governmental Accounting Processes

In addition to formal accounting for budgetary transactions, several other significant accounting events differentiate governmental accounting from the private sector. These include:

- Accounting for encumbrances, with the associated reservation of fund balance;
- Distinguishing between expenditures (for budgetary control) and expenses (for financial reporting) in certain fund types;
- Multiple types of transactions between funds (quasi-external purchase/sale, expense reimbursement, operating transfers, and residual equity transfers);
- Separate treatment of general fixed assets and long-term debt.

AFS provides specialized transactions, using table-driven processing, to handle each of these government accounting events. This ensures that your general ledger and other ledgers accurately record all the various types of accounting events and are able to properly classify them for reporting.

Specialized transactions to handle government accounting events are standard features. Figure 1-3 lists some of the government specific processing handled by AFS.

Figure 1-3
Government Specific Transaction Processing

ENCUMBRANCES, WITH ASSOCIATED RESERVATION OF FUND BALANCE	
OPTIONAL PRE-ENCUMBRANCES	
AUTOMATED LIQUIDATION OF ENCUMBRANCES AND PRE-ENCUMBRANCES	
EXPENDITURE NOT EXPENSE FOR CAPITAL ACQUISITIONS	
INTRA-GOVERNMENTAL ACCOUNTING	
• Quasi-external Purchase/Sale	• Operating Transfer
• Expense Reimbursement	• Residual Equity Transfer
FIXED ASSET ACCOUNTING	
• Acquisition	• Betterment
• Depreciation	• Internal Sale
• Transfer	• External Sale
BUDGETARY ACCOUNTING	
• Appropriations	• Estimated Revenues

INTRODUCTION

Flexible Account Classification

AFS allows you to classify, record, and report on financial information in terms of the specific codes -- and only those codes -- which are relevant to the organization using the system. Further, it provides the capability to report on those codes in a way which simultaneously addresses all government reporting needs -- planning, budget control, financial management, and external reporting.

You Design Your Own Chart of Accounts. You have the flexibility to define a coding structure consistent with your needs; one that will enable you to produce a flexible set of financial reports in which the same dollar amounts can be classified in different ways. With AFS, program managers can get program reports which cut across organizational lines. Line managers receive organization reports. Fiscal Officers receive appropriation reports. All these reports are produced from the same, unified data base.

When AFS is initially installed, the coding structure is defined to meet your requirements at that time. Any codes which you don't initially use, however, are always available if your requirements change. Also, any unused codes are left blank; zero filling is not required.

Each Area of Classification is Uniquely Identified. If a government's system is to be able to report on each of the dimensions needed to support its various constituencies, a flexible but standardized structure must be provided. AFS provides an account structure which classifies financial information according to each of the dimensions needed to support the various uses of a government's financial information. This enables AFS to rigorously categorize each transaction recorded by as many or few of these independent characteristics as necessary. Figure 1-4 presents the AFS account classification structure.

Figure 1-4
AFS Account Classification Structure

<u>CLASSIFICATION AREA</u>	<u>BASIC AFS CODE(S)</u>
Fiscal Entity	Fund
Organizational	Agency Organization Sub-organization
Programmatic	Organization
Detail Account	Object of Expenditure (Sub-object) Revenue Source (Sub-revenue Source) Balance Sheet Account
Cost Collection	Job Project Grant Reporting Category

AFS classifications address all dimensions of government accounting and reporting. The fund code is used to designate the unique, self-balancing set of accounts in which the transaction will be recorded. The organizational dimension indicates the unit responsible for the budget, expenditure or revenue. AFS provides three organizational codes. Agency is the highest level, and can be subdivided into organizations and sub-organizations. The organization code can also be used to denote the function of government for which the budget or expenditure is provided enabling you to collect and report financial data programmatically.

AFS provides three codes to define what is typically called an account. The object of expenditure classifies each expenditure according to the item or service purchased. The revenue source code designates the type of revenue and the source of the funds. The balance sheet account code identifies the specific balance sheet account to be posted.

AFS provides several other additional codes to further classify information. These include Job Number for job cost accounting, Grant and Project code, and Reporting Category. These codes combine to support both central and agency-specific management and reporting needs.

For example, an expenditure in the Division of Administration (agency), Finance & Support Services (organization), for office supplies (object of expenditure), would be recorded in AFS by each of these attributes. It then becomes easy to report on all expenditures for office supplies in the Division of Administration. System tables infer higher level codes such as fund, appropriation, and object class for reporting.

Figure 1-5 illustrates the above example. Users code only the basic transaction attributes. AFS uses system tables to infer additional codes.

Figure 1-5
AFS Coding Example

<u>CODE</u>	<u>VALUE</u>	<u>DESCRIPTION</u>
Agency	107	Division of Administration
Organization	1008	Finance & Support Services
Object	3100	Office Supplies
Fund	107	(inferred)
Appropriation	100	(inferred)
Object Class	192	(inferred)

INTRODUCTION

System Tables Reduce Coding & Provide Reporting Inferences

AFS uses system tables to minimize actual coding requirements. This is done in two ways.

First, when a direct relationship between codes exists, AFS will infer one code from the other. For example, reporting category and appropriation can be inferred from organization, etc.

Second, AFS uses individual reference tables to define hierarchical relationships which may exist within a coding classification dimension. For example, the object -- office supplies -- can be related to an object class -- office supplies -- within an object category -- supplies. Rather than force you to fit these definitions into the values you assign to the object code (and limiting the number of hierarchical groupings you can use), or explicitly coding them and expanding the number of digits to be coded, AFS will infer these higher level codes for reporting from reference tables. Further, because these fields are only used for reporting, they will be inferred at reporting time. This results in reduced storage requirements.

Integrated Budget Control

Availability of funds is checked at transaction entry. Authoritative government accounting standards dictate that the accounting system should provide the basis for budgetary controls. AFS integrates budget with accounting to verify that no procurement transaction exceeds available authority at the designated control levels. This means that all requisitions, encumbering documents, and expenditure entries are checked against the appropriate budget balances in a real-time environment.

If the transaction exceeds the budget, it will be rejected and the system will display an insufficient funds error message. On-line budget adjustment transactions can be processed to make funds available. If the transaction is accepted, the spending amounts and available balances are immediately updated. This provides managers with a timely, accurate, and consistent view of their financial position.

Control levels can be flexibly defined. AFS permits you to define spending controls at the levels of your organization which meet your requirements. You can establish budgets for:

- **Appropriations**
- **Object Category within Appropriation**
- **Organizations**
- **Grants**
- **Projects**

With this flexibility, you can establish very detailed, or summary level, controls. Each control can be set and exercised independently and varied across funds. Further, you can code transactions at more detailed levels than those at which you exercise budgetary controls. You can control at appropriations in the general fund and by organization in enterprise funds. Control definitions are defined on system

tables which make it easy for you to change these parameters as your requirements change over time.

Additional capabilities handle special situations. Certain governments, or certain components of a government's operations, may be subject to specialized control requirements. These include time-phased controls of amounts for less than a year; multi-year authority for continuing appropriations which span fiscal years; revolving fund accounts where controls are based upon cash actually received; or grant and reimbursable programs with multiple funding sources where the ceiling includes a local component and an estimated reimbursement amount from outside sources.

AFS provides several additional control features and options to accommodate these types of situations. These include:

- Multi-year budgets, which provide lifetime control over a designated account, enabling the account to cross fiscal years;
- Fund balance control, which controls spending against a minimum fund balance for the fund rather than individual budgets. This is often the mechanism used for controlling operations in trust and agency funds;
- Supplemental revenue controls, an option which defines the authorized spending ceiling including both appropriated funds and estimated revenues;
- Cash receipt control, which limits spending to actual cash received by the account.

These additional capabilities are available as needed to handle your unique control requirements.

AFS Flexible Reporting Needs

The financial system of an entity must meet the reporting needs of many different audiences. These may include the legislature, the financial community, local citizens, grantor agencies, regulatory bodies, and internal managers. The needs of each of these groups vary significantly.