

7356-0 (DFP)

9 May 2019

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POLICY AMENDMENT: CREATION OF COMMITMENTS IN THE FINANCIAL MANAGEMENT SYSTEM

Refs: A. Financial Administration Manual (FAM) Chapter 1016-2, Expenditure Initiation and Commitment Control – FAA Section 32, dated 13 Sep 2013

B. Treasury Board (TB) Guide to Delegating and Applying Spending and Financial Authorities, dated 29 May 2018

1. The purpose of this memorandum is to issue an amendment to a policy requirement promulgated at Ref A.
2. This amendment on the commitment of public funds will incorporate new flexibilities found at Ref B and will provide guidance on what commitment action is appropriate given the current Defence Resource Management Information System (DRMIS) Funds Management (FM) module and the Materials Management (MM) module system configuration.
3. In accordance with Ref A, a soft commitment must be created in DRMIS the prior to exercising Expenditure Initiation Authority (EIA) and a hard commitment must be created in DRMIS prior to exercising *Financial Administration Act* (FAA) Section 32 approval.
4. Effective on the date of issuance of this memorandum, paragraphs 14 and 25 of Ref A are rescinded and replaced with the following:

14. The following three steps of the expenditure initiation process must be performed prior to exercising EIA, while the final step may be performed concurrent with or after exercising EIA:

Step	The authorized individual shall ...
1	Ensure that the planned transaction is a legitimate operational or business requirement of their organization and an authority exists that allows for the expenditure of public funds for that requirement.
2	Ensure that the planned transaction represents the most efficient and economical means to meet the requirement.
3	Ensure that they have been designated with the appropriate expenditure initiation authority for the planned transaction or if they have not been, obtain the authority.

Step	The authorized individual shall ...
4	<p>Ensure that a:</p> <ul style="list-style-type: none"> a. Soft commitment (Funds Reservation, Funds Pre-commitment or Purchase Requisition) has been entered in the appropriate DRMIS module at the time of or after exercising expenditure initiation, as per procedural guidance; b. Hard commitment (Funds Commitment or Purchase Order) has been entered in the appropriate DRMIS module as per procedural guidance, if required. <p>Note that financial policy does not require that a commitment be entered when EIA is exercised; the RC Manager has discretion in this area.</p>

25. The exercising of FAA Section 32 requires the completion of the following commitment control process:

Step	The authorized individual shall ...
1	Verify that there is a sufficient free balance available based on the actual or estimated value of the planned transaction before entering into a contract or other arrangement.
2	<p>Do one of the following depending on the DRMIS module being used:</p> <ul style="list-style-type: none"> a. <u>FM Module</u>: Create or confirm that a Funds Reservation, Funds Pre-commitment or Funds Commitment for the planned transaction was created at the time of or after expenditure initiation. Reference any soft commitment document (i.e. Funds Reservation or Funds Pre-Commitment) that was previously created for the planned transaction; otherwise funds will be committed twice for the same transaction; or b. <u>MM Module</u>: Create or confirm that a Purchase Requisition was entered in DRMIS. Reference the Funds Reservation that was previously created for the planned transaction; otherwise funds will be committed twice for the same transaction.
3	Ensure the commitment information is provided to the person with delegated transaction authority before entering into a contract or other arrangement.
4	Ensure a hard commitment (Funds Commitment or Purchase Order) is created in DRMIS when a firm contract has been negotiated and the details of the transaction are known. The hard commitment should reference any soft commitment that was previously created for the planned transaction; otherwise funds will be committed twice for the same transaction.

5. The Corporate Departmental Accounting Office (CDAO) will update their Standard Operating Procedures 1.09, Procure to Pay, while the Director Material Policy and Procedures (DMPP) will update their materiel procedures to standardize how expenditure initiation and commitments activities are performed across the department.
6. Please ensure that all financial managers and staff responsible for activities related to expenditure initiation and commitment control under your command/authority are made aware of this policy amendment and its proper application.
7. These amendments will be reflected in Ref A as part of the planned update to the chapter. This memorandum will be posted shortly on the "Financial Administration Manual" page on the Assistant Deputy Minister (Finance) website: <http://cfo-dpf.mil.ca/en/policy-procedure-fam/1016-2-faa-32-expenditure-control.page>.
8. Questions concerning this memorandum may be directed to Robert Dupras, DFP 3-4-2 by email to Robert.Dupras@Forces.gc.ca through the appropriate Level 1 Comptroller.

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J. Charron, CPA, CA
Acting ADM(Fin)/CFO
613-995-6949

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