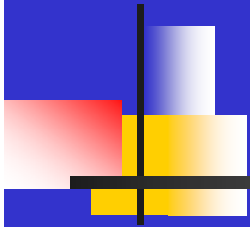


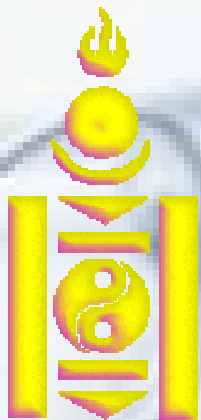
# THE GOVERNMENT OF MONGOLIA



**TREASURY DEPARTMENT**

**MINISTRY OF FINANCE**

# WORLD BANK & GOVERNMENT OF MONGOLIA



## GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM

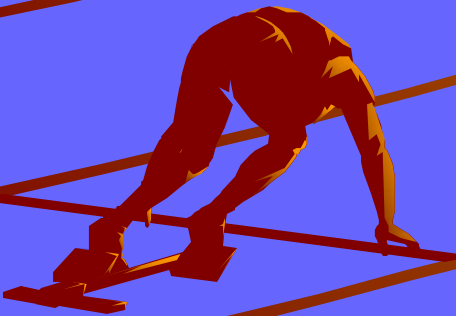
# GFMIS

## Standard Software FreeBalance 4.6.2



# Mongolian Method

Maximize  
Accountability  
Risk Management  
Transparency



# Process of acquiring GFMIS

- World Bank Loan
- 2 Stage International Bidding
- Bid Evaluation
  
- IBM Canada
- FreeBalance



*Capital City*

*Ulaanbaatar*

The logo graphic consists of a vertical black line and a horizontal black line intersecting at the center. To the left of the intersection, there are four overlapping squares: a yellow one at the top, a red one on the left, a blue one at the bottom, and a white one on the right.

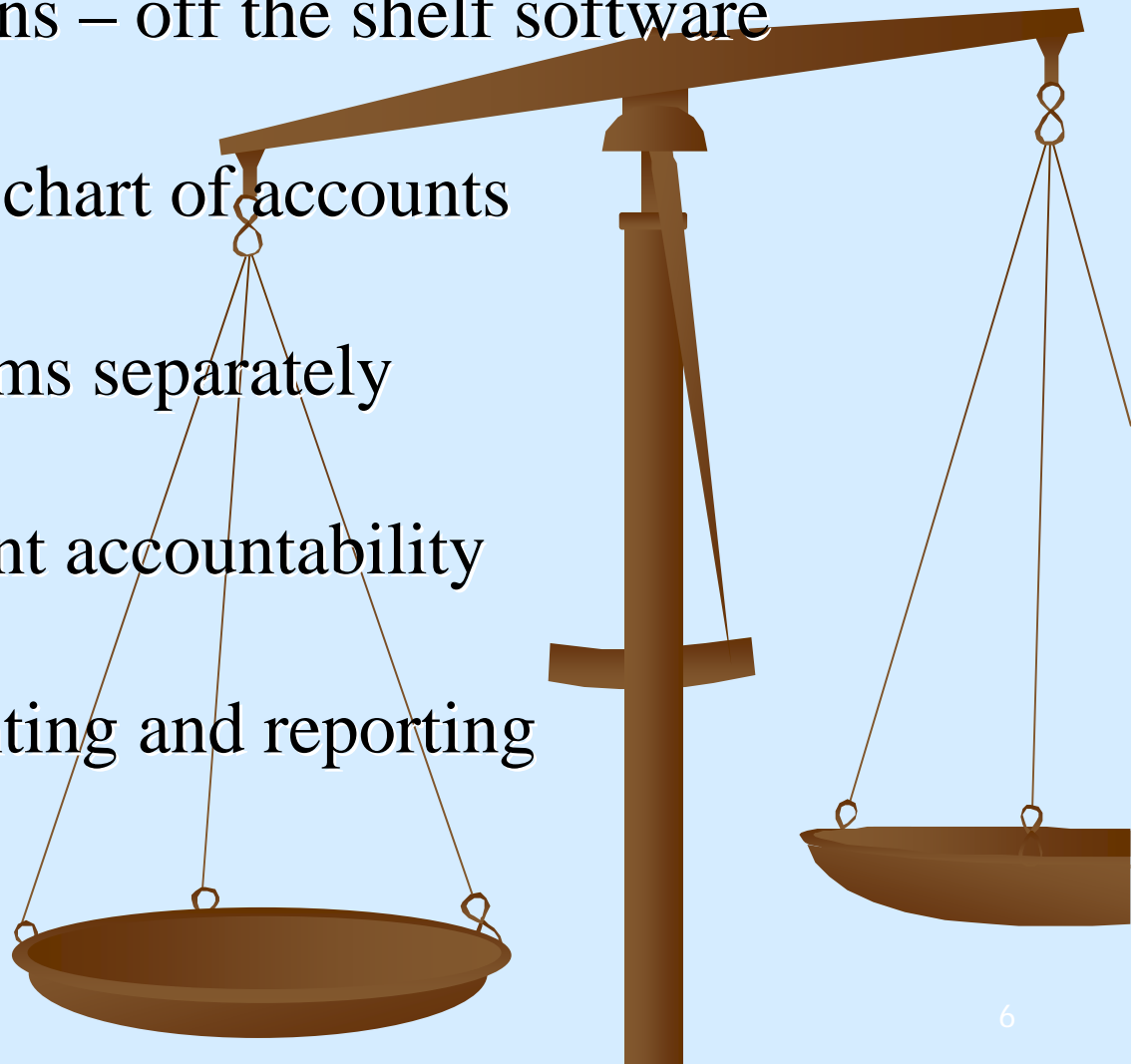
# GFMIS

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- Oracle database driven
- FreeBalance application software
- Fully integrated financial accounting system
- Budget oriented
- Cash to accrual

# FreeBalance

- Generally used by small governments or departments of larger organizations – off the shelf software
- Financially oriented chart of accounts
- Accounts for programs separately
- Provides management accountability
- Flexibility in accounting and reporting



# FREEBALANCE eFINANCIAL 4.6.2



**CONTROLS**

**REVENUE**

**APPROPRIATIONS**

**FIXED ASSETS**

**GENERAL  
LEDGER**

**PURCHASING**

**EXPENDITURES**

**CRYSTAL  
REPORTS**



# Implementation

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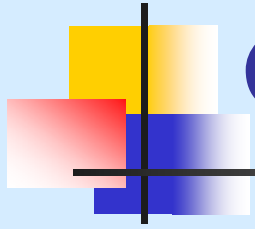
- Test and Production data bases established
- Training
- System configuration
- Establishing connectivity, communication
- Developing budget allocations
- Training of the Treasuries



# Further Implementation - 2005

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- Commitment accounting
- Purchasing, Accounts Payable
- Fixed Asset Management
- Revenue and Accounts Receivables
- IPSAS (International Public Sector Accounting Standards) reporting

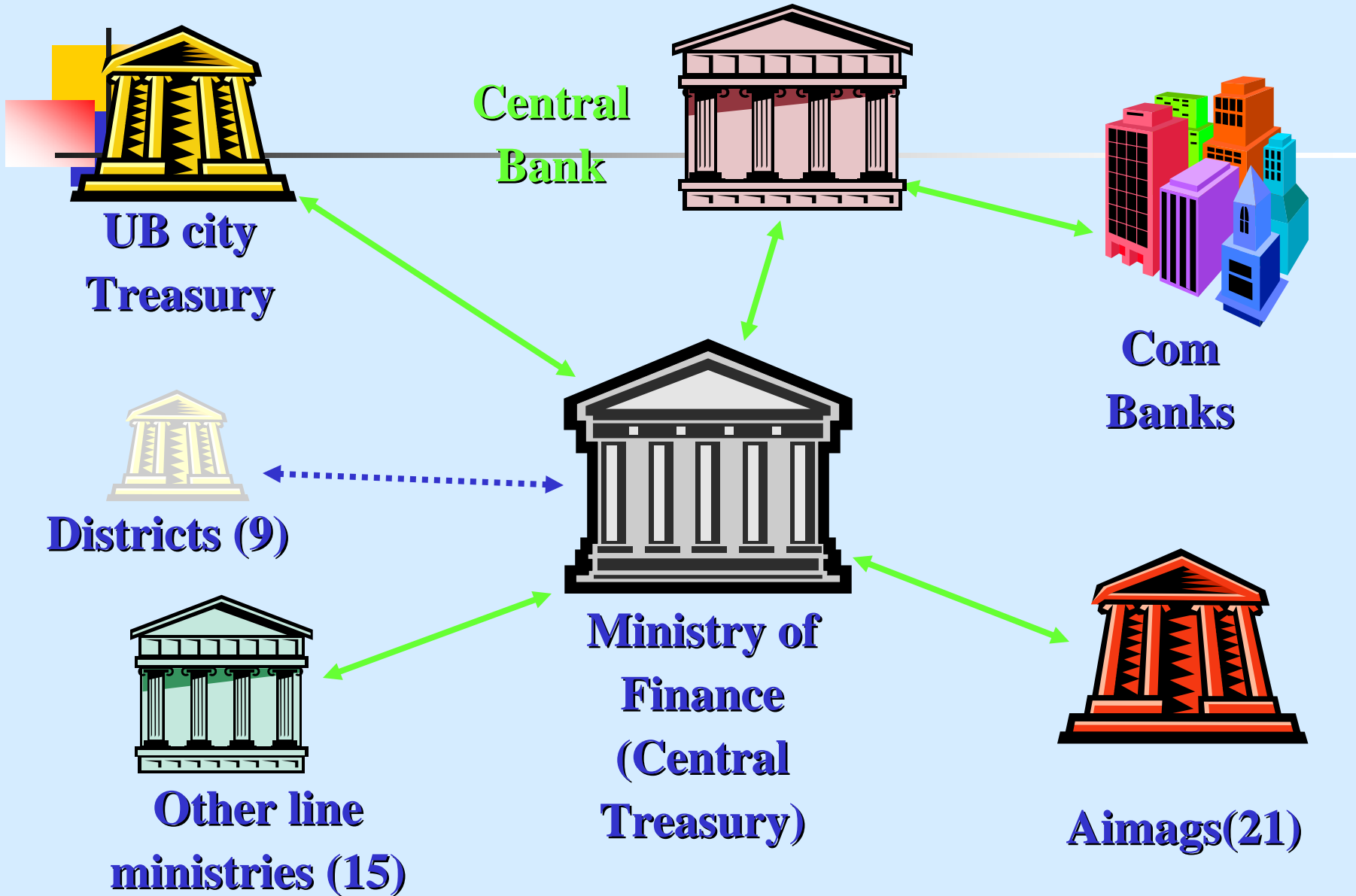


# Go-Live

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- Began on January 3, 2005
- Appropriations Module
- Expenditures Module
- General Ledger Module
- Oracle, FreeBalance, Crystal Reports
- Help desk
- Work load – increased
- VSAT – VPN – Wireless and landline

# Institutions connected to the GFMIS





# Communications

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Treasury

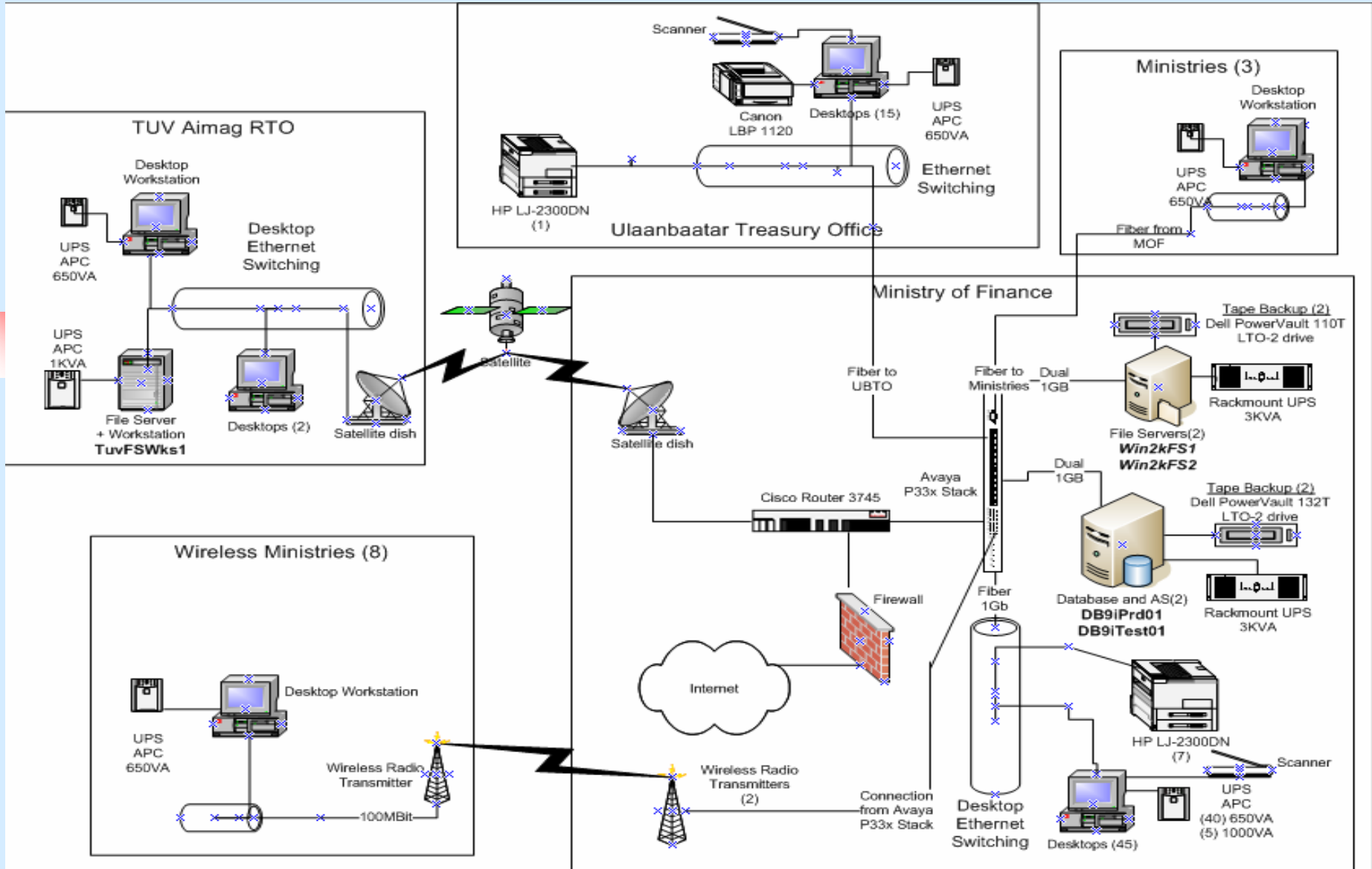
IBM

**VSAT – Wireless - Landline**

FreeBalance

MCS Electronics

# GFMIS NETWORK (VSAT, Wireless, Fiber Optics)





# Treasury Single Account (TSA)

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- Only the Central Treasury has a cash in bank account – The Bank of Mongolia
- All expenditures (except petty cash) are paid by The BoM from the TSA
- All revenues are deposited to The BoM by commercial bank transfers
- Sub Districts have commercial bank accounts only for deposit and disbursement of petty cash



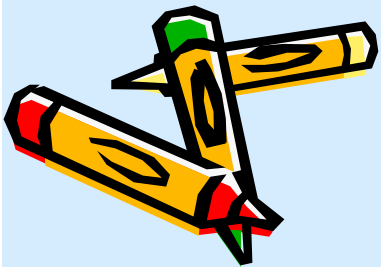
# Why a TSA

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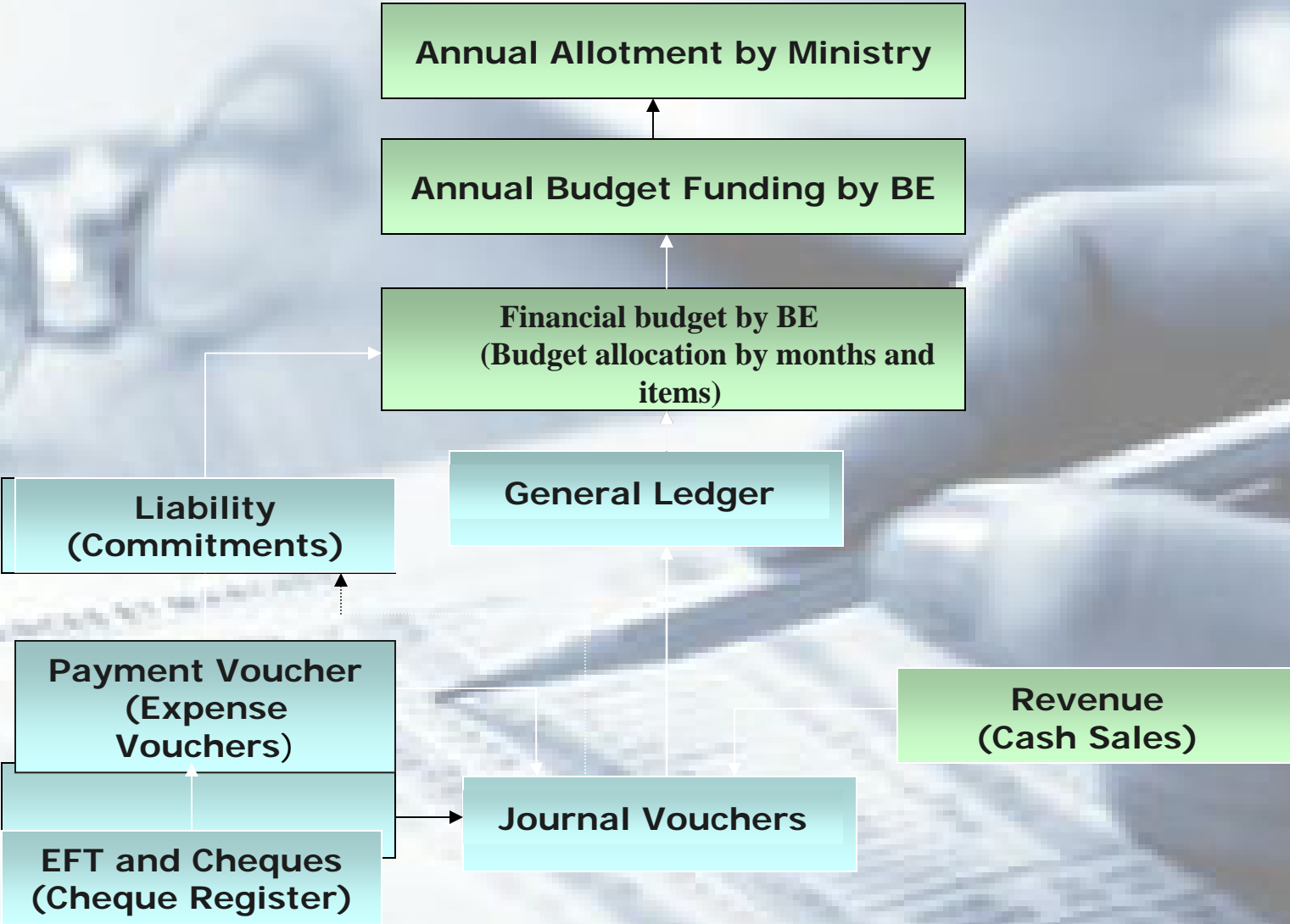
- IMF recommendation
- World Bank encouragement
- Recognition by Government of the need for more reliable information
- To compete for international funding assistance Mongolia needs to be better equipped than the others – TSA offers the controls and reliability

# Controls

- Allotment 1
- Allotment 2
- Summary level
- Line item level
- Check controls

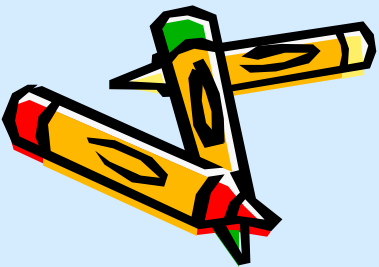
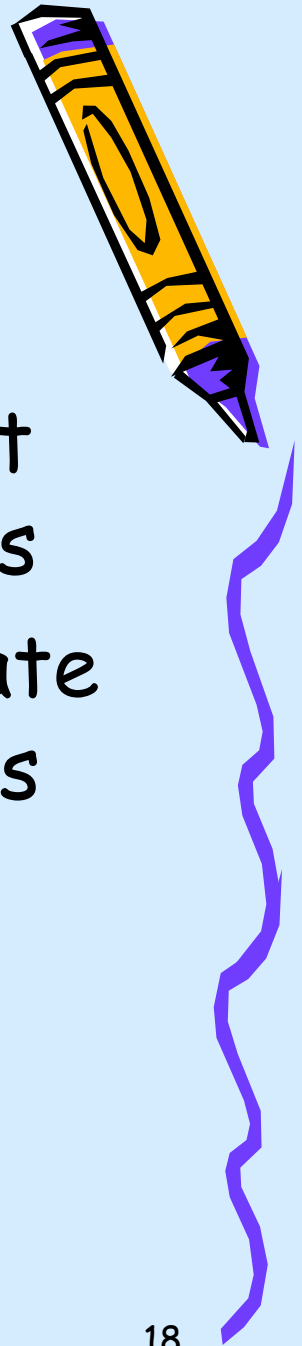


# Expenditure Management and Payment



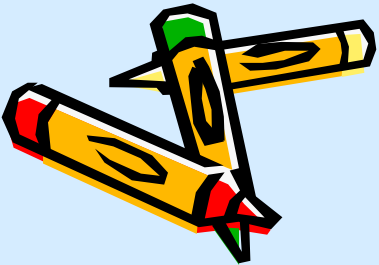
# Allotment I

- The budget approved by Parliament and allocated to government groups
- The government groups then allocate their budget to the budget entities

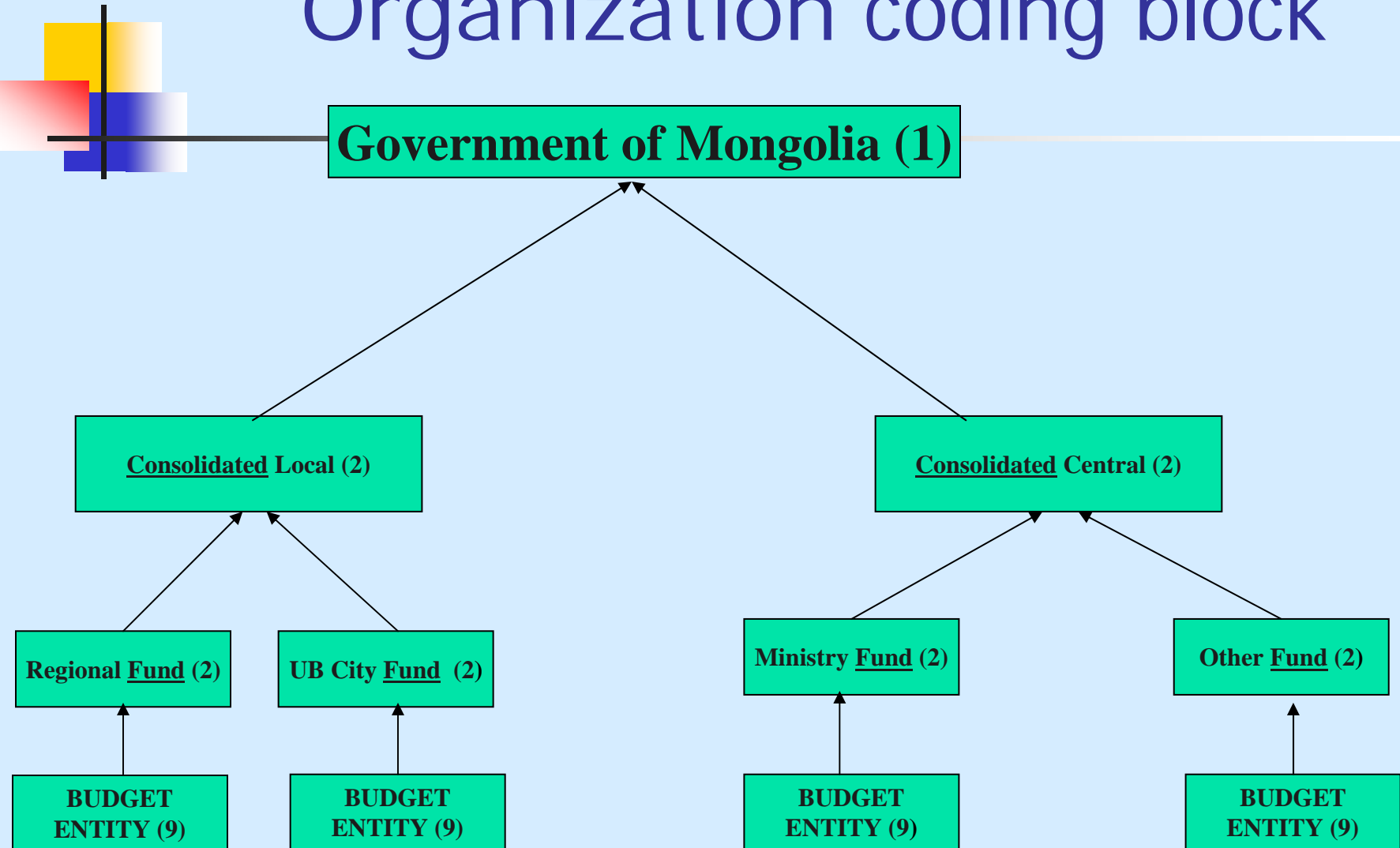


# Allotment II

- This is the monthly allowable expenditures allocated to budget entities by warrants from Central Treasury
- Based on Allotment I
- Changes based on requirements and cash availability



# Organization coding block





# Chart Breakdown

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- Fund Group
- Organization Group
- Object Group
- Project Group
- Output Group
- 01-99
- Nine digits – 5000 orgs
- Five digits – Elements
- Five digits
- Five digits

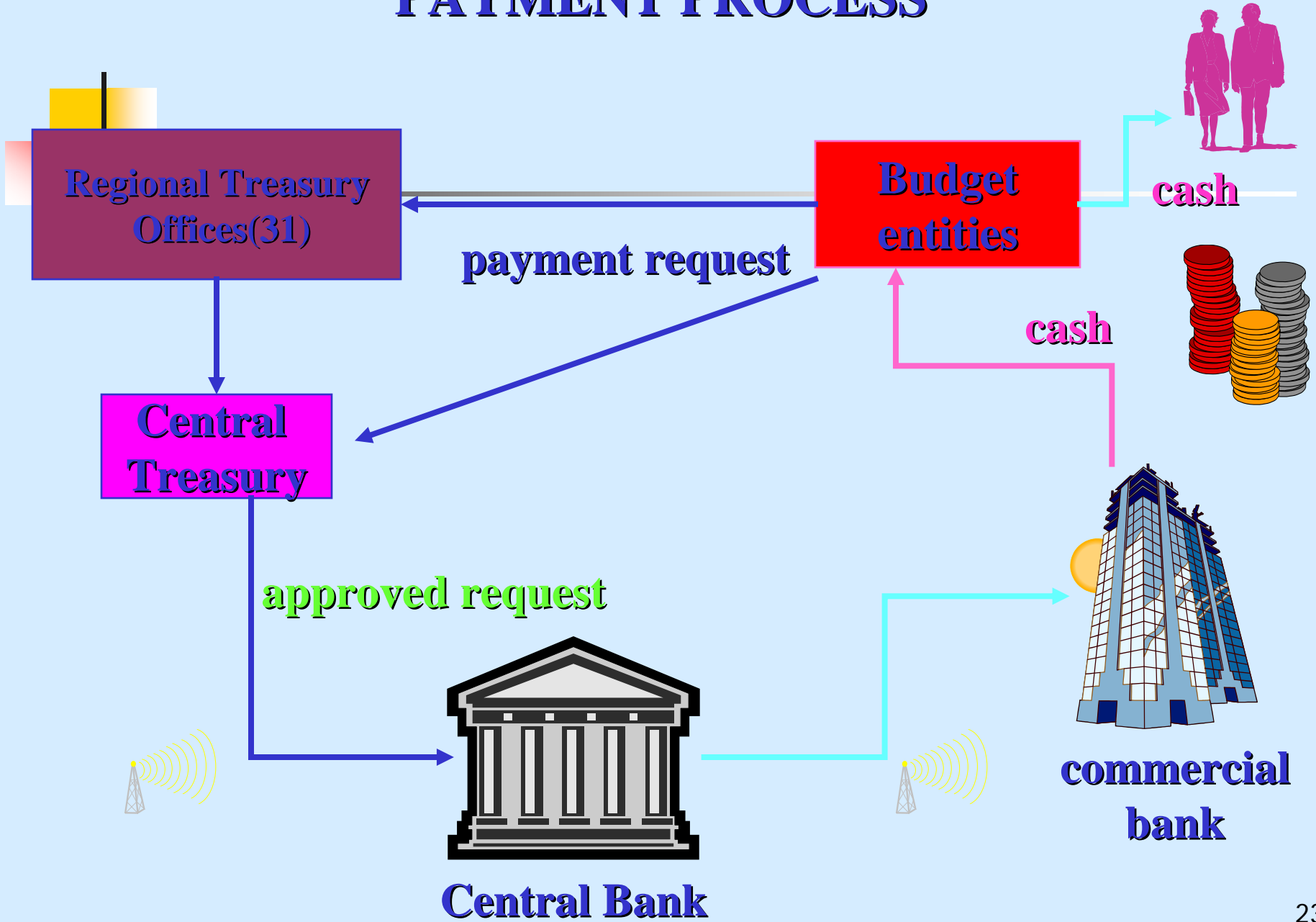


# Expense Vouchers

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- Clerk in local or central treasury enters an expense voucher into FreeBalance
- A supervisor reviews and approves the entry
- Clerk at the Central Treasury selects EVs to pay includes EVs from all
- Supervisor approves for payment
- Supervisor releases the EV to Bank of Mongolia for payment

# PAYMENT PROCESS



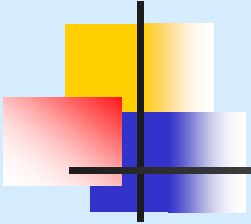


# Caveat Emptor

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- Communications – speed and dependability
- From simple to complex assures greater difficulty
- Greater difficulty means a need for more expertise and intelligence
- Corruption is not in the system
- Training, Training, Training
- GFMIS is not the answer just the means

**THE END**



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**AND**

**THE BEGINNING**

**OF A NEW ERA**