

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### TABLE OF CONTENTS

#### CHAPTER 1. OVERVIEW

**1.1 What is the Purpose and Scope of the Accounting Handbook?**

**1.2 What Other Documentation Does This Handbook Reference?**

1.3 Who Will Modify and Interpret the Handbook?

**1.4 What is the Effective Date of this Handbook?**

**1.5 Where Can I Direct Questions and Comments?**

#### CHAPTER 2. ASSETS

2.1 What is the Purpose of this Chapter?

**2.2 What are the Authoritative Sources?**

**2.3 What are Assets and How are they Recognized?**

**2.4 What are the Requirements for the Ledgers?**

**2.5 What are the Specific Standards for Assets?**

**2.5.1 Cash**

**2.5.2 Fund Balance with Treasury**

**2.5.3 Accounts Receivable and Losses on Accounts Receivable**

**2.5.3.1 What is a Method for Estimating the Allowance for Doubtful Accounts and Loans Receivable?**

**2.5.3.2 What are the Bureau/Office Responsibilities?**

**2.5.3.3 What is the Criteria for Accounts Receivable Collectibility?**

**2.5.3.4 Loans Receivable**

**2.5.3.4.1 How are Loans Receivable Recorded?**

**2.5.3.4.2 What is the Criteria for Collectibility of Loans Receivable?**

**2.5.4 Interest Receivable**

**2.5.5 Advances and Prepayments**

**2.5.6 Inventory**

**2.5.7 Property, Plant, and Equipment (PP&E)**

**2.5.8 Investments in Treasury Securities**

**2.5.9 Stewardship PPE**

**2.5.10 Intangible Assets**

**2.5.11 Other Assets**

**2.6 What are the Standards for Transfers of Assets Within the Federal Government?**

**2.7 What are the Standards for Donated Assets?**

**2.8 What is the Procedure for Assets Held by Award Recipients?**

**CHAPTER 3. CHAPTER. LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT**

**3.1 What is the Purpose of this Chapter?**

**3.2 What are the Authoritative Sources?**

**3.3 What are Liabilities and how are they Recognized?**

**3.4 What are the Requirements for the Ledgers?**

**3.5 What are the Specific Accounting Standards?**

**3.5.1 Accounts Payable, Interest Payable, and Other Current Liabilities**

**3.5.2 Capital Leases**

**3.5.3 Federal Debt and Related Interest Costs**

**3.5.4 Pensions, Other Retirement Benefits, and Other Post-Employment Benefits**

**3.5.5 Insurance and Guarantees**

**3.5.6 Exchange and Nonexchange Transactions**

**3.5.7 Environmental Contingent Liability**

**3.6 How are Compensated Absences Accrued?**

**3.7 What are Contingencies?**

**3.8 What is Equity of the U.S. Government?**

**3.9 What Equity Accounts Does the Department of Interior Use?**

## **CHAPTER 4. REVENUES AND OTHER FINANCING SOURCES**

**4.1 What is the Purpose of this Chapter?**

**4.2 What are the Authoritative Sources?**

**4.3 What are the Specific Accounting Standards?**

**4.3.1 Exchange Revenue**

- [4.3.2 Nonexchange Revenue](#)
- [4.3.3 Other Financing Sources](#)
- [4.3.4 Other Financing Sources-Prior Period Adjustments](#)
- [4.3.5 Budgetary Information](#)
- [4.3.6 Accountability for Dedicated Collections](#)

## [CHAPTER 5. FINANCIAL AND MANAGEMENT ACCOUNTING REPORTS](#)

### [5.1 What is the Purpose of this Chapter?](#)

### [5.2 What are the Authoritative Sources?](#)

### [5.3 What are General Purpose Financial and Management Accounting Reports?](#)

### [5.4 Who is Responsible for Financial Reporting?](#)

### [5.5 What are the Principles of Financial Reporting?](#)

### [5.6 What are the Requirements for Financial Statements?](#)

### [5.7 What Reports are required by External Agencies?](#)

### [5.8 What Internal Reports are required?](#)

### [5.9 How Do Bureaus/Offices Measure Successful Reporting?](#)

## [CHAPTER 6. GENERAL ACCOUNTING](#)

### [6.0 What is the Purpose of this Chapter?](#)

#### [6.1 General Ledger Accounting](#)

##### [6.1.1 What are the Authoritative Sources?](#)

[6.1.2 What are the Department of Interior's Accounting Control Activities for General Ledger Accounting?](#)

##### [6.1.3 What Does the General Ledger Posting Process Include?](#)

##### [6.1.4 What Does the General Ledger System Include?](#)

##### [6.1.5 What is the Elimination Process?](#)

[6.1.5.1 What are the Authoritative Sources?](#)

[6.1.5.2 What is the Department of Interior Guidance?](#)

[6.1.5.3 What are the Bureau/Office Responsibilities?](#)

[6.1.5.4 What are Trading Partner Codes?](#)

- [6.1.5.5 What are the Categories of Intra-Governmental Transactions?](#)
- [6.1.5.6 What are Reciprocal Accounts?](#)
- [6.1.5.7 What is the Elimination Worksheet?](#)
- [6.1.5.8 What are the Key Elements of the Elimination Process?](#)
- [6.1.5.9 What are Reconciliations and Confirmations?](#)
- [6.1.5.10 What is the Reconciliation Process?](#)
- [6.1.5.11 What are Reconciliation Differences?](#)
- [6.1.5.12 How Does the Timing of Recording Accruals Affect Eliminations?](#)
- [6.1.5.13 What are the Yearend Procedures?](#)

## [6.2 Grants and Cooperative Agreements](#)

- [6.2.1 What are the Authoritative Sources?](#)
- [6.2.2 What are Grants and Cooperative Agreements?](#)
- [6.2.3 What is the Department of Interior Guidance?](#)
- [6.2.4 What are the Accounting Procedures?](#)
- [6.2.5 What are the Responsibilities of Recipients and Bureau/Office Finance Offices?](#)
- [6.2.6 What are the Requirements for Financial Reporting?](#)

## [6.3 Gifts and Donations \(G&D\)](#)

- [6.3.1 What are the Authoritative Sources?](#)
- [6.3.2 What are the Bureau/Office Responsibilities?](#)
- [6.3.3 How Do Bureaus/Offices Process Donated Funds?](#)
- [6.3.4 How Do Bureaus/Offices Process Services In-Kind?](#)
- [6.3.5 How Do Bureaus/Offices Account for Other Assets?](#)
- [6.3.6 How are Obligations and Expenses Recorded?](#)
- [6.3.7 How Do Bureaus/Offices Post Transfers of Gifts and Donations Between Bureaus/Offices?](#)
- [6.3.8 What Yearend Entries are Required?](#)

## [6.4 Cost Recovery/User Charges](#)

- [6.4.1 What are the Authoritative Sources?](#)
- [6.4.2 What is the Department of Interior Guidance?](#)

**6.4.3 What is the General Policy?**

**6.4.4 What are the Exceptions to the General Policy?**

**6.4.5 What are the Methods for Calculating User Charges?**

**6.4.5.1 How are User Charges Determined?**

**6.4.5.2 How are Direct Costs Determined?**

**6.4.5.3 How are Indirect Costs Determined?**

**6.4.5.4 How is the Indirect Cost Pool Identified?**

**6.4.6 What are the Cost Accounting Processes?**

**6.4.7 How is the Policy in OMB Circular A-25 Implemented?**

**6.4.8 What are the Responsibilities for Implementing OMB Circular A-25?**

**6.4.9 How Are User Charge Collections Handled?**

**6.4.10 What Reviews and Reports Are Required?**

**6.4.11 What are the Policies and Procedures for Rights-of-Way Projects?**

**6.4.11.1 What is the Purpose and Scope?**

**6.4.11.2 What is the Authority for Rights-of-Way Projects?**

**6.4.11.3 What is the Department of Interior Guidance?**

**6.4.11.4 What are the Exclusions?**

**6.4.11.5 What are the Definitions and Responsibilities?**

## **CHAPTER 7. ACCRUAL ACCOUNTING**

**7.1 What is the Purpose of this Chapter?**

**7.2 What are the Authoritative Sources?**

- [7.3 What is the Department of Interior Guidance?](#)
- [7.4 Who is Responsible for Accrual Accounting?](#)
- [7.5 What is the Definition of Accruals \(Estimates\)?](#)
- [7.6 What are the Criteria for Developing Estimates?](#)
- [7.7 What are the Categories for Which Estimates May Be Developed?](#)
- [7.8 What are Some General Assumptions for Accounts Payable Accruals?](#)

## [CHAPTER 8. MANAGERIAL COST ACCOUNTING](#)

- [8.1 What is the Purpose of this Chapter?](#)
- [8.2 What are the Authoritative Sources?](#)
- [8.3 What are the Purposes for Using Cost Information?](#)
- [8.4 What are the Managerial Cost Accounting Concepts?](#)
- [8.5 What are the Managerial Cost Accounting Standards?](#)
- [8.6 What Costing Method Does the Department of Interior Use?](#)

## [CHAPTER 9. FISCAL OPERATIONS](#)

### [9.0 What is the Purpose of this Chapter?](#)

#### [9.1 Payroll, Benefits, and Allowances](#)

- [9.1.1 What is the Accounting Function's Responsibility for Payroll, Benefits, and Allowances?](#)
- [9.1.2 What are the Authoritative Sources?](#)
- [9.1.3 What are the Objectives of the Department of Interior's Time, Attendance, and Leave Reporting?](#)
- [9.1.4 What are the Principles and Standards for Time and Attendance Reports?](#)
- [9.1.5 What are the Requirements for the Time and Attendance Function?](#)
- [9.1.6 What are the Standards for Time and Attendance Records?](#)
- [9.1.7 What is the Official Payroll/Personnel System for the Department of Interior?](#)
- [9.1.8 How are Collections of Erroneous Payments Made From Employees?](#)
- [9.1.9 How are Waivers for Erroneous Payments Processed?](#)

#### [9.2 Uniform Allowances](#)

- [9.2.1 What is the Purpose of the Uniform Allowances Section?](#)
- [9.2.2 What are the Authoritative Sources?](#)

- [9.2.3 What is the Department of Interior Guidance?](#)
- [9.2.4 What are the Departmental Responsibilities for Uniforms?](#)
- [9.2.5 How are Uniform Allowances Determined?](#)
- [9.2.6 How are Payments for Uniforms Made?](#)

### **9.3 Undelivered Orders**

#### **9.3.1 What are Undelivered Orders?**

- [9.3.2 Who is Responsible for Implementing Procedures for Undelivered Orders?](#)
- [9.3.3 Why is it Necessary to Review Undelivered Orders?](#)
- [9.3.4 What are the Minimum Review Requirements?](#)

### **9.4 Records Management**

#### **9.4.1 What is the Purpose of this Section on Records Management?**

- [9.4.2 What are the Authoritative Sources?](#)
- [9.4.3 Who is Responsible for Records Management?](#)
- [9.4.4 What are the Requirements for Records Management?](#)
- [9.4.5 What is a Records Schedule?](#)

#### **9.4.6 How are Exceptions to the General Records Schedule Obtained?**

#### **9.4.7 How are Accountable Officers' Accounts Identified?**

#### **9.4.8 When are Accountable Officers' Accounts Transferred to the Federal Records Centers?**

- [9.4.9 What is the Procedure for Disposal of Certain Records Subject to GAO Audit?](#)
- [9.4.10 What are the Special Requirements Relating to Disposal of Bureau/Office Records?](#)
- [9.4.11 How is GAO Approval to Dispose of Records Requested?](#)

### **Appendices**

- [Appendix A, Acronym Glossary](#), explains the acronyms used in the Handbook.
- [Appendix B, Glossary](#), contains a lexicon of financial terms used in the Handbook.



- *Appendix C, Budget Object Class Codes*, references [www.doi.gov/pfm/boct\\_03.pdf](http://www.doi.gov/pfm/boct_03.pdf) for the DOI current FY Budget Object Class Table. The DOI budget object codes and definitions are at [www.doi.gov/pfm/boct\\_03\\_handbook.pdf](http://www.doi.gov/pfm/boct_03_handbook.pdf).

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 1. OVERVIEW

#### 1.1 What is the Purpose and Scope of the Accounting Handbook?

The purpose of the Accounting Handbook, hereafter referred to as the Handbook, is to document principles and guidance to be followed by all Bureaus/Offices of the U.S. Department of the Interior (DOI). All DOI Bureaus/Offices are required to comply with the standards contained herein. Each Bureau/Office, however, may define supplementary directives and standards to satisfy their unique needs, as long as they are consistent with the DOI-wide standards.

The scope of material included in the Handbook is defined by the roles and responsibilities of the Office of Financial Management (PFM) as opposed to those of other DOI offices such as the Office of Budget and the Office of the Inspector General (OIG), and by the historical division in DOI of accounting functions from other supporting functions such as payroll and contracting. Other offices and functions have guidance or procedure manuals covering their responsibilities. This Handbook includes guidance related to PFM responsibilities, and includes summaries and references to other offices' policies as needed to describe the interactions of PFM activities with other DOI activities.

#### 1.2 What Other Documentation Does This Handbook Reference?

The references in the [DOI Electronic Library of Interior Policies \(ELIPS\)](#) are linked to this Handbook as follows:

- **Series:** *Budget, Part 328, Administrative Control of Funds* – describes DOI requirements for controlling funds.

- **Series: *Financial Management, Part 330: General, Chapter 2, Principal Authoritative Sources for Financial Policies and Accounting Standards*** – lists the principal authoritative sources for financial policies and accounting standards.
- **Series: *Financial Management, Part 330: General, Chapter 3, DOI Financial Management/Accounting Organization*** – lists the DOI financial management and accounting organization roles and responsibilities.
- **Series: *Financial Management, Part 340: Management Accountability and Control*** – lists general policy, responsibilities, standards, guidelines, and reporting for management accountability and control.
- **Series: *Financial Management, Part 341: Financial Management Systems*** – lists policies and responsibilities for DOI financial management systems.
- **DOI Handbooks:** DOI financial policies and procedures are also contained in handbooks that can be accessed at [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Federal Generally Accepted Accounting Principles (GAAP) Hierarchy** at <http://www.fasab.gov/accepted.html> governs what constitutes GAAP for U.S. Government reporting entities.

**1.3 Who Will Modify and Interpret the Handbook?** PFM is responsible for establishing and implementing a policy development and maintenance process as defined in [330 DM 1](#). Modification and interpretation of this Handbook will follow the same process.

Submit requests for waivers or exemptions to the provisions of this Handbook in writing to the Director of PFM. Each request shall identify the specific requirement(s), state fully the reason(s) for the request, identify the period covered by the waiver or exemption, and include supporting documentation. The Director, PFM will promptly issue a response to each request for waiver or exemption.

**1.4 What is the Effective Date of this Handbook?** This Handbook is effective upon issuance.

**1.5 Where Can I Direct Questions and Comments?** Bureaus/Offices may direct questions or comments about this Handbook to PFM at 202-208-4701. Address written

requests for interpretations of policies and standards to: Office of Financial Management, MS 5412 MIB, 1849 C Street NW, Washington, D.C. 20240

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 2. ASSETS

#### 2.1 What is the Purpose of this Chapter?

This chapter establishes accounting standards to measure and recognize assets in general purpose financial reports, which are issued for users both internal and external to the Department of Interior (DOI). Assets are tangible or intangible items owned by the federal government that have probable economic benefits that can be obtained or controlled by a federal government entity.

#### 2.2 What are the Authoritative Sources?

The policies and procedures contained in this chapter are issued pursuant to:

- **Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) SFFAS No. 1, Accounting for Selected Assets and Liabilities,** <http://www.fasab.gov/pdffiles/sffas-1.pdf>
- **SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees** <http://www.fasab.gov/pdffiles/sffas-2.pdf>
- **SFFAS No. 3, Accounting for Inventory and Related Property at:** <http://www.fasab.gov/pdffiles/sffas-3.pdf>

- **SFFAS No. 6, Accounting for Property, Plant, and Equipment, SFFAS No. 10, Accounting for Internal Use Software, SFFAS No. 11, Amendments to Accounting for PP&E: Definitions and SFFAS No. 16, Amendments to Accounting for PP&E: Multi-use Heritage Assets** at <http://www.fasab.gov/standards.html>
- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources** at <http://fasab.gov/pdffiles/sffas-7.pdf>
- **SFFAS No. 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees** <http://www.fasab.gov/pdffiles/sffas18.pdf>
- **SFFAS No. 19, Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees** <http://www.fasab.gov/pdffiles/sffas-19.pdf>
- **FASAB Interpretation #1: Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS No.7** <http://fasab.gov/interp1.html>
- **FASAB Interpretation # 5: Recognition by recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7** <http://fasab.gov/interp5.html>.
- **Accounting and Auditing Policy Committee (AAPC) Federal Financial Accounting and Auditing Technical Release No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government** <http://www.fasab.gov/aapc/technic1.html>

- **AAPC Federal Financial Accounting and Auditing Technical Release No. 3: Federal Accounting Standards Advisory Board Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act**  
<http://www.fasab.gov/aapc/technicl.html>
  
- **AAPC Federal Financial Accounting and Auditing Technical Release No. 4: Reporting on Non-Valued Seized and Forfeited Property**  
<http://www.fasab.gov/aapc/technicl.html>
  
- **AAPC Federal Financial Accounting and Auditing Technical Release No. 6: Federal Accounting Standards Advisory Board Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act**  
<http://www.fasab.gov/aapc/technicl.html>
  
- **AAPC Federal Financial Accounting and Auditing Technical Release No.10: Accounting for Internal Use Software** <http://www.fasab.gov/aapc/technicl.html>.
  
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Appendix 1** – Most of the standards contained in this appendix have been superseded by standards issued by FASAB. Standards not yet superseded are listed in the GAO publication [Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances](#), GAO-02-248G, November 2001 at <http://www.gao.gov>.
  
- **OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements;"**  
<http://www.whitehouse.gov/omb/bulletins/b01-09.html>

### 2.3 What are Assets and How are they Recognized?

## A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 18-26, define intra-governmental and governmental assets, and entity and non-entity assets at <http://www.fasab.gov/pdffiles/sffas-1.pdf>.

## B. Federal Agency Guidance

- **Treasury Financial Manual Vol. 1** <http://www.fms.treas.gov/tfm/vol1/index.html>
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7**, <http://www.gao.gov>.

## C. DOI Guidance

- Specific balance sheet line items and disclosures requiring special attention are included in the **Financial Statement Preparation Guidance**, Chapter 2 Balance Sheet, A-Assets at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

### **2.4 What are the Requirements for the Ledgers?**

Bureaus/Offices must maintain sufficiently detailed general ledger and subsidiary ledger accounts to provide the categories of assets needed for reports. Bureaus/Offices must review asset accounts and verify them as prescribed in the schedule of reconciliations located in the DOI Accounting Handbook, Chapter 6.1.2, General Ledger Accounting.

### **2.5 What are the Specific Standards for Assets?**

#### **2.5.1 Cash**



#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 27-30, <http://www.fasab.gov/pdffiles/sffas-1.pdf> designate cash as an asset, include the items that make up cash and define entity, non-entity, and restricted cash.

#### B. Federal Agency Guidance

- **Treasury Financial Manual Vol. 1**, inclusive, with specific references to Parts 2, 4, 5, and 6 <http://www.fms.treas.gov/tfm/vol1/index.html>
- **CashLinkII** <http://www.fms.treas.gov/cashlink/index.html>
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies**, Title 7, inclusive, with specific reference to Chapters 2, 5, and 6 <http://www.gao.gov>.
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies**, GAO publication **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, GAO-02-248G, November 2001, E-30 Foreign Currency, at <http://www.gao.gov>.

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

### **2.5.2 Fund Balance with Treasury**

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 31-39, <http://www.fasab.gov/pdffiles/sffas-1.pdf> define fund balance with Treasury; describe what the fund balance includes and does not include, how it is increased and decreased; define authority to borrow, obligated balance not yet disbursed and the unobligated balance; and discuss the explanation of differences between the fund balance with Treasury and an agency's general ledger balances.

#### B. Federal Agency Guidance

- **Treasury Financial Manual Vol. 1**, inclusive, with specific references to Parts 2, 4, 5, and 6 <http://www.fms.treas.gov/tfm/vol1/index.html>
- **Fund Balance with Treasury Reconciliation Procedures, a Supplement to 1 TFM 2-5100** <http://www.fms.treas.gov/tfm/vol1/supplements/background.html>
- **CashLinkII** <http://www.fms.treas.gov/cashlink/index.html>
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7**, inclusive, with specific reference to Chapters 2, 3, 5 and 6 <http://www.gao.gov>.

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

**2.5.3 Accounts Receivable and Losses on Accounts Receivable** (See Section 2.5.9 of this Handbook for a discussion on Loans Receivable.)

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraph 40 states that an accounts receivable arises from claims to cash or other receivables. Paragraphs 41-52, discuss recognition of receivables, separate reporting, entity versus non-entity receivables, and recognition of losses due to uncollectible amounts <http://www.fasab.gov/pdffiles/sffas-1.pdf>
- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources** at <http://fasab.gov/pdffiles/sffas-7.pdf>

#### B. Federal Agency Guidance

- **Treasury’s “Instructional Workbook for Preparing the “Report on Receivables Due From the Public” Section A** at <http://www.fms.treas.gov/debt/dmrecv.doc>.

- **OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables, Appendix A - IV, Managing the Federal Government's Receivables** <http://www.whitehouse.gov/omb/circulars/a129/a129rev.html>.

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- Department of the Interior Financial Administration Memorandum No. 2001-014, September 27, 2001 [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

Record the receivable in the appropriation or fund that will be credited when collections are accomplished, unless otherwise provided by law or Departmental policy. Internal control begins prior to the transaction that gives rise to the receivable. Bureaus/Offices should control the events and conditions surrounding the delivery of goods, services, etc., that generate receivables so that there is a reasonable assurance that the receivable will be collected in full. After the receivable has been created, the responsibility shifts to the control exercised over the conditions that may affect its collection value. Thus, methods of control require administrative procedures that provide adequate control over the receivables from the initial transaction to collection. After establishing the controls, measure the effectiveness of the controls by periodic examination rather than relying on a low loss ratio as a measure of such effectiveness. Document the controls in Bureau/Office supplements.

#### **2.5.3.1 What is a Method for Estimating the Allowance for Doubtful Accounts and Loans Receivable?**

Bureaus/Offices must establish and maintain reserves for losses on accounts and loans receivable. Since it is a normal part of doing business that not all receivables are actually collected, establish an allowance for doubtful accounts to reduce the gross amount of receivables to its estimated net realizable value. Accounts receivable and associated interest, penalties, fines, and administrative receivables are recorded in the following asset standard general ledger (SGL) accounts:

131A – Accounts Receivable, Off-Budget, Billed  
131C – Accounts Receivable, On-Budget, Billed  
131G – Accounts Receivable, Off-Budget, Billed – Refund Receivable  
131H – Accounts Receivable, Off Budget, Billed – Refund Receivable – Capitalized Assets  
131J – Accounts Receivable, Off Budget, Billed – Advance/Deferred Revenue/Suspense  
134A – Interest Receivable- Billed  
136A – Penalties, Fines, and Administrative Fees Receivable- Billed

Make regular estimates, at least quarterly, for receivables that are not collectible.

The allowance for doubtful accounts should take into consideration not only the principal amount of potentially uncollectible accounts receivable but also the amount of any related interest, penalties, fines, and administrative fees. The allowance for doubtful accounts is recorded as a credit in the contra- SGL accounts with a debit to SGL 6720 - Bad Debt Expense. For non-exchange revenue, debit the contra-revenue account. The contra-SGL accounts are:

1319 - Allowance for Loss on Accounts Receivable vs. SGL 131A & 131C  
1349 - Allowance for Loss on Interest Receivable vs. SGL 134A  
1369 - Allowance for Loss Penalties, Fines, and Administrative Fees Receivable vs. SGL 136A

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### **2.5.3.2 What are the Bureau/Office Responsibilities?**

- Review the accounts receivable overdue status codes and dates that have been assigned to delinquent account receivable debt to verify their accuracy.
- Report by no later than the 15<sup>th</sup> day of the last month of each quarter, any loan balances that are potentially uncollectible. Base this report on an analysis of both current and long-term loan balances. For each loan which is deemed potentially uncollectible, provide the following information:
  - Name of loan
  - Fund
  - Program

- Cost authority
  - Unbilled amount (with separate columns for principal and interest)
  - Billed amount not yet paid (with separate columns for principal, interest, penalties, and administrative fees)
  - Factors which might indicate that the collection is uncertain, including individual risk factors associated with groups or categories of similar loans
- Review overdue status codes to determine which should be excluded from the allowance for doubtful accounts.
  - Analyze specific debts which are less than 180 days delinquent and which are associated with debtors who have one or more other outstanding debts that are more than 180 days delinquent to determine if all delinquent debts associated with the debtor should be included in the allowance.
  - Summarize the totals by Bureau/Office and fund to establish the current estimate for the allowance for doubtful accounts.
  - Prepare and enter the document(s) into the accounting system to adjust the allowance for doubtful accounts SGLs by Bureau/Office and fund to equal the current estimate.
  - Perform a Bureau-wide analysis of the estimate of the allowance for doubtful accounts for adequacy.

### **2.5.3.3 What is the Criteria for Accounts Receivable Collectibility?**

- FASAB requires that losses on receivables be recognized when it is more likely than not that the receivables will not be totally collected. The phrase “more likely than not” means more than a 50 percent chance of loss occurrence.
- Use age of receivables as the primary criterion in estimating the allowance for accounts receivable that will not be collected. Except as adjusted below, the estimate for the allowance for doubtful accounts will be all debts more than 180 days delinquent. Adjust this amount as follows:
  - The allowance will be increased for the total amount of debt that is less than 180 days delinquent that is bankrupt.
  - The allowance *may* be increased for debt less than 180 days delinquent if it is owed by a debtor who has other debt which is over 180 days delinquent. Analyze the debtor’s history and related factors to determine if it is appropriate to include the debt less than 180 days delinquent in the allowance.

- The allowance *may* be decreased for debt more than 180 days delinquent if the debt is in a certain status. For example, a debt being collected through installment payments will be excluded from the allowance estimate even though the debt is more than 180 days delinquent.

**2.5.3.4 Loans Receivable** (See Section 2.5.3.1 of this Handbook for allowance for doubtful accounts for loans receivable; Section 2.5.3.2 for a discussion of Bureau/Office responsibilities; and Section 2.5.3.4.2 for the criteria for collectibility.)

A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees**, concerns the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees <http://www.fasab.gov/pdffiles/sffas-2.pdf>. SFFAS No. 2 states that generally, direct loans obligated and outstanding prior to October 1, 1991, are recorded as loans receivable at their outstanding principal balance reduced by an allowance for estimated uncollectible amounts. Direct loans and loan guarantees committed after September 30, 1991, are estimated at the net present value of their estimated net cash inflows.
  - Paragraph 22 and 23 discuss the recognition of post 1991 direct loans and loan guarantees
  - Paragraphs 24-29 discuss the subsidy costs of post 1991 direct loans and loan guaranteed
  - Paragraphs 30-32 discuss subsidy amortization and reestimation
  - Paragraphs 33-36 discuss criteria for default cost estimates
  - Paragraphs 37-38 discuss revenues and expenses
  - Paragraphs 39-40 discuss pre-1992 direct loans and loan guarantees
  - Paragraphs 41-56 discuss modification of direct loans and loan guarantees
  - Paragraphs 57-60 discuss foreclosure of post-1991 direct loans and loan guarantees
  - Paragraph 61 discusses the write-off of direct loans
- **SFFAS No. 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees** amends SFFAS No. 2 to improve financial reporting for subsidy costs and performance of Federal credit programs at <http://www.fasab.gov/pdffiles/sffas18.pdf>.
- **SFFAS No. 19, Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees** presents technical amendments to portions of SFFAS No. 2 <http://www.fasab.gov/pdffiles/sffas-19.pdf>.

- **AAPC Federal Financial Accounting and Auditing Technical Release No. 3: Federal Accounting Standards Advisory Board Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act** removes preparation guidance to only include audit guidance and reflects new guidance and terminology in the area of credit reform  
<http://www.fasab.gov/aapc/tr3-revised.pdf>.
- **AAPC No. 6: Federal Accounting Standards Advisory Board Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act** amends the implementation guidance to prepare and report credit subsidy estimates provided in Technical Release 3  
<http://www.fasab.gov/aapc/aapctr6.pdf>.

#### B. Federal Agency Guidance

- **Treasury’s Instructional Workbook for preparing the “Report on Receivables Due From the Public”** states under the “Authority” section, “Generally, direct loans obligated and outstanding prior to October 1, 1991, are recorded as loans receivable at their outstanding principal balance reduced by an allowance for estimated uncollectible amounts. Direct loans and loan guarantees committed after September 30, 1991, are accounted for in accordance with the Statement of Federal Financial Accounting Standards No. 2, Accounting for Direct Loans and Loan Guarantees, at the net present value of their estimated net cash inflows.” See <http://www.fms.treas.gov/debt/dmrecv.doc>
- **Treasury Financial Manual Vol. I**, Part 2, Chapter 4600  
<http://www.fms.treas.gov/tfm/vol1/index.html>
- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard 110, Imputed Interest, requires that agencies constructing property, plant, or equipment for sale outside the government must consider imputed interest <http://www.gao.gov>.
- **OMB Circular A-129, Managing Federal Credit Programs**  
<http://www.omb.gov/circulars/a129/a129rev.html>
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 11 Federal Assistance: Guaranteed and Insured Loans** <http://www.gao.gov> (legal products).

## C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

### **2.5.3.4.1 How are Loans Receivable Recorded?**

- Current loans receivable are recorded in SGL 135A- *Loans Receivable, Billed*. Potentially uncollectible balances should be recorded in SGL 1359 - *Allowance for Loss on Loans Receivable*. If it is determined that the current portion of the loan is probably uncollectible, it follows that the long-term portion of the loan in SGL 135B - *Loans Receivable - Unbilled* may also be uncollectible. If this is the case, SGL 1359 should also include the long-term portion of the loan.
- SGL 134L - *Interest Receivable - Loans* and SGL 136L - *Penalties, Fines, and Administrative Fees Receivable on Loans* use the same contra-asset SGLs as are used for accounts receivable. SGL 1349 - *Allowance for Loss on Interest Receivable* and SGL 1369 - *Allowance for Loss on Penalties, Fines, and Administrative Fees Receivable* are credited to off-set the asset SGLs, respectively, with a debit to SGL 6720 - *Bad Debt Expense*. Debt the contra-revenue account for non-exchange revenue. **SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees**, Paragraph 39 discusses the allowance for uncollectible amounts for direct loans and loan guarantees. <http://www.fasab.gov/pdffiles/sffas-2.pdf>.
- Loans governed by the Credit Reform Act of 1990 should not be considered or included in the analysis to establish an allowance for doubtful loans receivable. The allowance for Credit Reform Loans is already taken into account in the subsidy analysis for such loans.

### **2.5.3.4.2 What is the Criteria for Collectibility of Loans Receivable?**

Factors that might indicate that collectibility is uncertain include the following:



- Loan performance experience
  - Loan being delinquent either presently or intermittently in the past.
  - Payer/debtor having another loan that is delinquent or has been written off.
  - This type/group of loan having a greater than normal number of defaults.
- Current and forecasted international, national, or regional economic conditions that may affect the performance of the loans.
- Drought conditions or other regional economic conditions exist which indicate potential deferral or non-payment.
- Financial and other relevant characteristics of borrowers
  - Loans are being reviewed for “Ability to Pay”.
  - Loans have been granted “Ability to Pay” relief.
  - Payers/debtors are in known financial difficulty.
  - Payments were renegotiated, or renegotiation has been proposed.
  - Billed portions of a loan are delinquent or have been written off.
  - Non-loan bills for the same debtor are delinquent or have been written off.
  - The debtor is in bankruptcy.
- Newly developed events that would affect the loan’s performance. An allowance will be booked at the Bureau/Office, fund, and project level for each loan where any factor would indicate that there is doubt about its collectibility at the present time.

#### **2.5.4 Interest Receivable**

##### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 53-56 discuss when interest receivable is recognized and not recognized  
<http://www.fasab.gov/pdffiles/sffas-1.pdf>

#### B. Federal Agency Guidance

- **Treasury Financial Manual Vol. I**, Part 2, Chapter 3400, and 4300  
<http://www.fms.treas.gov/tfm/vol1/index.html>
- **Treasury’s “Instructional Workbook for Preparing the “Report on Receivables Due From the Public” Section A** at  
<http://www.fms.treas.gov/debt/dmrecv.doc>.
- **31 CFR Subtitle B, Chapter IX, Parts 900-904**  
<http://www.gpoaccess.gov/cfr/index.html>

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

### **2.5.5 Advances and Prepayments**

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 57-61, <http://www.fasab.gov/pdffiles/sffas-1.pdf> define advances and prepayments, how to record.

#### B. Federal Agency Guidance

- **Treasury Financial Manual Vol. I**, Part 6, Chapter 2000  
<http://www.fms.treas.gov/tfm/vol1/index.html>
- **GAO publication Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, GAO-02-248G,

November 2001, Standard G10 for advances to grant recipients at <http://www.gao.gov>

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard L-40, Long Term Contracts, discusses advances under long-term contracts <http://www.gao.gov>.
- **The Economy Act of 1932** (31 U.S.C. Subtitle II, Chapter 15, Subchapter III, Sec. 1535) <http://www.gpoaccess.gov/uscode/browse.html> prescribes the rules for the purchase of supplies, equipment, or service by one Federal Government bureau or department from another Federal Government bureau or department.
- **OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments** <http://www.whitehouse.gov/omb/circulars/index.html>
- **OMB Memorandum M-03-10, “Business Rules for Intergovernmental Transactions,”** at <http://www.whitehouse.gov/omb/memoranda/m03-01.html>

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- **Department of Interior Interagency Acquisitions Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

### 2.5.6 Inventory

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 3, Accounting for Inventory and Related Property**, provides accounting standards for inventory, operating materials and supplies, stockpile materials, seized and forfeited property, foreclosed property, and goods held under price support and stabilization programs, <http://www.fasab.gov/pdf/files/sffas-3.pdf>
- **Accounting and Auditing Policy Committee (AAPC) Federal Financial Accounting and Auditing Technical Release No. 4: Reporting on Non-Valued Seized and Forfeited Property** clarifies the required reporting of non-valued seized and forfeited property <http://www.fasab.gov/aapc/ffactr4.pdf>

## B. Federal Agency Guidance

- JFMIP Inventory, Supplies, and Materials System Requirements  
<http://www.jfmip.gov/jfmip>.

## C. DOI Guidance

- Financial Statement Preparation Guidance, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finststate.html).

## **2.5.7 Property, Plant, and Equipment (PP&E)**

### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 6, Accounting for Property, Plant, and Equipment** at <http://www.fasab.gov/pdffiles/sffas-6.pdf>
  - Paragraphs 17-20 provide the definition of property, plant, and equipment
  - Paragraphs 21-76 provide recognition and measurement principles; implementation guidance; and disclosure requirements for general PP&E, federal mission PP&E, heritage assets, and stewardship land
  - Paragraphs 77-84 define deferred maintenance, and give the standard for recognition, and disclosure requirements
  - Paragraphs 85-111 define cleanup costs, recognition and measurement estimation methods, implementation guidance, and disclosure requirements.
- **SFFAS No. 10, Accounting for Internal Use Software**, provides recommended accounting standards for the cost of commercial off-the-shelf software and software developed by contractors or internally  
<http://www.fasab.gov/pdffiles/fasab10.pdf>.
- **SFFAS No. 11, Amendments to Accounting for PP&E: Definitions**, amends definitions contained in SFFAS 6 and 8 for Federal mission property, plant, and equipment; and the classification of space exploration equipment as general PP&E in these two statements <http://www.fasab.gov/pdffiles/sffas6&8.pdf>

- **SFFAS No. 14, Amendments to Deferred Maintenance Reporting**, changes the status of deferred maintenance to be included as required supplemental information <http://www.fasab.gov/pdffiles/sras14.pdf>
- **SFFAS No. 16, Amendments to Accounting for PP&E: Multi-use Heritage Assets**, amends accounting and reporting standards for heritage assets that have a heritage characteristic and are used in general government operations <http://www.fasab.gov/pdffiles/sras16.pdf>
- **Accounting and Auditing Policy Committee (AAPC) AAPC Federal Financial Accounting and Auditing Technical Release No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government** assists federal agencies in determining probable and reasonably estimatable liabilities related to the environmental cleanup responsibilities <http://www.fasab.gov/aapc/aapctr2.pdf>.
- **Federal Financial Accounting and Auditing Technical Release No. 4: Reporting on Non-Valued Seized and Forfeited Property** clarifies the required reporting of non-valued seized and forfeited property <http://www.fasab.gov/aapc/ffactr4.pdf>
- **Federal Financial Accounting and Auditing Technical Release No. 5: Implementation Guidance on Statement of Federal Financial Standards 10: Accounting for Internal Use Software** <http://www.fasab.gov/aapc/tr5.pdf>.

#### B. Federal Agency Guidance

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard L-40, Long Term Contracts, discusses how to compute the liability for property, plant, and equipment constructed under long-term contracts. It also states that the appropriate property, plant, and equipment accounts (including construction in progress) shall be adjusted based on liabilities recorded <http://www.gao.gov>.

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html), Chapter 2 Balance Sheet, A. Assets.
- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf).

- **DOI Financial Statement Guidance Memorandum No. 2001-001, Standard for Capitalizing the Cost of Internal Software** [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html). DOI will capitalize internal use software following the requirements of SFFAS Number 10 effective October 1, 2000. Costs incurred prior to October 1, 2000, whether capitalized or not, should not be adjusted to the amounts that would have been capitalized, had this statement been in effect when those costs were incurred.

## **2.5.8 Investments in Treasury Securities**

### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraphs 62-73, <http://www.fasab.gov/pdffiles/sffas-1.pdf> discuss investments by Federal entities in Treasury securities including:
  - non-marketable par value Treasury
  - market-based Treasury securities expected to be held to maturity
  - marketable Treasury securities expected to be held to maturity

This standard also discusses accounting and reporting for federal and non-federal securities, valuation subsequent to acquisition, disclosure of market value, and investment reclassification.

### **B. Federal Agency Guidance**

- **Treasury Financial Manual Vol. I, Part 2, Chapters 3400 and 4300** <http://www.fms.treas.gov/tfm/vol1/index.html>
- **Treasury Operating Circular “Responsibilities Relating to Government Investment Accounts and Investment in Government Account Series (GAS) Treasury Securities”** <http://www.publicdebt.treas.gov/dfi/dfioctc.htm>.

### **C. DOI Guidance**

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

## **2.5.9 Stewardship PPE**

### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 6, Accounting for Property, Plant, and Equipment** at <http://www.fasab.gov/pdffiles/sffas-6.pdf>
  - Paragraphs 17-20 provide the definition of property, plant, and equipment
  - Paragraphs 21-76 provide recognition and measurement principles, implementation guidance, and disclosure requirements for general PP&E, federal mission PP&E, heritage assets, and stewardship land,
- **SFFAS No.8, Supplementary Stewardship Reporting**, establishes standards for Federal government reporting over certain resources entrusted to it and certain responsibilities assumed by it <http://www.fasab.gov/pdffiles/sffas-8.pdf>.
- **SFFAS No. 11, Amendments to Accounting for PP&E: Definitions**, amends definitions contained in SFFAS 6 and 8 for Federal mission property, plant, and equipment; and the classification of space exploration equipment as general PP&E in these two statements <http://www.fasab.gov/pdffiles/sffas6&8.pdf>
- **SFFAS No. 16, Amendments to Accounting for PP&E: Multi-use Heritage Assets**, amends accounting and reporting standards for heritage assets that have a heritage characteristic and are used in general government operations <http://www.fasab.gov/pdffiles/sras16.pdf>
- **SFFAS No. 25, Reconciliation of Stewardship Responsibilities and Eliminating the Current Services Assessment** changes the classification of information about stewardship responsibilities and eliminates the requirement to present certain information about stewardship responsibilities known as “Current Services Assessment” required by SFFAS No. 8 <http://www.fasab.gov/pdffiles/sffas-25.pdf>.
- **Objectives of Federal Financial Reporting Statement of Federal Financial Accounting Concepts**, Chapter 4, Paragraphs 134-145 discusses the stewardship objective <http://www.fasab.gov/pdffiles/sffac-1.pdf>.

### **B. Federal Agency Guidance**

- **Treasury Financial Manual Vol. I**, Part 2, Chapter 4700, Closing Package for the Governmentwide Financial Report System  
<http://www.fms.treas.gov/tfm/vol1/index.html>

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html) defines stewardship PP&E and discusses the DOI requirements.

**2.5.10 Intangible Assets** - Assets that are used to produce or sell goods and services but do not have a physical form. Examples of intangible assets include: patents, copyrights, franchises, organization costs, etc.

A. Generally Accepted Accounting Principles (GAAP)

B. Federal Agency Guidance

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

**2.5.11 Other Assets** - The total of those assets not included in any of the previous classifications.

A. Generally Accepted Accounting Principles (GAAP)

B. Federal Agency Guidance



### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

## **2.6 What are the Standards for Transfers of Assets Within the Federal Government?**

### *Non-Monetary Exchange*

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 344-346 and paragraphs 356-360 at <http://fasab.gov/pdffiles/sffas-7.pdf> provide standards for transfer of assets without reimbursement.
- **FASAB Interpretations #1: Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS No.7** states, “The assets, liabilities and operating transactions of the Indian trust funds are not part of the Department of Interior and should not be included in the balance sheet, statement of net cost, and statement of changes in financial position of the Department or of the United States Government. However, the Department does have a fiduciary responsibility for these funds and is required to report on them in footnotes to the financial statements by SFFAC No. 7” <http://www.fasab.gov/interpretations/intprt1.htm>.
- **FASAB Interpretation # 5 Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7** states, “Entities that receive nonexchange revenue collected on their behalf by another entity should recognize the revenue based on the best available evidence at the time the financial report is prepared”. <http://fasab.gov/interprt.html>.

#### B. Federal Agency Guidance

- United States Standard General Ledger at <http://www.fms.treas.gov/ussgl/index.html>

### C. DOI Guidance

- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf).
- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- **DOI Posting Models** at <http://www.doi.gov/pfm/policy>.

### Monetary Exchange

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 294-296, <http://fasab.gov/pdf/files/sffas-7.pdf> provide standards for the sale of assets.

#### B. Federal Agency Guidance

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard 110, Imputed Interest, requires that agencies constructing property, plant, or equipment for sale outside the government must consider imputed interest <http://www.gao.gov>.

### C. DOI Guidance

- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf)
- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### Business-like Activities

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. #6, Accounting for Property, Plant, and Equipment**, paragraphs 24-25, <http://fasab.gov/pdf/files/sffas-6.pdf> categorize business-like activities as general PP&E.

#### B. Federal Agency Guidance

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).
- The provisions of **Monetary Exchange** above do not apply to sales or other transactions that occur in the normal operations of a business-like activity (e.g., revolving fund). However, it does apply to transfers of property that are not part of the normal operation of such business-like activities.

### **2.7 What are the Standards for Donated Assets?**

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 258-259, <http://fasab.gov/pdf/files/sffas-7.pdf> define and provide standards for donated assets.

#### B. Federal Agency Guidance

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf).

- An example for DOI: the Bureau of Reclamation (BOR) receives up-front funding for construction projects from the Bonneville Power Administration in lieu of receiving an allocation through the budget process. BOR uses SGL 5750-Expenditure Financing Sources – Transfer-In.

## 2.8 What is the Procedure for Assets Held by Award Recipients?

### A. Generally Accepted Accounting Principles (GAAP)

### B. Federal Agency Guidance

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard G10, Grants and Cooperative Agreements, states that the recipient must use the property in accordance with the terms and conditions of the assistance agreement. G10 also states, “The award recipients are generally required to return to the federal government ... property or facilities purchased or otherwise made available under the conditions of the awards (or the appropriate federal share, relative to the disposition or sale of property acquired with federal funds), unless legal title thereto is vested unconditionally in the recipient by the terms of the award”.

G-10 states, “When title to assets acquired by award recipients vests in the government, appropriate property records shall be established, and the capital assets should be included in the financial statements of the federal agency that has the title. Such assets shall be recorded at their cost to the award recipient, and the agency’s Invested Capital account shall be increased by a like amount. The agency shall follow its normal depreciation policy”. <http://www.gao.gov>.

### C. DOI Guidance

- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf).
- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

- **DOI Accounting Handbook, Chapter 6.2.**

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 3. LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT

#### **3.1 What is the Purpose of this Chapter?**

This chapter identifies accounting standards to measure and recognize liabilities in general purpose financial reports, which are issued for users both internal and external to the Department of Interior (DOI). Liabilities include both liabilities covered by budgetary resources and liabilities that are not covered by budgetary resources. This chapter also identifies accounting standards for measuring and reporting equity of the U.S. government. Equity includes cumulative results, capital stock, invested capital, unexpended appropriations, and related accounts which represent ownership of the government by its own agencies or third parties.

This chapter defines the points at which liabilities associated with different types of events and transactions are recognized. Recognition means recording a dollar amount in the general ledger and reporting that amount on the face of the financial statements.

#### **3.2 What are the Authoritative Sources?**

The policies and procedures in this chapter are issued pursuant to the following guidelines:

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities,**  
<http://www.fasab.gov/pdffiles/sffas-1.pdf>

- **SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees,**  
<http://www.fasab.gov/pdffiles/sffas-2.pdf>
- **SFFAS No. 5, Accounting for Liabilities of the Federal Government,**  
<http://fasab.gov/pdffiles/sffas-5.pdf>
- **SFFAS No. 12, Recognition of Contingent Liabilities from Litigation,**  
<http://fasab.gov/pdffiles/sffasno5.pdf>
- **SFFAS No. 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees,** <http://fasab.gov/pdffiles/sffas18.pdf>
- **SFFAS No. 19, Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees,** <http://fasab.gov/pdffiles/sffas-19.pdf>
- **FASAB Interpretation of Federal Financial Accounting Standards Interpretation (IFFAS) No. 2 “Accounting for Judgment Fund Transactions”** <http://www.fasab.gov/interp.html>.
- **FASAB’s IFFAS No. 3 “Measurement Date for Pension and Retirement Health Care Liabilities.”** <http://www.fasab.gov/interp.html>
- **FASAB’s IFFAS No. 4 “Accounting for Pension Payments in Excess of Pension Expense.”** <http://www.fasab.gov/interp.html>
- **Accounting and Auditing Policy Committee (AAPC) Federal Financial Accounting and Auditing Technical Release No. 1: Audit Legal Representation Letter Guidance** <http://www.fasab.gov/aapc/technicl.html>.
- **AAPC Federal Financial Accounting and Auditing Technical Release No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government** <http://www.fasab.gov/aapc/technicl.html>.
- **(AAPC) Federal Financial Accounting and Auditing Technical Release No. 3: Federal Accounting Standards Advisory Board Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act Federal Financial Accounting and Auditing Technical Release 3**  
<http://www.fasab.gov/aapc/technicl.html>.
- **OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements;"**  
<http://www.whitehouse.gov/omb/bulletins/b01-09.html>

- GAO publication **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, <http://www.gao.gov>

### 3.3 What are Liabilities and How are they Recognized?

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government** <http://fasab.gov/pdf/files/sffas-5.pdf>,
  - Paragraph 19 defines a liability
  - Paragraphs 20-32 define and give examples of events, transactions, exchange and non-exchange transactions, government-related events and government-acknowledged events
  - Paragraphs 33-34 discuss probable future outflow or other sacrifice of resources and measurability.
- **SFFAS No. 12, Recognition of Contingent Liabilities from Litigation**, paragraphs 10-11 amend SFFAS No. 5. SFFAS No. 12 provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims <http://fasab.gov/pdf/files/sffasno5.pdf>.
- **FASAB Interpretation # 2: Accounting for Treasury Judgment Fund Transactions** addresses (1) how Federal entities should report the costs and liabilities arising from claims to be paid by the Treasury Judgment Fund and (2) how the Judgment Fund should account for the amounts that it is required to pay on behalf of Federal entities. <http://www.fasab.gov/interpretations/intprt2.htm>.
- **FASAB Interpretation # 3: Measurement Date for Pension and Retirement Health Care Liabilities** <http://www.fasab.gov/interpretations/intprt3.htm>.
- **Interpretation # 4: Accounting for Pension Payments in Excess of Pension Expense** gives further interpretation of SFFAS No.5 <http://fasab.gov/interpretations/intprt4.htm>.
- **AAPC Federal Financial Accounting and Auditing Technical Release No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government** <http://www.fasab.gov/aapc/technicl.html>.



## B. Federal Agency Guidance

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard C30 Compensated Absences <http://www.gao.gov>.
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapters 4 and 5, Availability of Appropriations** <http://www.gao.gov> (Legal Products).
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 6, Availability of Appropriations** <http://www.gao.gov>.
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 7, Obligation of Appropriations** <http://www.gao.gov>.

## C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

### **3.4 What are the Requirements for the Ledgers?**

Bureaus/Offices must maintain sufficiently detailed general ledger and/or subsidiary ledger accounts to provide the categories of liabilities needed for reports. Review, verify, and document reviews of liability accounts and undelivered orders at least quarterly in order to certify obligations at yearend. The liability includes amounts due from the federal entity to pay for benefits, goods, or services provided under the terms of the program, as of the federal entity's reporting date, whether or not such amounts have been reported to the federal entity. This means that unreported amounts must be estimated, accrued, and reported on the financial statements and other general-purpose financial reports, Chapter 7, Accrual Accounting, of this Handbook.

### **3.5 What are the Specific Accounting Standards?**

#### **3.5.1 Accounts Payable, Interest Payable, and Other Current Liabilities**

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, paragraphs 74–80, <http://www.fasab.gov/pdffiles/sffas-1.pdf> provide the accounting standards for accounts payable, interest payable, and other current liabilities.

#### B. Federal Agency Guidance

- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapters 4 and 5, Availability of Appropriations** <http://www.gao.gov> (Legal Products).
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 6, Availability of Appropriations** <http://www.gao.gov>.
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 7, Obligation of Appropriations** <http://www.gao.gov>.

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

### 3.5.2 Capital Leases

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 43-46, <http://fasab.gov/pdffiles/sffas-5.pdf> provide the standards for capital leases.
- **FASAB Interpretation # 2: Accounting for Treasury Judgment Fund Transactions** addresses (1) how Federal entities should report the costs and liabilities arising from claims to be paid by the Treasury Judgment Fund and (2) how the Judgment Fund should account for the amounts that it is required to pay on behalf of Federal entities. <http://www.fasab.gov/interpretations/intprt2.htm>.

B. Federal Agency Guidance

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

**3.5.3 Federal Debt and Related Interest Cost**

A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 47-55, <http://fasab.gov/pdffiles/sffas-5.pdf> provide the standards for federal debt and related interest cost.

B. Federal Agency Guidance

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Cash Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

**3.5.4 Pensions, Other Retirement Benefits, and Other Post-Employment Benefits**

A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 56-96, <http://fasab.gov/pdffiles/sffas-5.pdf> provide the standards for pensions, other retirement benefits, and other post-employment benefits. To help employer entities compute their pension liability, the Office of Personnel

Management will provide relevant cost factors and methodologies to agencies annually through the Department.

- **FASAB Interpretation # 3: Measurement Date for Pension and Retirement Health Care Liabilities** <http://www.fasab.gov/interpretations/intprt3.htm>
- **FASAB Interpretation # 4: Accounting for Pension Payments in Excess of Pension Expense** gives further interpretation of SFFAS No.5 <http://fasab.gov/interpretations/intprt4.htm>.

#### B. Federal Agency Guidance

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### **3.5.5 Insurance and Guarantees**

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 97-121, <http://fasab.gov/pdffiles/sffas-5.pdf> provide the standards for the insurance and guarantee program.

#### B. Federal Agency Guidance

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

### **3.5.6 Exchange and Nonexchange Transactions**

#### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 126-133, <http://fasab.gov/pdffiles/sffas-5.pdf> provide the standards for exchange and nonexchange transactions.

#### **B. Federal Agency Guidance**

#### **C. DOI Guidance**

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### **3.5.7 Environmental Contingent Liability**

#### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government** <http://fasab.gov/pdffiles/sffas-5.pdf>
- **SFFAS No. 6, Accounting for Property, Plant, and Equipment** <http://fasab.gov/pdffiles/sffas-6.pdf>
- **SFFAS No.12, Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government** <http://fasab.gov/pdffiles/sffasno5.pdf>
- **Accounting and Auditing Policy Committee (AAPC) Federal Financial Accounting and Auditing Technical Release No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government** <http://www.fasab.gov/aapc/technicl.html>

#### **B. Federal Agency Guidance**

- **OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements;"** <http://www.whitehouse.gov/omb/bulletins/b01-09.html>

### C. DOI Guidance

- **Draft Environmental Contingent Liability Handbook**, at [www.doi.gov/pfm/ecl.htm](http://www.doi.gov/pfm/ecl.htm).

## **3.6 How are Compensated Absences Accrued?**

### A. Generally Accepted Accounting Principles (GAAP)

- **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, Standard C30 Compensated Absences, <http://www.gao.gov>

### B. Federal Agency Guidance

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

## **3.7 What are Contingencies?**

### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 5, Accounting for Liabilities of the Federal Government**, paragraphs 35-42, <http://fasab.gov/pdf/files/sffas-5.pdf>, define a contingency, a loss contingency, criteria for recognition of a contingent liability, and criteria for disclosure of a contingent liability.
- **SFFAS No. 12, Recognition of Contingent Liabilities from Litigation**, paragraphs 10-11 amend SFFAS No. 5. SFFAS No. 12 provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims <http://fasab.gov/pdf/files/sffasno5.pdf>.

- **FASAB Interpretation # 2: Accounting for Treasury Judgment Fund Transactions** addresses (1) how Federal entities should report the costs and liabilities arising from claims to be paid by the Treasury Judgment Fund and (2) how the Judgment Fund should account for the amounts that it is required to pay on behalf of Federal entities. <http://www.fasab.gov/interpretations/intprt2.htm>.
- **AAPC Federal Financial Accounting and Auditing Technical Release No. 1: Audit Legal Representation Letter Guidance** <http://www.fasab.gov/aapc/technicl.html>.

#### B. Federal Agency Guidance

#### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### **3.8 What is Equity of the U.S. Government?**

The nature of proprietary accounting for a federal agency closely resembles that of a private sector firm. As with the private sector firm, assets equal liabilities plus capital. However, “capital” in federal accounting is called “Equity of the U.S. Government.” Therefore:

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY OF THE U.S. GOVERNMENT}$$

Types of equity accounted for by DOI include unexpended financing sources, investments, and net results of operations.

On the Balance Sheet, all equity accounts which make up the total DOI “Equity of the U.S. Government are presented in the ‘Net Position’ sections”. **SFFAC 2 – Entity and Display**, paragraph 84 “Net Position”, <http://www.fasab.gov/pdf/files/sffac-2.pdf> defines net position.

### 3.9 What Equity Accounts Does the Department of Interior Use?

The following equity accounts are used by DOI and are presented as subcomponents of “Net Position” on the balance sheet. See also **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

- **Unexpended appropriations** – “Unexpended Appropriations-Cumulative” (SGL 3100) represents equity from an appropriation authorized but for which goods and services to be funded by the appropriation have not been ordered or received. This account represents the amount of unexpended appropriations after fiscal yearend closing. The normal balance is a credit. The balance in the account remains the same during the fiscal year. Activity to increase or decrease unexpended appropriations is reflected in other SGL accounts in the 3100 series. At yearend, the nominal SGL accounts in the 3100 series are closed to this SGL account. During the fiscal year, the net of debit and credit balances in the 3100 series accounts reflects the total remaining balance of unused appropriations. The SGL is only used for appropriations from the general fund and not from special or available funds. See the **Financial Statement Preparation Guidance**, Chapter 7 at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
  
- **Cumulative Results of Operations** – “Cumulative Results of Operations” (SGL 3310) is the net difference since the inception of the activity between expenses and losses and financing sources including appropriations, revenues, and gains. The normal balance is a credit. This SGL amount should not change during the year, but will change at yearend post closing. The U.S. Government Standard General Ledger Accounts and Descriptions Supplement, Section II [http://fms.treas.gov/ussgl/tfm\\_releases/effective04/sec2.doc](http://fms.treas.gov/ussgl/tfm_releases/effective04/sec2.doc) identifies the normal balances for all SGL accounts.
  - expenses and losses – represent consumption of goods and services on an accrual basis and losses from the disposal of assets. Activity in expenses and losses is reflected in SGL accounts in the 6000 and 7200 series. Because expenses and losses decrease equity, these accounts normally have debit balances.
  
  - appropriations, revenues, and gains – include appropriations used to fund agency operations for which goods and services have been received; earnings from



provision of goods and services to other agencies on an accrual basis; and gains from the disposal of assets.

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 4. REVENUES AND OTHER FINANCING SOURCES

#### 4.1 What is the Purpose of this Chapter?

The purpose of this chapter is to define and provide the accounting standards for revenue and other financing sources. **SFFAS No.7, Accounting for Revenue and Other Financing Sources**, paragraphs 30-32, <http://fasab.gov/pdf/files/sffas-7.pdf> define revenue and other financing sources. SFFAS No. 7, paragraph 30 states, “Revenue comes from two sources: exchange transactions and nonexchange transactions.”

#### 4.2 What are the Authoritative Sources?

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**  
<http://fasab.gov/pdf/files/sffas-7.pdf>
- **SFFAS No. 7, Implementation Guide**, <http://fasab.gov/pdf/files/impguid7.pdf>
- **SFFAS No. 13, Deferral of Paragraph 65.2 – Material Revenue – Related Transactions**, <http://fasab.gov/pdf/files/sffasno7.pdf>
- **SFFAS No. 20, Elimination of Certain Disclosures**,  
<http://fasab.gov/pdf/files/stdedition7.pdf>
- **FASAB Interpretations # 1: Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated financial Statements of the United States Government: An Interpretation of SFFAS No. 7** <http://www.fasab.gov/interpr.html>

- **FASAB Interpretation # 5: Recognition by Recipient Entities of Receivable Non exchange Revenue: An Interpretation of SFFAS 7.**  
<http://www.fasab.gov/interp.html>
- **Technical Bulletin 2002-1, Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government**  
<http://www.fasab.gov/tchbl.html>.
- **Technical Bulletin 2002-2, Disclosures Required by Paragraph 79(g) of SFFAS 7**  
<http://www.fasab.gov/tchbl.html>.
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Appendix 1** – Most of the standards contained in this appendix have been superseded by standards issued by FASAB. Standards not yet superseded are listed in the GAO publication [Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances](#), GAO-02-248G, November 2001 at <http://www.gao.gov>.
- **OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements;"**  
<http://www.whitehouse.gov/omb/bulletins/b01-09.html>

#### 4.3 What are the Specific Accounting Standards?

##### **4.3.1 Exchange Revenue**

###### **A. Generally Accepted Accounting Principles (GAAP)**

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 33-47, <http://fasab.gov/pdf/files/sffas-7.pdf> define exchange revenue; provide the standards for recognition and measurement of exchange revenue, and disclosures and other accompanying information.

###### **B. Federal Agency Guidance**

- **The United States Standard General Ledger at**  
<http://www.fms.treas.gov/ussgl/index.html>
- **JFMIP Revenue System Requirements** <http://www.jfmip.gov/jfmip/docs.htm>

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- DOI Accounting Models at <http://www.doi.gov/pfm/policy>.

## **4.3.2 Nonexchange Revenue**

### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 48-69.4, <http://fasab.gov/pdf/files/sffas-7.pdf> define nonexchange revenue; provide the general standard, taxes and duties standards, fines and penalties standards, donations standards, other nonexchange revenue; and disclosures, supplementary information, and other accompanying information.
- **FASAB Interpretation # 5: Recognition by Recipient Entities of Receivable Non exchange Revenue: An Interpretation of SFFAS 7.**  
<http://www.fasab.gov/interp.html>

### B. Federal Agency Guidance

- **The United States Standard General Ledger** at <http://www.fms.treas.gov/ussgl/index.html>

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
- DOI Accounting Models at <http://www.doi.gov/pfm/policy>.

## **4.3.3 Other Financing Sources**

A. Generally Accepted Accounting Principles (GAAP)

- SFFAS No. 7, Accounting for Revenue and Other Financing Sources, paragraphs 70-75, <http://fasab.gov/pdf/files/sffas-7.pdf> define other financing sources; provide standards for recognition and measurement of other financing sources, financing imputed for cost subsidies, and transfers of assets. Bureaus/Offices must adhere to the legislative requirements when operations are financed from Special Receipt Funds or Available Receipt Funds. Refer to the Treasury and DOI posting models to obtain the appropriate accounting entries.

B. Federal Agency Guidance

- **The United States Standard General Ledger** at <http://www.fms.treas.gov/ussgl/index.html>

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

**4.3.4 Other Financing Sources–Prior Period Adjustments**

A. Generally Accepted Accounting Principles (GAAP)

- SFFAS No. 7, Accounting for Revenue and Other Financing Sources, paragraph 76 <http://fasab.gov/pdf/files/sffas-7.pdf> provides the standards for prior period adjustments.
- SFFAS No.21, Reporting Corrections of Errors and Changes in Accounting Principles, <http://fasab.gov/pdf/files/sffas-21.pdf> amends SFFAS No. 7.

B. Federal Agency Guidance

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### **4.3.5 Budgetary Information**

#### **A. Generally Accepted Accounting Principles (GAAP)**

- SFFAS No. 7, Accounting for Revenue and Other Financing Sources, paragraphs 77-82, <http://fasab.gov/pdffiles/sffas-7.pdf> provide the standards for budgetary information.
- SFFAS No.22, Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations, <http://fasab.gov/pdffiles/sffas-22.pdf> amends SFFAS No. 7.

#### **B. Federal Agency Guidance**

- **OMB Circular A-11, "Preparation, Submission, and Execution of the Budget"** <http://www.whitehouse.gov/omb/circulars/index.html>

#### **C. DOI Guidance**

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)

### **4.3.6 Accountability for Dedicated Collections**

#### **A. Generally Accepted Accounting Principles (GAAP)**

- SFFAS No. 7, Accounting for Revenue and Other Financing Sources, paragraphs 83-87, <http://fasab.gov/pdffiles/sffas-7.pdf> provide the standards for accountability for dedicated collections.

#### **B. Federal Agency Guidance**

- **Treasury Financial Manual Vol. I**, Part 2, Chapter 1500  
<http://www.fms.treas.gov/tfm/vol1/index.html>

C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html)
- **Credit and Debt Management Handbook** [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).

## DEPARTMENT OF THE INTERIOR

### ACCOUNTING HANDBOOK

#### CHAPTER 5. FINANCIAL AND MANAGEMENT ACCOUNTING REPORTS

##### 5.1 What is the Purpose of this Chapter?

This chapter provides general information regarding Department of Interior (DOI) financial reporting requirements. The reports described herein are designed to meet the institutional and programmatic management needs of Headquarters, Bureaus/Offices. Federal financial reporting consists of general purpose and management accounting reports.

##### 5.2 What are the Authoritative Sources?

The guidance and procedures in this chapter are issued pursuant to the [following laws, regulations, and guidelines](#):

- **Chief Financial Officers Act of 1990**, 31 U.S.C. Sec. 3512, 3515 (Public Law 101-576)
- **Government Performance and Results Act of 1993**
- **Government Management Reform Act of 1994**
- **Federal Financial Management Improvement Act of 1996 (FFMIA) (P.L. 104-208)**
- **Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS), Interpretations, Technical Bulletins, Technical Releases, and Concepts** at: <http://www.fasab.gov>



- **OMB Circulars and Bulletins** at <http://www.whitehouse.gov/omb>
  - **OMB Circular A-11**, "Preparation, Submission, and Execution of the Budget"
  - **OMB Circular A-127**, "Financial Management Systems" and **Transmittal Memorandum No. 2**
  - **OMB Circular A-130**, Transmittal Memorandum No. 4, Management of Federal Information Resources
  - **OMB Circular A-134**, "Financial Accounting Principles and Standards"
  - **OMB Bulletin 01-09**, "Form and Content of Agency Financial Statements"
  - **OMB Bulletin 01-02**, "Audit Requirements for Federal Financial Statements"
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Appendix 1** – Most of the standards contained in this appendix have been superseded by standards issued by FASAB. Standards not yet superseded are listed in the GAO publication **Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, GAO-02-248G, November 2001 at <http://www.gao.gov>.
- **Treasury Financial Manual, Volume I Chapter 2-4000, Federal Agencies'**, Centralized Trial-Balance System (FACTS) <http://www.fms.treas.gov/tfm/index.html>.
- **DOI Handbooks**: Handbooks that can be accessed at [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html)

### 5.3 What are General-Purpose Financial and Management Accounting Reports?

General-purpose financial reports include internal management reports and external management reports. The objective of internal management reporting is to supply management with clear, concise, and useful budget execution reports and accounting data. External management reports provide financial management information to users outside of the Department. The objective of external financial reporting is to comply with the reporting requirements of central agencies.

General-purpose financial reports should provide the following information:

- sources and uses of budgetary resources
- operations and the related resources
- government's assets
- government's liabilities and financial responsibilities
- concerns with the future
- disclosure of the levels of financial controls

Management accounting reports shall provide a means of comparing plans to performance, and for comparing similar operations from period-to-period and between organizations. Analyses of variances are integral to reporting results to operating and program managers and to the Chief Financial Officer (CFO).

#### **5.4 Who is Responsible for Financial Reporting?**

The Bureau heads and CFOs are responsible for ensuring that all financial information reported by their Bureaus/Offices meets the guidance of this chapter. The DOI CFO is responsible for ensuring that all financial information reported by the Office of Financial Management (PFM) or another office within the Office of the Secretary meets the guidance of this chapter. The DOI CFO and Bureau CFOs should delegate authority and responsibility as necessary to ensure compliance with this guidance without imposing an administrative burden on offices responsible for reporting. However, the DOI CFO and Bureau CFOs may not delegate responsibility for overall compliance with this guidance.

#### **5.5 What are the Principles of Financial Reporting?**

- **A comprehensive financial reporting system** – This entails various kinds of reports, which are an essential feature of the financial management system. These bring together financial and quantitative factors which can reveal significant data needed by management for funding; planning; controlling; and evaluating, in financial terms, operations and progress.

- **Report Preparation:**

- Include all pertinent financial transactions for the period covered and disclose all essential facts that have a direct bearing on financial condition and operations;
- Prepare key reports timely to meet the needs for management decisions at all levels;
- Prepare and issue reports to comply with legal requirements;
- Develop report data, financial or otherwise, directly from accounting records (ledgers, accounts, files, etc.) and have adequate accounting support;
- Report data on a consistent basis from one period to another; if deviations are necessary, justify the effect on financial condition and operations and document the deviation;
- Prepare reports, statements and supporting schedules, to the extent practicable and permissible by law or regulation, in layman's terminology which is readily understood and meaningful to those who utilize the reports; and
- Use reports developed at the Departmental level, to the extent possible, to form the basis for official external reports, budget estimates, and other financial data.

- **Verification**

- Complete reconciliations and verifications as prescribed in Chapter 6.1.2 of this Handbook to ensure that reports are correct, valid, and in agreement with accounting records.
- Establish controls for all reports and reconcile these reports with applicable general ledger control accounts. This is necessary whether the source data is recorded by manual or automated means.
- In addition to the verification and reconciliation requirements prescribed above, Bureaus/Offices shall take action to ensure:

- submission of legible copies of the reports and statements;
- legible correction of errors on all copies of the reports
- clear identification of all adjustments or data applicable to prior periods;
- verification for completeness, including page numbers, inclusion of all pages, complete and proper headings, and proper labels;
- verification of the printout or typing of the final report;
- verification of addressees and addresses for transmitting reports; and
- dated submissions and supporting papers.

• **Compliance with Due Dates** – Individual report instructions will specify a "due date."

Usually, the "due date" is expressed in terms of a specific number of working days after the close of the time period covered by the report. For instance, when a due date of "9 working days after the end of the quarter" is prescribed, forward the required report to reach the addressee no later than the close of business (COB) on the ninth working day of the subsequent quarter. In some instances, individual report instructions will prescribe a "due date" on a particular calendar day of a month. In these instances, the required report shall reach the addressee by the COB of the prescribed calendar day. Unless there are instructions otherwise, due dates that fall on Saturday are due on the preceding Friday; due dates that fall on Sunday are due on the following Monday.

## **5.6 What are the Requirements for Financial Statements?**

The CFO Act of 1990 and the Government Management Reform Act of 1994 require audited financial statements for all activities of the Department. The Director of OMB prescribes the form and content of financial statements to be prepared under these Acts in **OMB Bulletin 01-09, "Form and Content of Agency Financial Statements"** at <http://www.whitehouse.gov/omb>. DOI guidance for preparing financial statements is contained in the **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html). See also **Statement of Federal Financial Accounting Concepts (SFFAC) SFFAC 1 – Objectives of Federal Financial Reporting, SFFAC 2 – Entity and Display, SFFAC 3 – Management’s Discussion and Analysis – Concepts, SFFAC 4 – Intended Audience and Qualitative Characteristics for the Consolidated Financial Statement of the United States Government** <http://www.fasab.gov/concepts.html>.

- **Fairness of Presentation** – Provide full disclosure of financial operations and financial position in accordance with accounting principles and standards specified under the hierarchy of authority in **Federal Generally Accepted Accounting Principles (GAAP) Hierarchy** at <http://www.fasab.gov/accepted.html>.

Full disclosure carries with it the burden of reporting, as necessary, unsatisfactory conditions and violations of statutory limitations. Full disclosure implies that financial statements shall not be adjusted arbitrarily or in such a manner as to eliminate such conditions or violations. Financial statements shall fully disclose any alternate accounting basis for the preparation of statements that are not fully in accordance with the principles and standards of the FASAB or this Handbook.

All financial reports must identify their purpose and present logical data consistent with that purpose. If the report classifications do not provide the means of disclosing significant factors affecting the financial data, append proper footnotes and references to the report. These explanations and interpretations should be expressed as simply as possible to help report users understand the information in its proper context.

Prepare all financial reports on a consistent basis over time and from period to period. Once an accounting principle or reporting concept is adopted, it should be used for all similar transactions and events unless there is good cause to change. Where significant changes are made in accounting classifications or other concepts underlying a financial report that significantly impairs comparability; disclose the nature, reason, and effect of the change until comparability is obtained. Identify adjustments separately, but adjustments will be reported on the financial statements as cumulative with final numbers.

Financial reports should be reliable, verifiable, and free from bias. To be reliable, financial reports should be comprehensive. Nothing material should be omitted from the report nor should anything be included that would likely cause the information to mislead the intended report user.

Financial and operational reports, compiled on a monthly basis, shall include both current and cumulative transactions recorded on a timely basis. See the **Financial Statement Preparation Guidance, Chapter 5, Section 11 Restatements for prior period adjustments** at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html). Use SGL 740\* to record prior period adjustments. Bureaus/Offices should coordinate with PFM in the event a

significant prior period adjustment becomes necessary. Bureaus/Offices should periodically review SGL 740\* balances to determine if prior period adjustments are material and if they will require a restatement of prior year statements in the annual report. Set forth adjustments and corrections separately in the statements in such a manner that their financial significance can be readily determined.

- **Accuracy** – Define financial data by the DOI Posting Models <http://www.doi.gov/pfm/policy>. Prepare financial reports directly from general ledger accounts, or from records under general ledger control and reconciliation. System design and procedures shall ensure that all financial transactions pertaining to an accounting period are accounted for, either by direct processing into the accounting system, or by identification and provision of a reasonable estimate if the transaction cannot be received in time for direct processing. Chapter 7 of this Handbook discusses developing and documenting estimates. To ensure accuracy and completeness of reports, closeout procedures shall provide a review of accounts before final closing of the books for the accounting period.

Procedures must state that a professional accountant will supervise all accounting work. Such procedures may provide for day-to-day processing controls, proof of batch listings, and journals of original entry. Assign approval of closeout procedures, journal vouchers, general ledger reconciliation and corrections, and formal statements as a responsibility of professional accountants.

One of the most important functions of a finance office is to ensure the accuracy of the financial statements. Steps that need to be taken to increase the likelihood of accurate numbers on financial statements include:

- Ensure that the financial statements are drawn from the information contained in the system;
- Require that adequate work papers and documentation exist to support the flow of numbers from the system to the financial statements;
- Document all adjustments to amounts derived from the accounting system;
- Reconcile internal records timely with data from outside sources, such as reports from the Department of the Treasury;

- Review the numbers for reasonableness, including a comparison against prior year amounts and an explanation of variances as needed; and
  - Disclose any uncertainty regarding the reliability of the numbers and the reasons thereof in the notes to the financial statements.
- **Timeliness** – Prepare official financial accounting reports from financial accounting systems or subsystems as directed by the CFO in accordance with due dates established by the Department. Such financial reporting system(s) must be able to produce reports timely enough to meet the mandatory internal and external reporting deadlines. Provide financial data for management accounting reports by the DOI Key Milestones at <http://www.doi.gov/pfm/finstate.html>. Include financial transactions issued or approved by management through the last workday of the reporting period in the reports.

Timely financial accounting information is especially critical to the successful preparation of the reporting entity's financial statements. A major factor in obtaining an unqualified audit opinion on the Department's financial statements is ensuring that bureau audits stay on time. Any Bureau/Office audit that falls behind risks the possibility of a scope limitation, and subsequent disclaimer of an opinion by the auditors. Since the preparation of the Department-wide consolidated financial statement and subsequent audit opinion relies on the cumulative results of the individual Bureau/Office audits, any one Bureau/Office that falls behind will hold up the whole Department and may adversely affect the Department's audit opinion.

- **Comparability** – The financial statements are to include consolidated, comparative financial data from the immediate prior year unless a differing opinion has been issued by PFM. Prior year data must be reported in a format consistent with the current year's data. See the **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html) for current requirements and formatting.

## 5.7 What Reports are Required by External Agencies?

Departmental accounting system(s) shall have the capability of producing financial and budgetary reports, and supporting schedules, as required by OMB and Treasury. **The Joint Financial Management Improvement Program (JFMIP)“Core Financial**

**Requirements**” discusses core financial system requirements for financial systems <http://www.jfmip.gov/jfmip/systemrequirements.htm>. Refer to **Treasury Financial Manual, Volume 1, Part 2** at [www.fms.treas.gov/tfm](http://www.fms.treas.gov/tfm) for Treasury reports and

[www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html) for OMB reports.

In addition to the formal financial statements and budget reports, other external financial reports required are listed below:

### EXTERNAL FINANCIAL REPORTS

FORM NO.	FORM TITLE	REQUIRED REPORT REFERENCE	FREQUENCY
Exhibit 140	Report on Unvouchered Expenditures	A-11, Section 140	Annual
Exhibit 52	Report on Resources for Financial Management Activities	A-11, Section 52	Annual
Exhibit 53	Agency IT Investment Portfolio	A-11, Section 53	Annual
SF-133	Report on Budget Execution and Budgetary Resources	Prepared from FACTS II information	Quarterly
FACTS II	Treasury’s Federal Agencies’ Centralized Trial-balance System II	<a href="http://www.fms.treas.gov/factsii/index.html">http://www.fms.treas.gov/factsii/index.html</a>	Quarterly
2108	Yearend Closing Statement	Prepared from FACTS II information	Annually
SF-224	Statement of Transactions	<a href="http://www.fms.treas.gov/tfm/vol1/a%2D02%2D04.html">http://www.fms.treas.gov/tfm/vol1/a%2D02%2D04.html</a>	Monthly



Biennial review of User Charges		CFO Act of 1990 P.L. 101-576 OMB Circular A-25	Biennially
International Transactions		Department of Commerce - Directive #19	Quarterly
Annual Report of Quarters Income and Expense			
Ex Order 12250	Contributions to Federally Conducted and Federally Assisted Activities	Ex Order 12250 goes thru Civil rights group and then to the department	Annually
Credit Reform Loan Balance Confirmation Report	Form is e-mailed from BPD "Balance Confirmations"		
Submit all reports using the Debt Management Information System (DMIS)	Treasury Report on Receivables (TROR)	Refer to I TFM 2-4100 for instructions on preparing the TROR <a href="http://www.fms.treas.gov/debt/dmrpts.html">http://www.fms.treas.gov/debt/dmrpts.html</a> <a href="http://www.fms.treas.gov/debt/trorworkbk.html">http://www.fms.treas.gov/debt/trorworkbk.html</a> .	Quarterly

### 5.8 What Internal Reports are Required?

The Department's financial reporting goals are to achieve and maintain unqualified audit opinions for departmental and Bureau/Office financial statements, to strengthen financial controls, and to ensure that financial data produced for management decision-making is reliable, verifiable, and consistent with the annual audited financial statements. PFM's website at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html) includes **key milestones for quarterly and yearend reports; financial statement checklists for CFO/Bureau Directors and**

## **Finance Officers, and Program Managers Guide to Financial Statement Audits.**

This guidance is provided to standardize Bureau/Office reports, provide a checklist for Bureau/Offices to uniformly review reports, establish reporting dates, and establish responsibilities for the audit process.

- **Integrated Financial Performance Metrics** – This report implements the integrated financial performance metrics necessary for Office of Management and Budget (OMB), Treasury, and internal reporting requirements. See <http://www.doi.gov/pfm/metrics.html> for the report format. (under construction). The current instructions are in FAM 2003-015 dated July 1, 2003. The report provides the indicators, measures, objectives, data sources, PFM staff contacts, and reporting frequency (includes due dates) by functional area. Refer to the website referenced above for current format requirements. The Monthly Debt Management Reporting requirements were rescinded as of fiscal year 2004. Refer to the Departmental Credit and Debit Management Handbook for debt management guidance. (EDITORIAL NOTE: [Link to this Handbook](#))

The measures were chosen to demonstrate whether Bureau/Office finance operations are “healthy”; if not, the measures will indicate which areas require closer management attention. The performance measures will help ensure compliance with financial-related laws and regulations.

### **5.9 How Do Bureaus/Offices Measure Successful Reporting?**

The Department's financial management systems and the reports that they generate must serve Department decision-makers and managers at various levels. Individuals from all disciplines within the Department must work together to achieve successful reporting. To achieve this goal, an active partnership must exist among Bureau/Office headquarters and all levels of Bureau/Office management. The Bureau/Office heads are responsible to assure that all the necessary individuals are involved in the process. Managers in each of the responsible functions must be accountable and committed. Such information should support:

- **Informed program and resource decisions**--this requires information to support the budget and management decision process, both within the Department and at the executive and Congressional level. Ongoing information relating to the cost of

producing products and services should allow managers to better control costs; make informed program decisions and necessary adjustments during the course of a year; and to avoid “surprises” at yearend. DOI is integrating cost accounting with budgetary accounting through Activity Based Costing (ABC). Refer to <http://www.doiu.nbc.gov/abc/> for information on ABC.

- **Compliance with law, policy requirements, and budget and management decisions**—this requires the establishment of controls and the tracking of spending against requirements. The availability of historical product and service cost information, consistently applied, should serve to improve the quality and reliability of agency estimates used in preparing budgets.
- **Efficient, effective program delivery**--this requires reporting on service efforts, accomplishments, and costs. During the 1990s, several laws were enacted which shifted the focus of government decision making and accountability away from a preoccupation with the activities that are undertaken to a focus on the results of those activities.
- **Proper stewardship over Federal resources**--this requires reporting on management's accountability for resources, as well as their cost and service potential.
- **Protection from future liabilities resulting from current decisions and events**--this requires information on such things as loan guarantees, insurance exposures, pension commitments, and environmental clean-up decisions.
- **Meeting external reporting requirements**--this requires Bureau/Office budget formulation and execution presentation, as well as financial statements describing the financial position, results of operations, cash flows, and reconciliation to budget reports.
- **Regular review of reports to keep abreast of management’s ever changing information requirements**--Perform reviews, as needed, to determine if current reports are still needed, or if revisions are required to meet the changing needs of program managers. Provide new reports as needed to enhance or maintain sound

decision-making. Additional changes in budget or program classifications may be necessary during this review.

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 6. GENERAL ACCOUNTING

#### **6.0 What is the Purpose of this Chapter?**

This Chapter includes general ledger accounting, grants and cooperative agreement accounting, gifts and donations, and cost recovery/user charges. The provisions of this chapter apply to all transactions affecting the Department of Interior's (DOI) assets, liabilities, investments, revenues, and expenses.

#### ***6.1 General Ledger Accounting***

##### **6.1.1 What are the Authoritative Sources?**

- **Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS), Interpretations, Technical Bulletins, Technical Releases, and Concepts** at: <http://www.fasab.gov>.
- **GAO Policy and Procedures Manual for Guidance of Federal Agencies** <http://www.gao.gov>.
- **Treasury Financial Manual, Volume I** <http://www.fms.treas.gov/tfm/index.html>.

- **OMB Memorandum M-03-10, “Business Rules for Intergovernmental Transactions,”** at <http://www.whitehouse.gov/omb/memoranda/m03-01.html>

### 6.1.2 What are the Department of Interior’s Accounting Control Activities for General Ledger Accounting?

The following accounting control activities are prescribed for Bureau/Office accounting and subsidiary accounting systems:

- **Documentation**
  - Fully document all transactions, processing procedures, and systems of administrative controls, and other internal controls (e.g., objectives, techniques) so that a clear audit trail is established.
  - Establish controls to assure that financial transaction documents are received and processed in a timely manner. Properly classify documents. Dispose in accordance with records management standards.
  - Include internal control requirements in directives, policies, manuals, plans, flowcharts, and desk procedures.
- **Recording Transactions and Events** – Use the journal entry process for recording financial transactions in appropriate general ledger accounts. A transaction recorded in an accounting journal must consist of two or more journal entry lines where the debit and credit totals balance. Each journal entry line must identify specific transaction information.
  - Promptly and accurately record and classify transactions and other significant events in the proper account, in the proper amount, and in the proper period.
  - Maintain an approved system of general ledger and subsidiary accounts for assets, liabilities, net worth, revenues, costs, budgetary accounts, and memo accounts (8000-9000 series of accounts).
  - Use system controls to automatically record transactions in the proper accounts, as well as to prevent billings in excess of customer agreement amounts and in excess of expenses incurred.



Advances	Monthly
Accounts Receivable	Monthly
Deposit Accounts	Monthly
Suspense Accounts	Monthly
Inventories inventory)	Monthly (Bring into balance after physical
Fixed Assets	Annually
Other Assets	Annually
Undelivered Orders	Quarterly
Accounts Payable	Monthly
Other Liabilities	Quarterly
Investments	Monthly

Budgetary to Proprietary Monthly

Accounts

Statement of Financing Monthly

To other Statements

Interim SF-133, Reports Quarterly

On Budget Execution and

Budgetary Resources/FACTS

II to General Ledger



General Ledger Monthly

Investment and Fund

Balances Reconciled

to Treasury

Review of Suspense Monthly

Accounts, Accounts

with Abnormal Balances,

and Old Account Balances,

Correcting Invalid Entries,

and Documenting the

Review

Perform Variance Monthly

Analysis

- Precede the preparation of external financial statements or financial reports by complete reconciliations.
- Performance standards are developed for these reconciliations and reviews and will be reported to PFM as prescribed by the Integrated Performance Metrics Report. (See Chapter V, Financial and Management Accounting Reports and <http://www.doi.gov/pfm/metrics.html> for the report format. (under construction). The current instructions are in FAM 2003-015 dated July 1, 2003.)
- Normal schedules and work papers for such reconciliations shall be of sufficient detail to ensure the accuracy of financial statements and reports. Retain the working papers and records on which such verifications are based within the Bureau/Office in a form that will facilitate audit.

- The reconciliation of general ledger accounts with subsidiary and support records helps to substantiate and maintain the accuracy of account postings and balances. Different tools may be used to accomplish a meaningful reconciliation based on the finance officer's professional judgment and knowledge of the systems and controls involved. Employ computer-assisted procedures whenever possible. When it is not feasible to pull every document, statistical sampling may be used. Base statistical sampling on an adequate sample size to reach a confidence level that will support the risk level. Fully document all reconciliation procedures.
- **Periodic Activities** – Bureaus/Offices must generate accrual transactions, adjusting entries, consolidation entries, and closing entries at the end of a period (month, quarter, or year) for reporting purposes. The core financial system must:
  - Provide for month-end, quarter-end, and yearend closing and rollover of the general ledger account balances under the control of an authorized system administrator;
  - Provide the capability for multiple preliminary yearend closings before final yearend closing, while maintaining the capability to post current period data;
  - Provide the capability for selective, automatic generation of recurring accrual entries and reversals in the next fiscal period;
  - Allow for accruals of contracts or other items that cross fiscal years;
  - Selectively generate required transactions as needed by the yearend closing procedures;
  - Separately identify amounts which would be eliminated when preparing intra-agency and interagency consolidations (see a discussion on eliminations in 6.1.5 of this Chapter); and
  - Prepare trial balances and other supporting information needed for external reports and financial statements, including consolidated statements.

The Bureau/Office financial management personnel are responsible for performance and execution of all necessary monthly, quarterly, fiscal yearend, calendar, and annual accounting activities. This includes recording accruals, recording consolidating and adjusting entries, preparing trial balances, and the generation of the required external and internal reports such as the SF-224, "Statement of Transactions," and the SF-133, "Report on Budget Execution/FACTS II." This also includes the automatic generation of reversals for the accruals in the next accounting period.

- **Period Cutoff** – The Bureau/Office financial management personnel must establish appropriate cutoff dates for processing the data for the various operational activities and system processes to accomplish the period-end closing. Provide these cutoff dates to all users in sufficient time to allow for compliance.

- **Annual Activities** – Financial management personnel are responsible for the establishment and performance of all required annual activities such as fiscal and calendar yearend closing activities. This includes consolidating and adjusting entries, pre/post-closing trial balances, nominal (temporary) account closing, external and internal management reports, and balance forward account amounts.

General requirements for adjusting and closing current and expired account balances for appropriations are in 31 U.S.C. Subtitle II, Chapter 15, Subchapter IV, Sections 1551-1558 <http://www.gpoaccess.gov/uscode/browse.html>. Specific instructions to executive departments for adjusting and closing accounts are set forth in OMB Circular A-11, Part 4, Chapter II, Section 130, "SF-133 Instructions on Budget Execution," at <http://www.whitehouse.gov/omb> and the Treasury Financial Manual, Volume I, Part 2, Chapter 4200 <http://www.fms.treas.gov/tfm/index.html>.

Maintain records to account for total budget authority, unobligated balance, and obligated balance (unliquidated obligations) for expired appropriations. In accordance with P.L. 101-510, expired appropriations are valid for liquidation for only 5 years Treasury Financial Manual, Volume I, Part 6, Chapter 6000 <http://www.fms.treas.gov/tfm/index.html>.

Maintain records to account for each appropriation account at the time of closing for closed appropriations. This is represented by the canceled unobligated amount, canceled amount of unliquidated obligations (undelivered orders), and amount of accounts payable when the account was closed.

### **6.1.3 What Does the General Ledger Posting Process Include?**

The general ledger posting process records financial transactions in the general ledger using the double-entry accounting method. Posting to the ledger should follow a standard set of pro- forma entries established by the Department for recording transactions with the appropriate transaction numbers (referred to as the ACEN). All transactions posted to the general ledger must be traceable to the source document and the transaction number. The DOI Posting Models can be found at <http://www.doi.gov/pfm/policy>.

Post all transactions to record financial events to the general ledger either directly or indirectly through subsidiary ledgers regardless of the origin of the transaction. Post all accounting transactions at the original point of entry (i.e., the first time the transaction is associated with debits and credits), using standard Departmental codes, including general ledger accounts and budget object codes. Record other necessary information using attributes and other codes as permitted by the financial systems, but do not use non-SGL account codes for this purpose. Provide an adequate audit trail that allows all individual transactions to be traced from the general ledger to the source document.

### **6.1.4 What Does the General Ledger System Include?**

Financial management data must be recorded and reported in the same manner throughout the Department and should conform with the standard definitions as shown in Appendix B, "Glossary."

- **Ledgers to be Maintained** – A ledger is defined as a group of accounts. The two classes of ledgers are general ledgers that contain control accounts and subsidiary ledgers that contain detail-supporting accounts.
- **General Ledger** – The general ledger is a uniform system of accounts in which all transactions are summarized. It contains control accounts from which the trial balance and related supporting schedules are prepared, and establishes a control point for the accounting system. Refer to the DOI chart of accounts for the specific general ledger accounts used for summary balances. Maintain General Ledger accounts to provide balances that are auditable and reconcilable.
- **Subsidiary Ledgers** – Subsidiary ledger accounts are used to accumulate and segregate detailed transactions during an accounting period and support or generate entries recorded in applicable general ledger control accounts. The combined balances of the subsidiary ledger accounts must agree with the balance of the related control account in the general ledger. Subsidiary ledger accounts may also have accounts that are subsidiary.

#### 6.1.5 What is the Elimination Process?

Elimination represents the process where a federal entity having transactions with another federal entity insures that the amounts on its trial balances for specific accounts correlate with those amounts in the reciprocal accounts of the federal entity with which business was conducted. Federal entities conducting business with one another are referred to as "trading partners."

All DOI reporting entities are required to report and eliminate intra-governmental account balances (currently proprietary accounts) in financial statements to offset the

effect of transactions between (a) a DOI reporting entity and other federal agencies, (b) DOI reporting entities and (c) organizations within a DOI reporting entity.

For the most part, the Department's accounting systems were designed and implemented prior to the establishment of the requirement to eliminate intra-governmental transactions. Current systems cannot produce the necessary reconciliation between buyers and sellers. Consequently the current approach to eliminations Interior-wide calls for resource intensive manual reconciliations.

#### **6.1.5.1 What are the Authoritative Sources?**

- Treasury's *Federal Intragovernmental Transactions Accounting Policies Guide* for reconciliation and elimination of intragovernmental, intra-departmental, and intra-bureau transactions at <http://www.fms.treas.gov/irri/regulations.html>
- OMB Memorandum M-03-10, "Business Rules for Intergovernmental Transactions," at <http://www.whitehouse.gov/omb/memoranda/m03-01.html>
- Treasury Financial Manual Vol. 1, Part 2, Chapter 4060 <http://www.fms.treas.gov/tfm/vol1/index.html>
- OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements;" <http://www.whitehouse.gov/omb/bulletins/b01-09.html>

#### **6.1.5.2 What is the Department of Interior Guidance?**

Bureaus/Offices will complete the following:

- Post all accruals by the 15<sup>th</sup> day of the subsequent month following the end of the quarter. Support all accrual balances by the agreement number (Ordering office's obligation number).
- Identify and clear collections or disbursements from clearing accounts that are over thirty days old.
- Process refunds of over-collections within thirty days of the end of a project.
- Include the ordering office's obligation numbers and servicing period on all IPACs. Charge back IPAC transactions exceeding the obligation amount.
- Analyze advances quarterly. Monthly costs reports should be generated for advances so that the advances can be drawn down.
- Clear Treasury Statements of Differences so that the Statement does not exceed \$100,000 or contain transactions older than three months. All adjusting entries must have supporting documentation.

### **6.1.5.3 What are the Bureau/Office Responsibilities?**

Bureaus/Offices are responsible to:

- Establish and maintain an internal control structure for intra-governmental, intra-departmental, intra-bureau transactions.
- Document and support the information recorded in its accounting records related to intra-governmental, intra-departmental, and intra-bureau transactions.
- Reconcile the intra-governmental fiduciary, intra-departmental, and intra-bureau assets, liabilities, revenues and expenses in its accounting records to the supporting documentation and corresponding records in the trading partners' accounts.
- Ensure that the reconciliation and confirmed balances for intra-governmental fiduciary, intra-departmental, and intra-bureau transactions agree to the Department's audited financial statements and FACTS I reporting.
- Ensure that no part of the elimination process results in a negative balance

### **6.1.5.4 What are Trading Partner Codes?**

A trading partner is an agency, department Bureau/Office or other federal entity that is party to intragovernmental transactions with another federal agency. Bureaus are required to use the two digit department code of the trading partner when reporting USSGL account balances relating to activity with another federal agency. When the trading partner is another Interior Bureau/Office, the two character Bureau/Office partner code must be used in conjunction with the Interior department code of "14". Interior guidance alternately employs both "F" and "G" to designate government trading partners while "N" identifies those partners that are non-government or public. Appendix B of Treasury's *Federal Intra-governmental Transaction Accounting Policies Guide* contains a comprehensive listing of Federal trading partner codes <http://www.fms.treas.gov/irri/regulations.html>.

Note: When identifying Treasury as the trading partner in a transaction, users should differentiate between the usage of Trading Partner code "G.20" and "G.99".

- Trading Partner Code G.20 should be used for transactions with the administrative Treasury entity for activities like reimbursable services, and for fiduciary transactions with the Bureau of Public Debt and the Federal Financing Bank.
- On the other hand, Trading Partner "G.99" reflects transactions occurring with the Treasury General Fund. Further discussion of the topic can be found in FY 2003 Financial Statement Preparation Guidance, Chapter 6 [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html).

#### **6.1.5.5 What are the Categories of Intra-governmental Transactions?**

Intra-governmental transaction data falls into four categories: sale of goods and services to federal reporting entities, intra-governmental fiduciary transactions, transfers-in (out) and prior period adjustments.

- Sale of Goods and Services to Federal Reporting Entities. The revenues and expenses resulting from transactions with other federal reporting entities.
- Intra-governmental Fiduciary Transactions. These are specific transactions which have been identified by the Department of Treasury, Financial Management Service in its *Intra-governmental Fiduciary Transactions Accounting Guide*. These transactions include:

- Investments in Treasury Securities issued by the Bureau of Public Debt
- Borrowings from the Bureau of Public Debt and Federal Financing Bank
- Federal Employees Compensation Act transactions with the Department of Labor
- Employee benefit transactions with the Office of Personnel Management

**6.1.5.6 What are Reciprocal Accounts?**

Pairings of related standard general ledger accounts are used by a seller and buyer agency to reconcile like intra-Department activity balances. Bureaus/Offices record transactions that correlate with their trading partner role. In general, if a Bureau/Office trading partner’s role is that of seller, then the seller’s pertinent transactions will relate to revenues and assets. On the other hand, if a bureau’s trading partner role is that of buyer, then the pertinent transactions of the buyer will reflect transactions related to expenses and liabilities. In most instances a Bureau/Office’s records will reflect a combination of the Bureau/Office in the roles of both buyer and seller.

Several comparisons exist that look at the position of the Bureau/Office in relation to its trading partners (TP). For illustrative purposes only the chart below presents the most common comparisons. There are instances where reclassifications rather than accruals may be necessary.

SGLs with which the trading partner would be concerned are indicated with the “TP” suffix. \* Denotes wild card.

#	Comparison of Reciprocal Accounts	The Bureau/Office’s	Comparative Trading Partner’s
		SGL	SGL



1	Bureau's Revenue versus TP Expenses	5200, 590E, 590N	TP 610A, TP 610Z, TP 610*
2	Bureau's Assets Versus TP Liabilities	131C, 131D, 131*, 1410, 1450	TP 2110, TP 2120, TP 2190, TP 2213, TP 2310, TP 2400
3	Bureau's Expenses versus TP Revenues	610A, 610Z, 610*	TP 5200, TP 520E, TP 590N
4	Bureau's Liabilities versus TP Assets	2110, 2120, 2213, 2310, 2400	TP 131C, TP 131D, TP 131*, TP 1410, TP 1450
5	Bureau's Transfer Outs versus TP Transfer Ins	573*, 5745, 5760, 5765, 5765B	TP 572*, TP 5740, TP 5750, TP 5755, TP 5755B
6	Bureau's Transfer Ins versus TP Transfer Outs	572*, 5740, TP 5750, TP 5755, TP 5755B	TP 573*, TP 5745, TP 5760, TP 5765, TP 5765B
7	Unexpended Appropriation – Transfers In versus TP Transfers Out	3102	TP 3103
8	Unexpended Appropriation – Transfers Out versus TP Transfers In	3103	TP 3102

### **6.1.5.7 What is the Elimination Worksheet?**

The worksheet below indicates the minimum steps a Bureau/Office should employ in the elimination process. It is meant to serve as a basis on which Bureaus/Offices may elaborate in creating individual checklists.

<b>Due Date</b>	<b>Completed</b>	<b>Task</b>	<b>Notified</b>
		Load detail worksheets to the XA drive. •	
		Load unbilled receivables to the XA drive (131C & 131D). •	

		Load advance report to the XA drive. •	
		Reconcile all elimination reports to Hyperion amounts, unbilled/advance reports. •	
		Add Hyperion journals to detail worksheets. •	
		Validate trading partners on transfers in/out. •	
		Record unbilled/advance journals with other trading partners. •	
		Resolve (reconciling and doing 9998 adjustments (Hyperion)) intra-bureau elimination differences. (BOR to BOR, MMS to MMS, etc.) •	
		Complete bureau to bureau reconciliations. •	
		Update trading partners joint snapshot worksheet. •	
		Update Top 10 list. •	
		Communicate corrections/problems within own bureau and follow-up. •	

**6.1.5.8 What are the Key Elements of the Elimination Process?**

As the checklist above indicates, there are several key elements to the elimination process.

- **Detail worksheets** reflect data derived from the accounting systems that the Bureau/Office makes available to its trading partners by posting on the X drive in Hyperion. The detailed worksheets, or a separate tab or worksheet, should reflect any Hyperion adjustments impacting federal proprietary trading partners. (In those instances where Bureaus/Offices do not use the snapshot, a tabbed worksheet should present the same data.)
- Both **Unbilled Receivables** and Advances from Others represent data derived from the accounting systems that the Bureau/Office makes available to its trading partners by posting on the X drive in Hyperion.

- **Advances from others** for service orders:

There will be no advance payments for service orders unless a requirement is explicitly stated in legislative language. The legislative language pertaining to the Department of Interior's Franchise Fund does explicitly mandate the payment of advances. The Economy Act does not mandate such payments.

- **Advances for orders of Goods:**

Advances will be permitted for orders of goods that exceed \$1,000,000; however, the advance cannot exceed 50% of the ordered amount. In order to be permitted advances for goods less than \$1,000,000 must be explicitly stated in legislative language.

For permissible advances, the buyer records the payment as an "advance to." The seller records the receipt of payments as "advance from". According to **OMB Memorandum M-03-10, "Business Rules for Intergovernmental Transactions,"** at <http://www.whitehouse.gov/omb/memoranda/m03-01.html>, the seller is responsible for providing the buyer with monthly status updates of earned revenue; and advance payments made prior to the effective date of the Business Rules require the monthly status report.

**Negative Accounts Receivable** – Prior to the OMB Business Rules for Intergovernmental Transactions, negative accounts receivable were treated as advances. Bureaus/Offices should follow one of the following options:

- Leave the negative accounts receivable as a negative unbilled and track it to see if more expenses will reduce the negative unbilled.

- Refund the money.
  - Move it to an advance.
- **Joint Snapshot worksheets** used by trading partners to document totals of assets, liabilities, revenues and provide a means of reconciling differences. In those instances where Bureaus/Offices do not use the snapshot, a tabbed worksheet should present the same information.
- The **Top 10** automated listing identifies variances between trading partners. Bureaus/Offices should complete columns labeled “Amount Reconciled”, “Explanation Type”, and “Explanation”.

#### **6.1.5.9 What are Reconciliations and Confirmations?**

- **Intra-governmental Fiduciary Transactions Reconciliation**

*The Intra-governmental Fiduciary Transactions Accounting Guide* contains policies and procedures for accounting, reporting and reconciling implementation by all federal entities for the following intra-governmental transactions:

- Investments in Treasury Securities issued by the Bureau of Public Debt
- Borrowings from the Bureau of Public Debt and Federal Financing Bank
- Federal Employees Compensation Act transactions with the Department of Labor
- Employee benefit transactions with the Office of Personnel Management

The Department shall reconcile with its trading partners each quarter the four fiduciary transactions identified in Treasury’s Federal Intra-governmental Fiduciary Transactions Accounting Policies Guide.

- **Intra-governmental Expenses**

There are three types of intra-governmental expenses to be reflected in the financial statements, one from the Office of Personnel Management and two from the Department of Labor. These expenses should be reported as part of operating expenses on the Statement of Net Cost and are listed below:

- **Employee Pension and Retirement Benefit Expenses**

This expense is an “imputed cost “ for retirement costs paid by the Office of Personnel Management that will never be paid by the Department. The Office of Personnel Management (OPM) provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. Under Federal accounting standards the cost of these benefits must be reflected on the financial statements of the agency that receives the benefit. The Department will present these costs as part of operating expenses on the face of the financial statement (and is identified as employee benefit expense in the operating expense footnote). The Bureaus/Offices shall also include this expense on their financial statements, however, they may elect to present them on a separate line as long as they remain a part of total expenses.

- **Department of Labor Actuals and Accruals**

The Department of Labor provides information to the Department regarding the two types of workers compensation figures that must be reflected in agency financial statement.

- **FECA Accrued Liability**

Represents the difference between the FECA benefits actually paid by the FECA Special Benefits Funds to beneficiaries (through the current fiscal

year) and the agency's actual cash payments to the Fund (through the prior year). Generally there is a two to three year timing difference between these payments. The accrued FECA liability equals actual payments due, but not yet paid due to timing differences.

- **FECA Actuarial Liability**

Represents estimated future payments for disabled workers presently in the system. It includes the expected liability for death, disability, medical, and other approved costs and is recorded as a liability to the public.

## **6.1.5.10 What is the Reconciliation Process?**

The following suggested methodology for reconciliations represents a modification of the Financial Management Service recommended process and is a broad overview that will require alteration to suit each agency's situation/needs.

- Providing agency gives receiving agency balances by USSGL account.
- Receiving agency compares its balances to appropriate reciprocal USSGL account balances of the providing agency.
- For fiduciary transactions, the fiduciary entities (BPD, FFB, DOL and OPM) will make account balance information and other details available through the IFCS for the receiving agencies to reconcile amounts to their records.
- For other Intra-governmental transactions, agencies should work together to establish the data needs and availability to facilitate the reconciliations.
- Intra-governmental accounts are reconciled and differences are identified.

### **6.1.5.11 What are Reconciliation Differences?**

The following are common and potential differences resulting from the initial reconciliation and the recommended adjustments to be made to prepare the final reconciliation.

Beginning Balances Differences

Timing of Recording Accruals

Estimated Accruals

Unrecorded transactions

#### **6.1.5.12 How Does the Timing of Recording Accruals Affect Eliminations?**

When a providing agency generates bills for services or when IPAC transactions are batch processed subsequent to the end of the period, there may be differences in activity and balances due to the timing of the receiving agency recording the transactions. Timing differences can also be caused by a receiving agency delay in reclassifying IPAC transactions to the proper accounts. IPAC reports and bills subsequent to the accounting period should be identified and reviewed, with the appropriate adjustments made. Adjustments should be made to accounts receivable/accounts payable for bills received after the end of the period that applied to the period. Bureaus should communicate with each other to identify these timing differences.

IPACs are sometimes recorded temporarily in a deposit account (cash/deposit liability entry) and not transferred to the expenditure account in a timely manner. This results in the cash being reconciled by transaction – at the IPAC number level but the expenses and revenue not offsetting. In this scenario, the provider has recorded revenue. However, the receiver cannot record the offsetting expense until the IPAC is distributed from the deposit account to an expenditure account. This also understates expenses and expenditures on the financial statements and budgetary reports. The problem is also apparent at yearend when funding distribution does not occur until the subsequent year. Because there is an IPAC cutoff around September 30<sup>th</sup> (for charge backs), and the cutoff for SF224 processing is the 10<sup>th</sup> business day in October, charge backs and/or the remaining undistributed cash balances cannot be moved without causing irreconcilable balances. In addition, under the FFS PCAS process or the ABACIS accrual process, if unbilled receivables are not billed timely,

the reconciling differences (by month or quarter) can be substantial. The end result could be large adjustments posted to the receiver's books. Requiring these adjusting entries to be reported in FFS at the transaction level could entail astronomical resources and hinder the timeliness of quarterly reporting.

#### **6.1.5.13 What are the Yearend Procedures?**

At the end of each fiscal year all transactions and activity related to the fiscal year should be recorded in each agency's general ledger. Agencies should correspond with their trading partners to ensure consistency in recording intra-governmental transactions. Agencies will need to work together to identify the transactions and amounts in determining the estimated accruals to record.

#### **Transactions Related to Revenues Earned/Expenses Incurred as of September 30 that Occurred Subsequent to Yearend**

Transactions, which are incurred as of September 30 and not billed, should be recorded as accruals in both agencies records. These transactions may have been billed subsequent to yearend or remain unbilled at the time of accrual. Providing agencies should identify these transactions and should work with the receiving agencies to provide detailed information supporting the transactions and the amount incurred as of the cut-off date and not yet billed. The providing agency should record these transactions as receivables/revenues as of September 30. The receiving agency should record these transactions as payables/expense or assets as of September 30.

All bureaus should work together to calculate and estimate accruals and to record corresponding entries in each set of records so they are in agreement or that long term accounting policy differences can be easily identified. The providing agency is typically responsible for estimating the accrual and communicating this information to the buying agency. Both agencies are responsible for recording the information.

Beginning balances in bureau accounting systems must reconcile with Hyperion beginning balances by trading partners and the XA server transaction files for yearend.



Beginning balances must be rolled forward in Hyperion by December 31 to meet first quarter deadlines for FACTS II.

On a quarterly basis the DOL/OPM accrued costs should be estimated based on the previous yearend.

## **6.2 Grants and Cooperative Agreements**

### **6.2.1 What are the Authoritative Sources?**

- **The Chief Financial Officers Act of 1990** (P.L. 101-576 (31 U.S.C. Sec. 501, et seq.)) [http://www.gao.gov/policy/12\\_19\\_4.pdf](http://www.gao.gov/policy/12_19_4.pdf)
- **Budget and Accounting Procedures Act of 1950**, as amended, (31 U.S.C. Subtitle III, Chapter 35, Subchapter II, Secs. 3511-3515, Subtitle III, Chapter 35, Subchapter III, Section 3521 (64 Stat. 832)) <http://www.gpoaccess.gov/uscode/browse.html>
- **Budget and Accounting Act of 1921**, as amended, (31 U.S.C. Secs. 701 et seq., 1101 et seq.) [http://uscode.house.gov/title\\_31.htm](http://uscode.house.gov/title_31.htm)
- **31 U.S.C. Subtitle V, Chapter 63** <http://www.gpoaccess.gov/uscode/browse.html>
- **OMB Circular A-102 Grants and Cooperative Agreements with State and Local Governments** <http://www.whitehouse.gov/omb/circulars/>.
- **GAO publication Accounting Principles, Standards, and Requirements - Title 2 Standards not Superseded by FASAB Issuances**, GAO-02-248G, November 2001, Standard G10 for advances to grant recipients at <http://www.gao.gov>
- **Principles of Federal Appropriation Law, Second Edition, Vol. 1, Chapter 10, Federal Assistance: Grants and Cooperative Agreements** <http://www.gao.gov> (Legal Products).
- **Cash Management Handbook, Chapter 6, Advances (Editorial Comment: Link to Handbook)**

### **6.2.2 What are Grants and Cooperative Agreements?**

Grants and cooperative agreements are financial assistance instruments, rather than acquisition instruments, used by the Department of Interior (DOI) to transfer a thing of value to carry out a public purpose of support or stimulation authorized by Federal statute. **OMB Circular A-102 Grants and Cooperative Agreements with State and Local Governments Section A** <http://www.whitehouse.gov/omb/circulars/> defines when to use grants and cooperative agreements. See the Department of Interior Interagency Acquisitions Handbook for agreements between governmental departments (agencies) and between bureaus and offices within DOI. (Editorial Note: [Link to Handbook](#))

### 6.2.3 What is the Department of Interior Guidance?

It is the guidance of DOI to account for and to administer financial assistance instruments in accordance with applicable statutory authority, OMB and Treasury guidelines, and Departmental policies and procedures governing such agreements.

### 6.2.4 What are the Accounting Procedures?

- **Recording of Obligations** – The grant or cooperative agreement award document is the official instrument used in DOI Federal financial assistance programs that:
  - establishes a legally binding arrangement between DOI Bureaus/Offices and the recipient;
  - may contain or reference the terms and conditions of the grant or cooperative agreement (the sponsor and the recipient must comply with all laws and regulations pertaining to the financial assistance transaction and to the underlying objective, whether or not those laws are stated in the agreement)
  - provides the documentary basis along with other required forms to initiate payment processes such as automated clearinghouse (ACH) forms for the obligation of Federal funds in the DOI accounting systems.
  
- **Contents of an Award** – A grant or cooperative agreement award shall at a minimum

- State the legal name of the recipient and the formal name of the Bureau/Office.
  - State the amount being awarded, including the appropriation and accounting classifications to be obligated.
  - State the dates of the grant or cooperative agreement performance period.
  - State the purpose of the grant or cooperative agreement.
  - Include or incorporate by reference all terms, conditions, or agreement clauses that are required by Departmental, Bureau, or program policies to be incorporated in each individual grant or cooperative agreement award document for the type of grant or cooperative agreement being made.
  - If not clearly stated in a document reference, clearly state:
    - Performance and financial reporting requirements applicable to the grant or cooperative agreement, including the frequency and contents of reports.
    - Prior approval requirements applicable to the grant or cooperative agreement and how approval may be obtained.
- **Payments** – The acceptance of a grant or cooperative agreement creates a legal duty on the part of the recipient organization to use the funds made available in accordance with the terms and conditions of the grant or cooperative agreement.
    - **Payment Methods** – Grant or cooperative agreement payments are made to recipients predominately via electronic transfer of funds. Bureaus/Offices must participate in one of the following electronic payment applications:
      - **Automated Standard Application for Payments (ASAP)** – The Department of the Treasury’s ASAP system provides next-day payment services to grantees (and certain contracts approved for advance funding) via ACH transfer. The grantee or contractor submits an electronic payment request to the Federal Reserve Bank of Richmond (FRB Richmond). FRB Richmond processes the request and sends the payment to the recipient’s bank account.

***Field Office and/or Centralized Procurement Staff Responsibilities***  
Principal responsibilities include the following:

- ✓ enrolling the recipients with the Financial Management Service;
  - ✓ setting up accounts for the recipients in the ASAP system;
  - ✓ inputting authorizations; and
  - ✓ reconciling accounting records to ASAP accounts. The system produces various reports for field office and recipient use. For further information, see I TFM 6.
- 
- **Health and Human Services' Payment Management System (HHS/PMS)** The Department of Health and Human Services provides next-day payment service to grantees (and certain contracts approved for advance funding) via automated clearinghouse (ACH) transfer under a cross-servicing agreement. Field Offices desiring the service must sign individual agreements. The grantee or contractor submits an electronic payment request to the National Institutes of Health (NIH) payment-processing center. The payment center processes the request and sends the payment to the recipient's bank account via the FRB Richmond. For some programs, grant recipients have the capability to draw down cash directly from the HHS/PMS once the field office obligates funds.

***Field Office and/or Centralized Procurement Staff Responsibilities*** – Principal responsibilities include the following:

- ✓ registering recipients with the NIH payment center;
- ✓ inputting authorizations into the system; and
- ✓ reconciling accounting records to the system. HHS/PMS provides SF-224, "Statement of Transactions," reporting to Treasury and produces various reports for field office use. Inquiries about the system should be addressed to:

Department of Health and Human Services

Division of Payment Management

P.O. Box 6021

- **Timing of Payments** – Regardless of the particular method used, limit the advances to a recipient to the minimum amounts needed, and time the payments in accord with the actual, immediate cash requirements of the recipient in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as administratively feasible to actual disbursements for direct program costs and the proportionate share of allowable indirect costs. See the Cash Management Handbook, Chapter 6. (**Editorial Note: [Link to Handbook](#)**)
- **Withholding Payments** – DOI Bureaus/Offices reserve the right, upon written notice, to withhold future payments after a specified date if the recipient: fails to comply with the terms and conditions of the grant or cooperative agreement, including the reporting requirements; or is indebted to the U.S. Government. Refer to guidance on entitlements for P.L. 93-638 grants or agreements or contact your grants and agreement coordinator or Native American Affairs Office for more information.

### **6.2.5 What are the Responsibilities of Recipients and Bureau/Office Finance Offices?**

**Responsibilities of Recipients** – Recipients of DOI grants and cooperative agreements have the following responsibilities:

- To establish and maintain a system of accounting and internal controls and to ensure that an adequate system exists for each of its sub-recipients, contractors and for any delegated programs.
- To establish and maintain a system of internal controls to adequately safeguard grant funds and resources; to check the accuracy and reliability of the grant accounting and financial data; to promote its operational efficiency; and to encourage adherence to prescribed managerial policies.
- To draw Federal funds only at the time actually needed to make disbursements and to prevent withdrawals from exceeding the amount of the award.
- To submit all financial, performance and other prescribed reports required as a condition of the agreement.
- To impose the same standards of timing and amount upon any secondary recipient organizations.

- To balance cash at the closeout of a grant or cooperative agreement by drawing funds to equal approved outlays or refunding the cash that is in excess of approved outlays.
- **Responsibilities of Bureau/Office Finance Offices** – Bureau/Office finance offices have the following responsibilities:
  - To participate in one of the two authorized Treasury systems described in 6.2.4 above. Participation in the Treasury systems is voluntary by the recipients.
  - To monitor recipient responsibilities for compliance and take corrective action.
  - To obligate and deobligate grant or cooperative agreement funds, as requested.
  - To record as an advance or reimbursement in the accounting records, dependent upon the terms of the grant/cooperative agreement, upon receipt of the 270 and/or a receiving report signed by the grant manager. See the Cash Management Handbook, Chapter 6 for advances. (Editorial Note: [Link to Handbook](#))
  - To reconcile cash with Treasury on a monthly basis as stated in Chapter 6.1.2.

## **6.2.6 What are the Requirements for Financial Reporting?**

The recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each DOI-sponsored project or program on the accrual method of accounting, in accordance with financial reporting requirements of the grant or cooperative agreement. Recognize cost and accrued expenditures based upon performance by the recipients. Determine accrued expenditures, whenever reasonably practicable, on the basis of actual performance. Whenever it is not practicable to obtain timely performance reports, projections, estimates, or extrapolations based on experience, statistical sampling or mathematical models may be used.

Limit the financial reports submitted to the Department to those required by OMB and the General Accounting Office, and by the Department in fulfilling its cash management responsibilities in accordance with Treasury regulations. By law, financial reporting requirements placed upon financial assistance recipients are limited to minimize administrative reporting burdens. Generally, reporting shall be no more frequently than quarterly and no less frequently than annually. If recipients are not reporting at least quarterly, accruals are still needed on a quarterly basis. The responsible office shall determine the type and frequency of reporting that best serves DOI's financial interests and objectives in making the award.

The responsible official designated by the Bureau/Office shall review reports for completeness, accuracy, and compliance with the terms and conditions of the award. The responsible official should follow up with the recipient regarding reports not received or not received in a timely manner or reports that are inadequate or incorrect in order to identify and resolve the problem.

### 6.3 Gifts and Donations

#### **6.3.1 What are the Authoritative Sources?**

The General Accounting Office in the Principles of Federal Appropriation Law, Volume II, Chapter 6, “Gifts and Donations to the Government” <http://www.gao.gov> (legal products) defines the term “gifts” as “gratuitous conveyances or transfers of ownership in property without any consideration.” 25 Comp. Gen. 637,639 (1946); B-217909, September 22, 1986. The rule is that a government agency may not accept for its own use (i.e., for retention by the agency or credit to its own appropriations) gifts of money or other property in the absence of specific statutory authority (16 Comp. Gen. 911 (1937)). Thus, acceptance of a gift by an agency lacking statutory authority to do so is an improper augmentation. If an agency does not have statutory authority to accept donations, it must turn the money into the Treasury as miscellaneous receipts.

#### A. Generally Accepted Accounting Principles (GAAP)

- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources**, paragraphs 258-259, <http://fasab.gov/pdffiles/sffas-7.pdf> define and provide standards for donated assets.
- **18 U.S.C. Part I, Chapter 11, Section 209; 31 U.S.C. Section 1353. Subsection (a); and 5 U.S.C. § 4111** <http://www.gpoaccess.gov/uscode/browse.html> include rules regarding accepting private contributions to the salary or expenses of a federal employee.
- **31 U.S.C. Subtitle II, Chapter 13, Subchapter II, Section 1321 Trust Funds and Refunds** <http://www.gpoaccess.gov/uscode/browse.html>.

#### B. Federal Agency Guidance

- **GAO Principles of Federal Appropriation Law, Volume II, Chapter 6, “Gifts and Donations to the Government”**; GSA’s implementing regulations, are found at 41 C.F.R. Part 304, <http://www.gpoaccess.gov/cfr/index.html>.
- **Treasury Financial Manual, Vol. 1, Part 2, Section 1520.20** at <http://www.fms.treas.gov>)

### C. DOI Guidance

- **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstatement.html](http://www.doi.gov/pfm/finstatement.html)
- **Real Property Financial Management Policy Guide** discusses the DOI requirements for real property [http://www.doi.gov/pfm/real\\_property\\_guide.pdf](http://www.doi.gov/pfm/real_property_guide.pdf).
- Gifts and donations classified as trust fund accounts (defined in the Treasury Financial Manual, Vol. 1, Part 2, Section 1520.20 at <http://www.fms.treas.gov>) by 31 U.S.C. Subtitle II, Chapter 13, Subchapter II, Section 1321 Trust Funds and Refunds, are disbursed in accordance with the terms of the trust. As such, reflect gifts and donations in full on the Department's accounting records and financial statements.

### **6.3.2 What are the Bureau/Office Responsibilities?**

The Bureau/Office Finance Officer shall ensure that:

- An internal operating manual is developed and maintained for gifts and bequests;
- A system of administrative controls exists for Gifts and Donations (G&D) Funds. Budgetary resources available for obligation are limited to the amount of receipts credited to the G&D account. Therefore, in order to avoid a deficiency violation for G&D, the account manager should make the following determination for each proposed obligation:
  - Is the obligation covered by the existing fund balance for G&D;
  - Is a collection necessary in advance to cover it; or
  - Should the obligation be charged to another appropriation, if it properly supports the mission of that appropriation, such as for travel to give a speech



or otherwise represent the Department; (The obligation may be transferred to the G&D account once a matching collection has been received.)

- Documentation supporting the value of gifts received, including services in-kind, is collected and maintained. This includes those gifts of less than \$250. Record all gifts in a log and assign a control number. The dollar amount recorded shall represent the value of the assets or services actually received. Specifically notate gifts and decorations from a foreign government.
- Documentation supporting the value of expenses incurred is collected and maintained. Record expenses in a log and match to, or cite the control number of, a related donation. The travel voucher shall document the approved payment of G&D funds for travel. Maintain an authorized "Request for Authorization for Official Entertainment" or equivalent document for each non-travel expenditure;
- An inventory of capitalized and accountable donated property is maintained;
- A physical count of donated property is taken at least annually and the count is independently verified;
- Donated property inventory records are updated when an item is excessed to GSA;
- Information is collected on all G&D donations (monetary receipts, other assets, or services), expenses, and property dispositions, and forwarded to the Bureau/Office finance office at least monthly. The information forwarded to the finance office supports period-end cutoff entries. This includes:
  - Expenses incurred for which a gift reimbursement has not been received;
  - Donations received for which offsetting expenditures have not been made;
  - Donations of assets, such as airline tickets, received for services yet to be performed; and
  - Promises of a gift for services yet to be performed.
- A separate set of general and subsidiary ledgers is maintained for revenues, expenses, and budgetary and statistical accounts of G&D activity, if material.
- Information on all gifts is properly recorded in the accounting records;
- The annual inventory count of donated property is verified.

### 6.3.3 How Do Bureaus/Offices Process Donated Funds?

Donations made to the Department which match expenses incurred, such as for employee travel, are not refunds and do not negate the requirement to record a revenue and a budgetary resource. Instead, record the amount of the donation in full

and record the expense separately. The Statement of Changes in Net Position, Statement of Financing, and the SF-133, Report on Budget Execution/FACTS II reflects the full value of funds received and expenses incurred.

An unconditional gift of funds (i.e., no matching expense is expected to be incurred) is recorded as a debit to Fund Balance with Treasury and a credit to Donated Revenue. If a gift is received for a service not yet performed, credit Deferred Credits (Unearned Revenue) instead. Recognize the receipt of a monetary gift also as a budgetary resource. Since these funds are not subject to apportionment, record them with a budgetary entry debiting Other Appropriations Realized and crediting Unobligated Funds not Subject to Apportionment.

#### 6.3.4 How Do Bureaus/Offices Process Services In-Kind?

- Value services provided to the Department generally at the donor's cost. For specific circumstances, refer to GSA's travel gift valuation rules in 41 CFR 304-9. Maintain documentation supporting the donor's cost (such as receipts, bills, or letters). Record donations of services in-kind as a debit to Operating Expenses/Program Costs and a credit to Donated Revenue; no budgetary entry is made. See **Financial Statement Preparation Guidance**, at [www.doi.gov/pfm/finstate.html](http://www.doi.gov/pfm/finstate.html) for reporting on the Statement of Net Cost.

#### 6.3.5 How Do Bureaus/Offices Account for Other Assets?

Refer to Chapter 2.7 of this Handbook.

#### 6.3.6 How are Obligations and Expenses Recorded?

- Record an undelivered order established in G&D funds as a debit to Unobligated Funds not Subject to Apportionment and a credit to Undelivered Orders. No proprietary entry is made.
- Record expenses incurred with a debit to Operating Expenses/Program Costs and a credit to Fund Balance with Treasury or Accounts Payable and a second entry which:

- Debits Deferred Credits and credits Donated Revenue, if a matching collection has been received previously; or
- Debits Accounts Receivable and credits Donated Revenue, if a matching collection has been promised by a donor. The budgetary entry debits Undelivered Orders and credits Expended Appropriations.
- Reflect depreciation expense taken on capitalized donated assets with debits to Operating Expenses/Program Costs, and credits to the Accumulated Depreciation account of the asset and Donated Revenue. No budgetary entry is made. Report depreciation on the Statement of Financing as Costs That Do Not Require Resources, since it is not an expense requiring a cash payment. Depreciation is also an adjustment subtracted from Total Expenses to reconcile to Accrued Expenditures on the Statement of Budget and Actual Expenses.

### **6.3.7 How Do Bureaus/Offices Post Transfers of Gifts and Donations Between Bureaus/Offices?**

Upon the transfer of G&D funds to another bureau, debit the equity account Transfers-Out to Others Without Reimbursement in the amount of the transfer and Fund Balance with Treasury credited. Debit the budgetary entry to Unobligated Funds not Subject to Apportionment and credit to Appropriation Transfers. Reverse the budgetary transaction for the transfer of funds from another bureau. In this case, the proprietary entry is to debit Fund Balance with Treasury and credit Transfers-In from Others Without Reimbursement. Treat all transfers as non-operating changes on the Statement of Changes in Net Position and as cash flows from financing activities on the Statement of Financing.

### **6.3.8 What Yearend Entries are Required?**

At yearend, finance offices should ensure that entries are made to reflect the proper accounting status of transactions Section VI  
<http://www.fms.treas.gov/ussgl/current.html>.

## **6.4 Cost Recovery/User Charges**

#### 6.4.1 What are the Authoritative Sources?

- **Title V of the Independent Offices Appropriation Act (IOAA) of 1952 (31 U.S.C. Subtitle VI, Chapter 97, Section 9701)** – The IOAA provides general authority. IOAA states: "It is the sense of Congress that each service or thing of value provided by an agency . . . to a person . . . is to be self-sustaining to the extent possible." <http://www.gpoaccess.gov/uscode/browse.html>
- **Specific authority** – A specific authority may take precedence over general authority. (e.g., The Mineral Leasing Act (30 U.S.C. 185), the Copy Fee Statute (43 U.S.C. 1460), the Federal Land Policy and Management Act (FLPMA) (43 U.S.C. 1734 & 1764)).
- **The Economy Act of 1932 (31 U.S.C. Sec. 1535) at http://uscode.house.gov/download/31c15.doc** - prescribes the rules for the purchase of supplies, equipment, or service by one Federal Government bureau or department from another Federal Government bureau or department.
- **31 U.S.C. Subtitle V, Chapter 65, Sections 601-608, Intergovernmental Cooperation** <http://www.gpoaccess.gov/uscode/browse.html>
- **Statement of Federal Financial Accounting Standard (SFFAS) #4 “Managerial Cost Accounting Concepts and Standards for the Federal Government”** at <http://www.fasab.gov/pdf/sffac-4.pdf> also provides guidance.
- **OMB Circular A-25** at <http://www.whitehouse.gov/omb/circulars/a025/a025.html> - provides executive agencies guidance on "User Charges." OMB Circular A-25 provides guidance on all Federal activities that convey special benefits to recipients beyond those accruing to the general public.
- **OMB Circular A-45, Rental and Construction of Government Quarters,** under circulars at <http://www.whitehouse.gov/omb/circulars/a045/a045.html>
- **OMB Circular A-97, Specialized or Technical Services for State and Local Governments** <http://www.whitehouse.gov/omb/circulars/a097/a097.html>
- **Solicitor’s M-Opinion No. M-36987, “BLM’s Authority to Recover Costs of Minerals Document Processing” (Dec. 5, 1996)** at <http://www.doi.gov/sol/solopin> - offers general guidance on cost recovery.

#### 6.4.2 What is the Department of Interior Guidance?

OMB Circular A-25 states the purpose as “The Circular establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources. It provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set. Finally, it provides guidance for agency implementation of charges and the

disposition of collections.” Bureaus/Offices should use this Circular and the activity specific information provided in this Section to establish their own specific policies, procedures, and rates; unless a Bureau/Office has legislation that provides cost recovery requirements and guidance or directs that specific activities are exempt from cost recovery.

### **6.4.3 What is the General Policy?**

**OMB Circular A-25, Section 4** defines a user charge as conveyance of special benefits to an identifiable recipient by a federal agency beyond those accruing to the general public. (User charges do not include transactions between federal agencies.) The general policy is stated in **OMB Circular A-25, Section 6** at <http://www.whitehouse.gov/omb/circulars/a025/a025.html>. Section 6-a “Special Benefits” determines when special benefits exist. Some types of benefits are:

- **Private Benefit** – benefits only the recipient. The cost of providing private benefits may be recoverable.
- **Independent Public Benefit** – benefits only the public or some independent public interest. An independent public benefit is generally a programmatic function of an agency, and does not specifically benefit an identifiable recipient. These costs would be incurred in the absence of any particular cost recoverable activity. The cost of providing public benefits where there is no identifiable recipient, or where the ultimate beneficiary is obscure, is not recoverable. Examples of independent public benefits are wilderness inventories, land use planning, and programmatic environmental impact statements. See Solicitor’s Opinion No. M-36987 (Dec. 5, 1996); Mississippi Power & Light Co. v. Nuclear Regulatory Comm’n., 601 F.2d 223, 231 n.17 (5<sup>th</sup> Cir. 1979), cert denied, 444 U.S. 1102 (1980); Secretarial Decision, Alyeska Pipeline Service Co., July 29, 1977.
- **Private benefit with Incidental Public Benefit** – a private benefit that incidentally includes some public benefit. When benefits accrue to the recipient (private), there may also be incidental public benefits. For example, environmental studies that must be performed to grant a permit are an integral part of the permit-granting process and bestow a special benefit on the permit

recipient; however, the studies may also have incidental public benefits. It is not necessary to segregate the private and public benefits under the IOAA. A Bureau/Office "may recover the *full cost* of providing a service to a private beneficiary, regardless of whether that service may also benefit the public." (Mississippi Power & Light Co. v. Nuclear Regulatory Commission, 601 F.2d 223, 229 (5th Cir. 1979), cert. denied, 444 U.S. 1102 (1980)). See also, OMB Circular No. A-25 at 6.a paragraph 3.

An agency cannot recoup the full cost of the regulatory program where part of the costs is for independent public benefits. Federal Power Comm'n v. New England Power Co., 415 U.S. 345 (1974); Mississippi Power & Light Co. v. Nuclear Regulatory Commission, 601 F.2d 223, 228 (5th Cir. 1979), cert. denied, 444 U.S. 1102 (1980). The first step in measuring cost is to be sure that the costs at issue are supported and relate directly to a special benefit to an identifiable recipient.

The fee or charge must be related to "the value of the direct and indirect services which the agency confers . . . [and not] the value which the regulated party may immediately or eventually derive" from the benefit. A fee or charge "cannot be justified by the revenues received or the profits [earned by the beneficiary], but must be reasonably related to those attributable direct and indirect costs which the agency actually incurs . . . ." (National Cable Television Association v. FCC, 554 F.2d 1094, 1107 (D.C. Cir. 1976)(emphasis deleted)).

#### **6.4.4 What are the Exceptions to the General Policy?**

In accordance with OMB Circular A-25, Section 6-c, Bureau heads are hereby delegated the authority to make exceptions to the general user charge policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country. Requests for exceptions and extensions under paragraphs (2) and (3) of Section 6c shall be submitted to the Director of the Office of Management and Budget.

Such exemptions require documentation explaining the reason(s) for exemption, identifying the recipient entity, and providing the estimated dollar value of the exception. All other recommended fee exemptions must be fully documented and justified, and submitted to the Director of PFM in advance for review. Other reasons for exempting user fees include:

- The incremental cost of collecting the charges would be an unduly large part of the receipts from the activity.
- The recipient is engaged in a nonprofit activity designed for the public safety, health, or welfare.

Additional user fee exceptions may be granted based on other rational reasons subject to the approval of PFM. The Director of PFM will review the request and recommend approval or disapproval to the Departmental Chief Financial Officer (CFO). Upon Departmental approval by the CFO, the recommended exemptions must be submitted to OMB for its required approval under OMB Circular A-25.

When the imposition of a user charge is prohibited or restricted by existing law or regulation, Bureaus/Offices are expected to follow the existing law or regulation and consider and recommend legislative/regulatory changes, when appropriate, to remove impediments restricting user charges; see Section 6.4.6 of this Handbook.

#### **6.4.5 What are the Methods for Calculating User Charges?**

There are two primary methods for calculating charges/fees, i.e., full cost and market price; see Section 6.d of OMB Circular A-25. According to OMB Circular A-25 Section 6a, paragraph 2, use full cost when the Government is acting in its capacity as sovereign and market prices when the Government is **not** acting in its capacity as sovereign.

##### **6.4.5.1 How are User Charges Determined?**

In setting "fair and equitable" user charges, the IOAA states that each agency must consider "direct and indirect costs to the Government, value to the recipient, public policy or interest served, and other pertinent facts." The Supreme Court indicated that agencies are without authority to consider "public policy or interest served" because user charges based on such considerations would amount to improper tax levies (*National Cable Television Association v. United States*, 415 U.S. 336 (1974)).

Therefore, under the IOAA, direct and indirect cost to the government and value to the recipient are the only two factors that must be considered in determining "fair and equitable" costs. See 6.4.2 for value to the recipient.

- **Full Cost** – See OMB Circular A-25, Section 6-d, paragraph 1. Full cost includes direct and indirect costs. Apply costs consistently as either direct or indirect in similar situations. Avoid treating the same type of cost as direct in one instance and indirect in another.

**Exceptions to full cost:**

- Independent Public Benefit – Each Bureau/Office must carefully review costs (both direct and indirect) and exclude the cost of independent public benefits.
  - Specific Legislation – A Bureau/Office should adhere to authorizing legislation that specifies the types that should be recovered; i.e., interest on the federal investment, or specifically prohibits recovery of certain categories of costs, such as the Federal Land Policy and Management Act, 43 USC 1734(b), which excludes recovery of management overhead.
- **Market Price** – See OMB Circular A-25, Section 6d, paragraph 2 for the definition of market price and how to determine it.

A good example of market price is the rates charged for quarters rental. Market pricing can result in a net surplus or deficit for the activity. Should a loss occur, management must determine the value of the product/service and whether the activity is mandated. Losses result in a subsidy of the activity from appropriated funds. If an activity results in a net deficit and is not mandated, management should consider discontinuing it.

**6.4.5.2 How are Direct Costs Determined?**



Direct costs are recoverable if such costs would not have been incurred but for the recoverable activity and are necessary for the completion of the activity. The following items, when clearly identifiable with a specific activity, are considered to be direct costs:

- **Personnel Costs**

***Direct Labor*** – Direct labor is that portion of base wages or salaries that can be identified with and charged to a particular activity.

***Fringe Benefits*** – Fringe benefits (e.g. retirement, health insurance, and life insurance) are those allowances and services provided to employees as compensation, in addition to the base wages or salaries used in determining the basic hourly rate or the annual rate of pay. The cost of Bureau/Office-provided fringe benefits is recovered by applying to direct labor costs a rate that represents the value of the fringe benefits.

When recovering fringe benefits on an actual basis through the formal accounting system, only those benefits that can be associated with the specific activity will be charged as a direct cost.

When using cost-finding techniques to determine the applicable fringe benefits, the following considerations apply. The Bureau/Office costs for Civil Service retirement or Social Security benefits are determined by applying the applicable rate (as authorized by law) to the identified base salaries or wages. The health and life insurance rate to be applied to the identified base salaries or wages can be obtained by determining the relationship between the Bureau/Office insurance costs and the total of the base salaries and wages for all employees.

***Leave and Holidays*** – For purposes of cost recovery, Bureaus/Offices will recognize the cost of leave (annual leave, sick leave, and holidays) based on a bureau-wide leave surcharge rate. Leave is not to be charged to a cost recoverable activity when it is taken. Derive the leave surcharge rate by referencing the actual leave taken in the prior year. An example of the derivation of the leave surcharge rate is given in Illustration 1. This leave surcharge rate will be applied to the sum of the direct labor and fringe benefits

that are charged to (if using actual cost billings) or associated with (if using cost-finding techniques) the cost recoverable activity. Review and update the factors used in developing the leave surcharge rate yearly.

***Overtime and Premium Pay*** – When identifiable with a specific activity, charge overtime and premium pay in the same manner as the regular wage portion of an employee's earnings.

***Other Personnel Costs*** – Allowances for off-site pay, location allowances, hardship pay, hazardous duty pay, uniform allowances, incentive pay, cost of living differential, night differential, etc., are charged in the same manner as the related base labor charge.

- **Equipment Purchases** – The acquisition cost of equipment (less estimated salvage value) that is necessary to the rendering of a service to a non-Federal recipient may be charged directly to a cost recoverable activity only in the following two circumstances:
  - The cost of the equipment is \$15,000 or less; or
  - There is an explicit agreement that allows the Bureau/Office to purchase the equipment and collect such costs from the recipient. In this instance, the non-Federal recipient must clearly understand that the rights and title to the equipment will remain with the Government at the conclusion of the cost recoverable activity.

In all cases other than the two listed above, the acquisition cost of equipment will not be charged directly to cost recoverable activities, but a proportionate part of the equipment's cost (depreciation) will be charged as a cost of the recoverable work. (For a discussion of depreciation requirements, see SFFAS No. 6, “Accounting for Property, Plant, and Equipment” and SFFAS No. 11, “Amendments to Accounting for Property, Plant, and Equipment”) If the portion of collections that represents depreciation pertains to equipment purchased in the current fiscal year, (where there is specific authority to reimburse the financing appropriation) such funds may be used in the appropriation in the current fiscal year. However, if such collections pertain to equipment purchased in prior fiscal years, such collections (for other than working capital funds) must be deposited into the General Fund of the Treasury as Miscellaneous Receipts.

- **Miscellaneous Items** – The following are examples of other items to be charged as direct costs when incurred or consumed exclusively for the completion of the specific activity.
  - Miscellaneous supplies and materials
  - Equipment rentals
  - Travel
  - Purchased services such as printing, ADP services, and photographic reproduction
  - Contractual services

#### **6.4.5.3 How are Indirect Costs Determined?**

Indirect costs are costs that cannot be directly identified to a cost object; i.e., a program, project, or activity. The following list contains examples of those types of items normally considered indirect costs. Unless charged as direct costs or prohibited by legislation, these costs should be included in the indirect cost pool even if they are not charged to the administration line item. Cost-finding techniques may need to be employed to retrieve these costs from other budget line items.

- Space rental
- Utilities, including telephone expenses
- Postage
- Unemployment Compensation Benefit costs
- Data processing, management, and control
- Equipment rentals
- Miscellaneous supplies and materials
- Equipment costs

- Training, employee development, and personnel transfers, including costs of travel and time in-transit
- Budget development and program planning, coordination, and direction
- Research and development activities
- Administrative support related to a Bureau/Office's overall mission. This is perhaps the largest portion of indirect costs and usually relates directly to the administration line item in the general management appropriation. It includes such costs as procurement, contracting, office services, property management, vehicle management, supply, finance, payroll, voucher processing, personnel services, records management, and document control
- Reports – This includes all costs of preparation, review, and distribution of required recurring reports, such as accounting or property reports
- Public information and inquiries
- Safety management, including inspection, training, and promotion
- Equal Employment Opportunity Office and other affirmative action programs, including employee counseling and review of grievances and appeals.

#### **6.4.5.4 How is the Indirect Cost Pool Identified?**

- **General Management** - Most Bureaus/Offices have a budget line item for general management or operating appropriations to carry out their programs. Usually there is a line item(s) for administration (sometimes called general administration, administrative programs, administrative expenses, or executive direction) that supports all Bureau/Office appropriations. Since each Bureau/Office must be able to accumulate and report costs, these costs may become the nucleus of the indirect cost pool. Work financed from other appropriations may also draw support from administrative expenses. These represent another facet of the indirect cost pool. The Bureau/Office must determine that portion of the support cost from each activity that benefits the activity.
- **Other Indirect Costs** – Costs in the general management budget line item discussed above are generally not all of the indirect costs. Each Bureau/Office has other support costs that are accumulated in other activities or cost centers that support operations. These activities, sometimes called program support or

program services, are not usually budgeted line items. Costs in these activities are generally prorated or charged directly to budgeted line items. These costs are also a part of the indirect cost pool.

- **Indirect Cost Rate** – Indirect costs can be expressed in a number of ways. They may be applied as a percentage rate to total direct costs, selected direct costs, direct labor hours, or by any other rational means. The guidance in this Section is directed at developing a single percentage rate to be applied to total direct costs for each major program.
  - The traditional method of developing a percentage rate to determine indirect costs is to estimate indirect costs for the current period (usually monthly or quarterly) and calculate the ratio of the estimated indirect costs to estimated direct costs (i.e., direct labor cost, cost of materials, etc.) for the period. This method recognizes that significant variances between actual and estimated indirect and direct costs may occur and therefore requires frequent recalculation.
  - A simpler method, for relatively stable programs, is to develop the indirect cost rate based on historical results. (The traditional method described in the paragraph above is a more appropriate method to use for rapidly expanding or contracting programs, which need to be closely monitored, with frequent adjustments made to the indirect cost rate when appropriate.). Prior year costs are usually the most applicable base to use in developing the current year's indirect cost rate.

***Elements*** – The following elements must be considered in developing the indirect cost rate.

***Prior year direct costs*** – This includes all costs charged to appropriations in the prior year, including reimbursables, except grants, loans, payments from receipts, and any direct costs determined to relate to an independent public benefit. Exclude the indirect costs identified in the next subparagraph.

***Prior year indirect costs*** – This includes all indirect costs identified above except those indirect costs determined to relate to an independent public benefit or specifically excluded by authorizing legislation.

**Formula** – The indirect cost rate formula is as follows:

$$\frac{\text{Prior year indirect costs}}{\text{Prior year direct costs}} = \text{Indirect cost rate}$$

**Example** – An example of the indirect cost rate calculation is given in Illustration 2.

## Illustration I

### Leave Surcharge Rate Calculation Example

Step 1: Assume bureau A has 3,000 employees. By referencing the leave information for the prior year, it is determined that 96,000 days of leave were taken by the bureau A employees (i.e., 45,000 days of annual leave, 24,000 days of sick leave, and 27,000 days representing holidays). The average number of days of leave taken in the prior year per employee is 32, determined as follows: 96,000 total leave days taken divided by 3,000 employees equals 32 average leave days taken per employee.

Step 2: Subtract the average leave days taken per employee (Step 1) from 260 (duty days).

$260 \text{ duty days} - 32 \text{ average leave days taken} = 228 \text{ average workdays per employee per year.}$

Step 3: Divide the average leave days taken in the prior year (Step 1) by the average workdays per year (Step 2) to determine the leave surcharge rate.

$32 \text{ average leave days taken per year} \div 228 \text{ average workdays per year} = 14\% \text{ leave surcharge rate.}$

**Illustration 2**

Indirect Cost Rate Calculation

Assume the following prior year information for the ABC Agency.

Appropn. 1	Appropn. 2	Appropn. 3	Appropn. 4	Total
Direct program <sup>1(1)</sup> \$435,538,435	\$365,021,242	\$27,648,590	\$21,949,872	\$20,918,731
+ Reimbursable program 13,878,221	10,998,406	2,879,815	-0-	-0-
Total program cost 449,416,656	376,019,648	30,528,405	21,949,872	20,918,731
-Grants and loans 5,406,520	5,406,520	-0-	-0-	-0-
- Indirect costs 73,906,477	67,871,410	2,510,198	1,804,828	1,720,041
Prior year direct costs \$370,103,659	\$302,741,718	\$28,018,207	\$20,145,044	\$19,198,690

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Assumption: Appropriation 1 includes amounts for general management.

Also assume that prior year indirect costs were as follows:

Total indirect costs (from above)<sup>2[2]</sup> \$73,906,477

Less: Indirect costs attributable to independent public benefit 23,879,076

Indirect costs applicable for cost recovery \$50,027,401

Insert the figures into the formula (10-e (3) (b) to arrive at the indirect cost rate.

\$ 50,027,401

÷ = 13.52%

\$370,103,659

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#### **6.4.6 What are the Cost Accounting Processes?**

It is preferable that user charge activities have cost accounting processes established in the formal accounting system (SFFAS # 4, "Managerial Cost Accounting," will serve as the principal authoritative reference/guide for cost determination). However, in some circumstances, described below, acceptable cost-finding techniques may be used. See Chapter VIII, Managerial Cost Accounting of this Handbook also.

- **Applicability** – Cost-finding techniques involve the production of cost data by analytical or sampling methods rather than on the basis of formal cost accumulation in the accounting system. In determining the costs to be recovered, there are circumstances where cost-finding techniques should be used in lieu of accumulating costs through the formal accounting system. Cost-finding techniques may be appropriate for certain kinds of costs, such as indirect costs, costs below certain thresholds within programs, or the cost of certain programs in their entirety. The following criteria are to be used in determining when such an approach may be used:
  - The amount of work to be performed is minimal and the scope is limited; therefore, no need exists for accumulation of data in the formal system. Reasonable and accurate results can be expected by analytical or sampling techniques.
  - The cost to develop and accumulate charges would be inordinately high with respect to the dollar amount to be realized.
  - The accumulation of costs under a cost-finding technique would result in definite savings and economy.
  
- **Documentation** – Bureaus/Offices that use cost-finding techniques must maintain appropriate work papers as part of the official accounting records to support computations made in the application of cost finding. Review and update analytical data or sampling results used in developing factors or rates to be applied in this approach as often as conditions warrant.

#### **6.4.7 How is the Policy in OMB Circular A-25 Implemented?**

See OMB Circular A-25, Section 7 for implementation requirements. It is important that Bureaus/Offices provide appropriate notice of fees to their customers and other interested parties, and follow rule making procedures regarding an increase in or the establishment of new fees when required by law or regulation.

#### **6.4.8 What are the Responsibilities for Implementing OMB Circular A-25?**

- **Department** – In accordance with the Chief Financial Officer's Act of 1990, the Departmental CFO is responsible for overseeing the Department's User Charge Program. PFM is responsible for providing advice and assistance to the CFO and Bureaus/Offices on user charge/cost recovery matters. The Solicitor is responsible for providing legal advice on proposed regulatory or legislative changes. Legislative proposals must follow the guidance provided in OMB Circular A-19. Legislative proposals that propose a different treatment of appropriations and receipts are to be coordinated through the Office of Budget.
- **Bureaus/Offices** – The responsibility for the initiation, development, and implementation of user charge procedures consistent with the policies and authorities contained in OMB Circular A-25 and this Handbook rests with the head of each Bureau/Office. Bureau/Office responsibilities are the same as agency responsibilities described in OMB Circular 25, Section 8 except for the additional following items:
  - Establish written user charge/cost recovery procedures as a supplement to this Section, or through regulations, as appropriate, subject to the approval of the PFM;
  - Comply with the cash management practices outlined in the Cash Management Policies and Procedures Handbook; and
  - Submit legislative proposals, when appropriate, to OMB through the Departmental CFO and the Office of Budget to: Make receipts available to the financing appropriation; and/or remove limitations or restrictions placed on or prohibiting user charge/cost recovery in existing laws.

#### **6.4.9 How Are User Charge Collections Handled?**

OMB Circular A-25, Section 9 provides policy for disposition of collections.

#### **6.4.10 What Reviews and Reports Are Required?**

- **Biennial Review and Report on All User Charge Activities** – The Chief Financial Officers (CFO) Act of 1990 (PL 101-576, 104 Stat. 2838) requires that user charge programs be reviewed at least every other year. The CFO Act Section 205, Subsection 902 (a) (8), states that the Agency Chief Financial Officer must:

“review, on a biennial basis, the fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and make recommendations on revising those charges to reflect costs incurred. . . “

OMB Circular A-25, Section 8e states the biennial review should include: (1) assurance that existing charges are adjusted to reflect unanticipated changes in costs or market values; and (2) a review of all other agency programs to determine whether fees should be assessed for Government services or the user of Government goods or services. Bureaus/Offices should conduct the biennial review on all existing user charge/cost recovery activities. Also, identify and address activities with user charge potential as to whether to pursue user charges. Submit a report in the format of the Departmental User Charge Data Base to PFM for each user charge/cost recovery activity. PFM will issue a data call and report format to provide detailed review and report requirements.

- **Annual Cost Recovery Report** – After the end of each fiscal year, DOI requires Bureaus/Offices submit a report containing narrative, financial, and quantitative data on cost recovery activities on a fiscal year basis. The report format will be provided. The reports will be due mid-December following the close of the fiscal year. In order to minimize the reporting burden, the biennial review required by the CFO Act may be accomplished simultaneously with the cost recovery report for the years that a biennial review is also required.

## **6.4.11 What are the Policies and Procedures for Rights-of-Way Projects?**

**6.4.11.1 What is the Purpose and Scope** – This Section prescribes the Department's policy and procedures for the accumulation of costs and the billing and reporting of estimated and actual costs for those right-of-way projects where the estimated costs of processing the application and monitoring the terms of the grant or permit are \$100,000 or more. In addition, the procedures discussed herein must also be followed for those right-of-way projects that involve two or more Departmental Bureaus/Offices (irrespective of the estimated cost). Bureaus/Offices may also follow these policies and procedures where the estimated cost of a right-of-way project is less than \$100,000. The Bureau/Office supplement to this Section must address the handling of the "less than \$100,000" right-of-way projects.

### **6.4.11.2 What is the Authority for Rights-of-Way Projects?**

Section 28 of the Mineral Leasing Act (30 U.S.C.- 185) provides for recovery of Government costs associated with oil and gas pipeline rights-of-way across Federal lands. Secretarial Order No. 3066 assigned the Bureau of Land Management as the lead agency responsible for issuing right-of-way grants and permits for oil and gas pipelines that cross lands administered by two or more Federal agencies.

A Bureau/Office must employ its specific authority (if any) for recovering costs associated with non-oil and non-gas pipeline right-of-way grants and permits. In the absence of any specific authority a Bureau/Office may use the Independent Offices Appropriation Act (31 U.S.C. 483a) as the cost recovery authority for non-oil and non-gas pipeline rights-of-way.

### **6.4.11.3 What is the Department of Interior Guidance?**

Accumulate costs associated with processing right-of-way applications, issuing grants and permits, and administering grant and permit provisions in such a manner to withstand dispute in a court of law. See Chapter 6.2 of this Handbook for grants and cooperative agreements. Adequately support billings by internal cost records in sufficient detail to leave no doubt as to the purpose for which the costs were incurred. Follow consistent procedures to:

- coordinate activities and provide a mechanism for resolution of disputes,

- authorize work and incur costs under an approved work plan,
- ensure that estimated and actual billings do not materially understate or overstate Bureau/Office costs,
- ensure that items of costs billed are traceable to a documented entry (i.e., contracts; travel vouchers; time and attendance reports), and
- ensure that items of cost are continually reviewed as to accuracy, completeness, and appropriateness.

#### **6.4.11.4 What are the Exclusions?**

Bureaus/Offices must adhere to any cost recovery exceptions that are present in specific right-of-way legislation. In addition, the cost recovery procedures contained herein do not apply to right-of-way grants or permits issued on Outer Continental Shelf lands or to other Federal Government agencies.

#### **6.4.11.5 What are the Definitions and Responsibilities?**

- **Authorized Officer** – The head of the “lead” Bureau/Office or a Secretarial Officer, as appropriate will designate the authorized officer.
- **Bureau/Office Project Manager** – An employee of the Bureau/Office officially designated to plan, coordinate, supervise and manage the resources necessary to meet the requirements for the granting of a right-of-way and associated ancillary facility permits. He/she reports to the authorized officer. Where only one Bureau/Office is involved in a right-of-way application and the subsequent grant and associated permits, the Bureau/Office project manager is the authorized officer.
- **Responsibilities for Work Planning**
  - The authorized officer is responsible for securing work plans and schedules from applicants in sufficient detail to permit the planning of work by the

Department's Bureaus/Offices that is needed to process applications; to issue a grant; and to monitor the construction, operation, maintenance and termination phase of the grant and associated ancillary facility permits. (In most cases, the application serves as the work plan.) He/she is also responsible for disseminating those plans and schedules to the Bureaus/Offices on a timely basis.

- Bureaus/Offices, in turn, are responsible for evaluation of these plans and schedules and the development of their own cost estimates for right-of-way projects.
- Bureaus/Offices must submit estimates of total costs to the authorized officer for review and approval. The authorized officer must review each Bureau/Office's cost estimates and provide the applicant with an estimate of the total cost of processing the application, issuing grants and permits, and monitoring construction, operation, maintenance, and termination. This is only an estimate. Cost recovery is not limited to the amount of the estimate. However, substantial deviations will likely require explanation.

- **Quarterly Cost Estimates**

- Each Bureau/Office must submit quarterly cost estimates to the authorized officer in advance of each quarter for purposes of billing the applicant/grantee/permittee.
- In order to develop the estimated cost to the Government for performing a service, it is necessary to determine and accumulate the various elements of direct and related indirect costs. A discussion of direct and indirect costs is contained in 6.4.4.1.
- Each Bureau/Office must provide cost estimates by task category. These task categories are explained in the appendix to this Section and represent groupings of similar activities into major classifications for billing and reporting purposes. Bureau/Offices involved in the right-of-way project must prepare quarterly cost estimates in a format similar to that shown in Illustration 1. Include a brief description of the work to be performed in each task category. The cost estimates for each task category are to be further subdivided into personnel and related benefits, travel, contract, and other.
- Each Bureau/Office must also provide the authorized officer a summary of its estimated costs for the specified quarter.

- **Billings for Advances** (See **DOI Accounting Handbook, Chapter 2.5.5** for advances, **Department of Interior Interagency Acquisitions Handbook, and Cash Management Handbook, Chapter 6** at [www.doi.gov/pfm/policy.html](http://www.doi.gov/pfm/policy.html).
  - The preparation, review, and approval of advance billings are a part of the work planning process. Each participating Bureau/Office will prepare estimates of anticipated costs to perform work during a specified quarter of the fiscal year.
  - Upon review and approval of the cost estimates, the authorized officer must submit the cost data from the Bureaus/Offices to the billing office for issuance of an advance bill. The authorized officer must return approved cost estimates to the Bureaus/Offices and notify Bureau/Office project managers of any change rendered to their billings as a result of the review process so that any costs specifically disallowed are not charged by Bureaus/Offices against cost-recoverable funds. These approved estimates are the only authorization for conduct of work and the incurrence of costs for processing right-of-way applications, and for monitoring the construction, operation, maintenance, and termination phases of the grant and associated permits. Submit copies of the approved estimates simultaneously to the appropriate billing office for advance billing purposes.
  
- **Cost Reports**
  - Provide detailed reports of costs incurred for each quarter and Bureau/Office summaries to the authorized officer for review as to applicability and consistency with approved quarterly estimates. These detail cost reports must relate to specific items and task categories as contained in the advance billings. Any differences between advance payments and related costs incurred will be reflected as additions to or deductions from the next advance billing.
  - Submit these cost reports to the authorized officer within two months subsequent to the close of the quarter. For each right-of-way project, the authorized officer must then summarize the cost information. This cost information (the summary and the detailed cost reports) must be provided to the applicant, grantee, or permittee within three months following the close of the quarter.



- **Approval of Bureau Cost Recovery Procedures** – Each Bureau/Office performing any right-of-way work, where such work is subject to cost recovery, is to issue a supplement to this Section, subject to the approval of PFM, which specifies the internal procedures to be followed by that Bureau/Office in conformance with the above stated processes.

## **Appendix to User Charges**

### Task Categories

**Managerial-Administration:** Direct Project staff costs. Includes cost and time spent in project evaluations, project coordination, technical project direction, developing cost estimates, administrative and clerical support, training, and preparation of reports and correspondence and briefing material for public information and inquiry.

**Inventory and Analysis-Data Collection:** Includes all costs of gathering and compiling overall resource data required as a result of the application (vegetation, hydrology, geology, fisheries, wildlife, recreation, etc.). Includes cost and time spent on planning, mapping, aerial photography, preliminary route analysis, and general research activities.

**Studies and Research-Special Studies:** Includes cost and time spent in planning, initiating, conducting, administering, or reviewing topical or site specific study and research efforts whether contracted or prepared in-house. Also includes work such as use studies, feasibility studies, and research work occasioned by the right-of-way application.

**Use Authorizations-Land Actions:** Actions affecting temporary and permanent use of lands for the benefit of the applicant(s) or permittee(s). Includes cost and time required for preparation and technical review of Environmental Assessment Reports (EAR) including costs of public meetings; preparation of and technical review of Environmental Statements (ES), including costs of developing the ES Preparation Plan, writing and assembling the ES, distribution and review, and conduct of public hearings/meetings; field examination including costs and time of field investigations, reconnaissance surveys, land examination and preparation of field reports, use authorization including costs and time of issuing authorization for use or removal of resources on public lands through material sales, temporary use permits, and free use permits; use adjustment including all costs of affecting changes in existing use authorizations and termination of authorized use.

**Compliance-Surveillance:** Includes all costs of ensuring compliance with the terms of a right-of-way, grant, and associated ancillary facility permit. Includes cost and time spent

inspecting and monitoring the construction, operation, and maintenance of the grant and permit area(s) to assure compliance with conditions, terms, and stipulations of all grants and permits, construction plans and specifications for protection of public lands. Also includes costs of investigation and control of a formal or suspected trespass in violation of or in the absence of a valid authorization.

Construction Design Facilities: Includes cost and time involved in review of proposed design concepts, construction modes, and other related documents determined as necessary by the project manager including review of alignments, engineering design procedures, special designs, and evaluation and necessary revision of activity plans to insure compliance with technical stipulations.

### **Illustration 1**

#### **Reimbursable Cost Projections**

DATE: May 15, 1981

APPLICANT: XYZ Gas Transmission Company

PERIOD OF ESTIMATE: July 1, 1981 through September 30, 1981

AGENCY: Bureau of Land Management

OFFICE: Colorado State Office

AGENCY PROJECT CODE IDENTIFIER(S): FC51

AGENCY CONTACT: R. O. WAY

TELEPHONE NUMBER: (303) 327-0119

TASK CATEGORY: Managerial-Administration

1. Approximately six work months will be expended this quarter coordinating and meeting with the necessary Federal, State, and local government agencies on activities related to endangered species surveys to comply with the provisions of the Endangered Species Act.

2. Approximately two work months will be needed to provide the full range of office support, including typing and editing the terms of the right-of-way grant.

3. Approximately four work months will be needed to draft and publish the terms of the right-of-way grant.

COST ESTIMATE:

Personnel and Related Benefits.....	\$19,040
Travel.....	750
Contract.....	375
Other.....	300
Subtotal - Direct Costs.....	20,465
Indirect Costs (12% X \$20,465).....	2,482
TOTAL COSTS.....	\$22,947



# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 7. ACCRUAL ACCOUNTING

#### 7.1 What is the Purpose of this Chapter?

This Chapter sets forth basic principles, requirements and techniques for the Department of Interior (DOI) accounting on an accrual basis, where financial transactions are recorded in the period of occurrence, even though related cash is disbursed or received during another period. Use of the accrual method provides DOI management with financial performance information so that informed decisions may be made.

#### 7.2 What are the Authoritative Sources?

- **Chief Financial Officers Act of 1990, P.L. 101-576**  
[http://www.gao.gov/policy/12\\_19\\_4.pdf](http://www.gao.gov/policy/12_19_4.pdf)
- **31 USC 3512(e)** [http://uscode.house.gov/title\\_31.htm](http://uscode.house.gov/title_31.htm)
- **Government Management Reform Act of 1994, P.L. 103-356**  
<http://www.thecre.com/fedlaw/legal1/s2170.htm>
- **SFFAS No. 1, Accounting for Selected Assets and Liabilities**, Paragraph 77  
<http://fasab.gov/pdf/files/sffas-1.pdf>
- **SFFAS No. 7, Accounting for Revenue and Other Financing Sources** at  
<http://fasab.gov/pdf/files/sffas-7.pdf>
- **FASAB Concept # 1, Objectives of Federal Financial Reporting**, Paragraph 145  
<http://fasab.gov/concepts.html>

- OMB Bulletin 01-09 <http://www.whitehouse.gov/omb/>

### **7.3 What is the Department of Interior Guidance?**

DOI Bureaus/Offices must develop an accrual (estimation) methodology that provides valid, timely financial estimates. Bureau-specific processes and policies must meet Generally Accepted Accounting Principles (GAAP) and be supportable. Bureaus/Offices must determine the estimation methodology for all types of accruals, document and test the methodology, obtain concurrence from the financial statement auditors for the methodology, and forward the documentation to DOI Office of Financial Management by June 1 of each year. Retain documentation reflecting computation and support for accruals and analysis of accuracy of accruals for reference and audit.

DOI Bureaus/Offices must compute accruals and record them in the accounting system for each quarterly accounting period. Enter the accruals into the accounting system prior to quarter-end and September 30 annually.

### **7.4 Who is Responsible for Accrual Accounting?**

Assistant Secretaries, Bureau Directors, bureau financial officials, and program managers are responsible for implementing proper procedures and ensuring reliable accruals, including approving accruals developed by personnel outside the finance offices.

### **7.5 What is the Definition of Accruals (Estimates)?**

The accrual method of accounting recognizes the significance and accounting aspects of financial transactions, events, or allocations in the reporting periods they occur. Costs are recognized in the accounts when incurred and revenues are recognized when they are earned.

### **7.6 What are the Criteria for Developing Estimates?**

All Bureau/Office estimation processes must consist of the following steps:

- **Identify situations for which accounting estimates are required.**
- **Identify and document the relevant factors that may affect the accounting estimate.** This includes subjective as well as objective factors. Base the factors on management's knowledge and experience about past and current events and its assumptions about conditions it expects to exist and courses of action it expects to take.
- **Accumulate relevant, sufficient, and reliable data on which to base the estimate.** Define data elements key to the methodology. Assess the validity of historical data.

- **Develop and document assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors (including any exceptions).**
- **Determine the estimated amount based on the assumptions and other relevant factors.** Demonstrate that the aggregate values below any established threshold or accounts not considered are insignificant.
- **Determine that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.**
- **Consider whether the resulting accounting estimate is consistent with the operational plans of the entity.**
- **Compare prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates.**
- **Establish internal controls over the estimation process including review and approval by management (someone other than the preparer) of the accounting estimates, including:**
  - Sources of relevant factors
  - Development of assumptions
  - Reasonableness of assumptions and resulting estimates
  - Consideration of the need to use the work of specialists
  - Consideration of changes in previously established methods to arrive at accounting estimates

## 7.7 What are the Categories for Which Estimates May Be Developed?

Estimates may be developed for the following categories:

- **Personnel Compensation, Personnel Benefits and Related Payments**
  - Accrue gross compensation, including overtime, through the end of each quarter. A labor distribution system may be used to distribute actual charges to cost accounts and to credit accounts payable. If the labor distribution to cost accounts does not vary significantly from payroll period to payroll period, the cost distribution of a representative preceding payroll or the total annual payroll to date may be used in determining the current accrual.
  - Accrue merit bonuses and awards, if significant in amount, in the quarter earned.
  - Accrue the cost of unused annual leave, compensatory time and credit hours earned quarterly. Obtain accrued annual leave amounts from the Federal Personnel and Payroll System.
  - Accrue benefits, including benefits to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs in the same manner as gross compensation. Accrue other benefits, such as relocation-related real estate costs and personnel allowances, in the quarter earned.
  - Accrue payments to the Office of Personnel Management for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.



- Accrue recruitment and relocation bonuses and retention allowances in the quarter earned.
- **Travel and Transportation**
  - Obligate transportation, per diem, and miscellaneous costs when the travel is vouchered or travel card billing received from Bank of America. At the end of the quarter and yearend, base the travel accrual on unvouchered travel information obtained from Bureaus and Departmental Offices, if the amount is significant to the Bureau/Office.
  - Accrue permanent change of station travel, transportation costs, and transportation of household goods when incurred.
- **OPM Life Insurance, Health Insurance, FERS Retirement, and CSRS Retirement, and DOL Unemployment Compensation, Workers' Compensation** – Establish a quarterly amount in quarter 01. Review and adjust accrual amount as needed. DOI, Office of Financial Management will provide yearend accrual amounts from OPM and DOL. See Chapter 6.1.5 of this Handbook.
- **Intra-departmental transactions** – Post accruals for intra-departmental transactions in conjunction with the elimination reconciliation process or from supportable estimates. Any accruals should be booked prior to the elimination process. Billings for current costs will be billed according to the OMB Business Rules. See Chapter 6.1.5 of this Handbook and the Department of Interior Interagency Acquisitions Handbook. (Editorial Note: [Link to the Interagency Acquisitions Handbook](#))
- **Depreciation of Capitalized Real and Personal Property** – Compute and recognize depreciation on a monthly basis. Refer to DOI Real Property Financial Management Policy Handbook, Item X – Depreciation for real property procedures.
- **Contingent Liabilities** – Record contingent liabilities based on reports from the Solicitor's Office that indicates a loss that is probable and can be reasonably estimated.
- **Environmental Liability** – Base the quarterly estimate on data provided by field offices. Refer to Chapter 3.5.7 of this Handbook.
- **Interest on Investments** – Enter interest on investments the last day of the quarter based on Bureau and Treasury data.
- **Accounts Receivable and Allowance for Doubtful Accounts** – Record accounts receivable and allowance for doubtful accounts quarterly. Refer to Chapter 2.5.3 of this Handbook.

- **Charge Card Purchases** – Process charge card purchases billed from Bank of America through month end or yearend as current period business. Include any significant amounts not billed by Bank of America as estimates.
- **Miscellaneous Revenue, including non-DOI reimbursements** – Accrue revenue in the quarter in which it is earned. Include unbilled receivables and accruals for non-DOI agencies and the public.
- **Contracts, Purchase Orders, and Cooperative Agreements** – See Chapter 7.3 of this Handbook.
- **Grants** - Bureaus/Offices may use historical, estimates, or actual data to accrue incurred but not reported (unbilled) grant expenses. An example is: the Fish and Wildlife Service uses “high level” accrual models that estimate these liabilities based on statistical analyses of payment patterns and the estimate criteria in Chapter 7.6 above.
- **Inventory and Inventory Allowance** – If a Bureau employs a perpetual inventory system, make a rational allowance for excess, obsolete, or unserviceable inventory on a quarterly basis. If a Bureau accounts for inventory on other than a perpetual basis, determine the actual inventory at a point in time, and otherwise estimate both inventory and an allowance on a quarterly basis.
- **Reimbursable Revenues** – When estimating payables to accrue, Bureaus must also take into consideration those payables related to reimbursable agreements. The accrual methodology must identify those transactions related to reimbursable agreements, and make the appropriate general ledger entries, as shown below.
  - 131D Accounts Receivable-On Budget-Unbilled
  - 5200 Revenue From Services Provided
  - 4251 Reimbursements Earned-Receivable
  - 4221 Unfilled Customer Orders W/O Advance

## **7.8 What are Some General Assumptions for Accounts Payable Accruals?**

In order for any accrual methodology to be successful, some general assumptions must be made. Bureaus/Offices may add or delete assumptions, use more historical data, etc. Support all assumptions by a detailed analysis that is reviewed and approved by management and supported by appropriate documentation. In accordance with the auditing standards, the financial statement auditors will request an analysis that supports each assumption below and subjects this analysis to testing. All Bureaus/Departmental Offices will list the assumptions that will be consistent throughout their process, such as:

- Bureaus/Offices may include intradepartmental accruals using this methodology if the results are supportable estimates. Book the accruals prior to the elimination process.

- All direct charges are cyclical; therefore, use a cumulative average to estimate the accrual for such transactions.
- All inter-governmental transactions occurring in a said month are for goods/services received during the preceding month. This presumes that the rules for intra-governmental transactions are implemented.
- Accrue travel claims for temporary duty travel, if significant.
- All payments for utilities made during a month are for services received during the previous month.
- For all document types, the invoice date recorded in the accounting system reflects the actual date of the invoice.
- Past accrual history is representative of the current amount. However, if history does not prove consistency then the estimation process needs to be modified to consider the fluctuations of history and the current period.
- All accrual figures produced from this methodology are inclusive of only non-labor goods and services. The accrued payroll and benefits will continue to be based on the automated process.
- For all document types, the acceptance date is the received date. Consider that the vast majority of the goods or services with an acceptance period within two weeks of the end of the period are for goods or services provided in the previous period. Since there may be a number of days between receipt of the goods/services and the acceptance date entered into the accounting system, Bureaus using the acceptance date assumption should take a sample of payments and calculate the average number of days between when the goods/services were received and the acceptance date for the goods/services based on supporting documentation. To calculate the accrual, use the acceptance date less the average number of days between the receipt and acceptance dates to determine a representative receipt date. Update this analysis on a periodic basis.
- Undelivered orders are valid.

# DEPARTMENT OF THE INTERIOR

## ACCOUNTING HANDBOOK

### CHAPTER 8. MANAGERIAL COST ACCOUNTING

#### 8.1 What is the Purpose of this Chapter?

The purpose of this chapter is to describe the managerial cost accounting concepts and standards and define the costing method used by the Department of Interior (DOI).

#### 8.2 What are the Authoritative Sources?

- The managerial cost accounting concepts and standards contained in this chapter are based on the **Statement of Federal Financial Accounting Standards (SFFAS) Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government**, at <http://www.fasab.gov/pdffiles/sffas-4.pdf>
- **FASAB Interpretations # 2: Accounting for Treasury Judgment Fund Transactions, # 6: Accounting for Imputed Intradepartmental Costs: An Interpretation of SFFAS No. 4**, <http://www.fasab.gov/interpret.html>
- **Technical Bulletin 2002-1, Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government** <http://www.fasab.gov/tchbl.html>.

#### 8.3 What are the Purposes for Using Cost Information?

**SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government** <http://www.fasab.gov/pdffiles/sffas-4.pdf>, paragraphs 31-40 describe the purposes for using cost information as budgeting and cost control, performance

measurement, determining reimbursements and setting fees and prices, program evaluations, and economic choice decisions.

#### **8.4 What are the Managerial Cost Accounting Concepts?**

**SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government**, paragraphs 41-66 <http://www.fasab.gov/pdffiles/sffas-4.pdf> contain the concepts of the role of managerial cost accounting in financial management, common data source for information flow within a financial management system, the relationship to financial accounting, the relationship to budgetary accounting, cost information for management purposes, proper financial management that requires the three accounting processes work closely together to provide useful reporting to both internal and external users, basis of accounting and recognition/measurement methods, and reconciliation of information.

#### **8.5 What are the Managerial Cost Accounting Standards?**

- **SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government**, paragraphs 67-162 <http://www.fasab.gov/pdffiles/sffas-4.pdf> contain the managerial cost accounting standards: requirement for cost accounting, responsibility segments, full cost, inter-entity costs, and costing methodology. See FASAB Interpretations # 2: Accounting for Treasury Judgment Fund Transactions and # 6: Accounting for Imputed Intradepartmental Costs: An Interpretation of SFFAS No. 4 <http://www.fasab.gov/interp.html>

**Responsibility Segments** – For DOI, the bureaus are the responsibility segments; and for the bureaus, the major programs are the responsibility segments.

#### **8.6 What Costing Method Does the Department of Interior Use?**

DOI has adopted Activity Based Costing (ABC) which is a methodology that allows an organization to focus on the activities or work done that generate cost, and to analyze what influences the amount of cost, what causes cost to occur, the cost of work performed, and the outputs produced from the work done. For information on DOI ABC see <http://www.doiu.nbc.gov/abc/>.

## **DEPARTMENT OF THE INTERIOR**

### ACCOUNTING HANDBOOK

#### CHAPTER 9. FISCAL OPERATIONS:

##### **9.0 What is the Purpose of this Chapter?**

This chapter discusses the accounting function for payroll, benefits, and allowances; uniform allowances; undelivered orders; and records management.

##### **9.1 Payroll, Benefits, and Allowances**

###### **9.1.1 What is the Accounting Function's Responsibility for Payroll, Benefits, and Allowances?**

The accounting, payroll, and personnel functions all interact in performing activities and using information related to labor. The Department of Interior (DOI) policy is that the DOI CFO has primary responsibility for establishing policy and ensuring performance of the following activities:

- The timely recording of general ledger transactions.
- The accounting treatment of payroll and personnel actions.
- The requirements for authorization, documentation support, and timing of financial events.

Some labor accounting functions are performed outside the financial accounting organization. For example, the DOI National Business Center is responsible for maintaining general ledger transactions related to withholdings.

The payroll/personnel function has primary responsibility for establishing policy and ensuring performance of the following activities:

- The administration of all payroll and personnel matters.
- The maintenance of employee records to support the general ledger.

Some payroll/personnel functions are performed elsewhere. For example, employee records to support the general ledger are currently maintained in the DOI accounting system.

### **9.1.2 What are the Authoritative Sources?**

The guidance and procedures in this chapter are issued pursuant to:

- “Maintaining Effective Control Over Employee Time and Attendance Reporting”, GAO-03-352G, January 2003  
<http://www.gpoaccess.gov/gaoreports/index.html>.
- **Treasury Financial Manual Vol. I**, Part 3,  
<http://www.fms.treas.gov/tfm/vol1/index.html>
- Office of Personnel Management's Operating Manuals  
<http://www.opm.gov/index.asp>.
- 5 U.S.C. Part III, Subpart D, Chapter 55, Subchapter VIII, Section 5584  
<http://www.gpoaccess.gov/uscode/browse.html>

9.1.3 What are the Objectives of the Department of Interior’s Time, Attendance, and Leave Reporting?

The objectives of DOI's time, attendance, and leave reporting are:

- Prompt payment in the proper amount to all personnel entitled to be paid;
- Prompt accounting for and disposition of all authorized deductions from gross pay;
- Adequate control over, retention, and disposition of all payroll-related documents; and
- Prompt preparation of adequate and reliable payroll records to support management purposes; planning, preparation, execution, and review of the budget; and internal and external requirements.

#### **9.1.4 What are the Principles and Standards for Time and Attendance Reports?**

Edited and approved time and attendance reports shall be transmitted each pay period to the payroll processing function. The time and attendance function must:

- Support the collection of time and attendance data based upon an established tour of duty, including alternative work schedule/flexitime information.
- Support the collection of work hours, leave hours, and all other pay-related hours, as well as labor hours for cost accounting purposes from one source document for each employee.
- Support the collection of labor distribution hours by the cost classification structure.
- Provide for the collection of time and attendance on a daily, weekly, biweekly, semimonthly, and/or monthly basis.
- Calculate and adjust weekly hours based on Fair Labor Standards Act (FLSA) requirements.
- Accept time and attendance data through various processing modes.
- Support the correction of current- and prior-pay period time and attendance records.
- Input time spent by employees who work temporarily in a cost classification within the department but in different organizations or cost centers or in other departments.
- Provide for the capture of time and attendance data in fractions of hours.
- Generate a time and attendance report.
- Provide the capability to receive electronic approvals from authorized supervisory personnel and release data for further system processing.



### **9.1.5 What are the Requirements for the Time and Attendance Function?**

- All payroll transactions shall be integrated with, and controlled by, the general ledger accounts of the Bureau/Office. The general ledger accounts and pro-forma entries shall be in agreement with the DOI Standard General Ledger.
- All personnel must be adequately trained in their functions. Timekeepers and other personnel outside the accounting offices shall be furnished comprehensive instructions for recording and processing source documents relative to time worked or other basis for payment.
- Internal control of basic documentation at the operating level shall include a separation of functions between timekeeping and distribution of pay.
- Supervisors, who are in a position to know the activities of an employee, shall review time and attendance reports.
- No personnel will be responsible for certifying their own time except in rare circumstances. See [205 DM 6](#).
- Each accounting office is responsible for reconciling the Abstract of Transactions, the NBC report that shows total disbursements by appropriations and schedule number, to the general ledger and to the Treasury Fiscal Service (TFS) Form 6653, Undisbursed Appropriations Account Ledger. Any differences must be resolved in a timely manner.

### **9.1.6 What are the Standards for Time and Attendance Records?**

Time and attendance is to be recorded accurately to ensure that the presence and absence of employees are accurately recorded and reported for purposes of computing payroll, leave, and allowances.

Time and attendance records must be safeguarded together with SF 71s, Request for Leave or Approved Absence, and overtime approvals to preclude unauthorized changes to approved documents. The time and attendance report shall show that each employee is entitled to his or her normal pay or to a greater or lesser amount by showing the number of hours the employee worked and the nature and lengths of absences.

The time and attendance report must be signed by the employee and certified as correct by their supervisor.

### 9.1.7 What is the Official Payroll/Personnel System for the Department of Interior?

DOI currently utilizes a department-wide integrated payroll and personnel system, Federal Payroll/Personnel System (FPPS), developed and operated by the National Business Center (NBC). DOI policy is that the payroll application of the payroll and personnel system must be integrated with the DOI accounting system with regard to financial data.

### 9.1.8 How are Collections of Erroneous Payments Made From Employees?

The NBC must:

- Determine whether an erroneous payment has been made to an employee (paid under Federal funds); whether the employee is indebted to the United States as a result of such payment; and establish a plan under which the indebtedness will be recovered (5 U.S.C. Part III, Subpart D, Chapter 55, Subchapter II, Section 5514 <http://www.gpoaccess.gov/uscode/browse.html>).
- Review of any objections of the employee involved to the determination of indebtedness or to the proposed plan of repayment will be made by a superior officer of the individual receiving the redelegation of the authority delegated in [205 DM 6](#). The superior officer reviewing the employee's objection, upon conclusion the determination is correct, will concur in or establish a modified plan for repayment of the indebtedness.
- Review the claim to assure it falls within the statutory time limitation. It is important that the date of discovery of the erroneous payment be definitely determined by a management official. This is the date from which the 3-year statutory limitation is computed.

### 9.1.9 How are Waivers for Erroneous Payments Processed?

[Chapter 205 DM 6](#) gives the general delegations for waivers. Applications for waiver must be received either in NBC or the Bureau/Office three years immediately following the date of discovery of the erroneous payment. If the application is received after the expiration of that statutory period, the applicant shall be advised that no action may be taken because the application is time-barred. Such notice to the applicant shall include the applicable statutory provision, the date of discovery of the erroneous payment, and the date of receipt of the application for waiver. Cases of doubt as to the application of the statutory time limit shall be forwarded to the General Counsel through PFM.

- **Standards For Waiver** – A waiver may be granted only when collection would be against equity and good conscience and not in the best interests of the United States. Generally, these criteria will be met by a finding that the erroneous payment occurred through administrative error and that there is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or other person having an interest in obtaining a waiver of the claim. Generally, waiver is precluded when an employee or other person having an interest in obtaining waiver receives a significant unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred, and fails to make inquiries or bring the matter to the attention of the appropriate officials.

Waiver under this standard must necessarily depend upon the facts existing in the particular case. The facts upon which waiver is based should be recorded in detail and made a part of the comprehensive written record. The Government's claim against an employee for repayment of an advance of funds for travel or relocation expenses may be considered for waiver if: (1) the advance was made to cover expenses erroneously authorized; (2) the employee actually spent the advance in reliance on the erroneous travel authorization; and (3) the employee is indebted to the Government for repayment of all or part of the amounts advanced after the advance is applied against any legitimate expenses incurred by the employee.

- **Procedure for Obtaining a Waiver**
  - Refer the report of investigation together with a recommendation to the Office of Hearings and Appeals for waiver of any claim or referral in an amount aggregating more than \$1500 (paid under Federal funds).
  - Refer the report of investigation together with a recommendation to the Office of Hearings and Appeals if the claim of the United States is in an amount aggregating \$1500 or less without regard to any repayment, and such officials have doubt as to whether waiver action is proper.
  - Advise an employee when an application for waiver of a claim in an amount aggregating more than \$1500 is denied, and of his/her right to appeal the denial to the Office of Hearings and Appeals.
- **Maintain a Register of Waivers** showing the disposition of each application for waiver. The register shall be retained for a period of three years, for review by the General Accounting Office and the DOI Office of Inspector General. The register shall contain the following information:
  - The total amount waived;
  - The number and dollar amount of waiver applications granted in full;
  - The number of waiver applications granted in part and denied in part and the dollar amount of each;

- The number and dollar amount of waiver applications denied in their entirety;
- The dollar amount refunded as a result of waiver action by the Bureau/Office.

## 9.2 Uniform Allowances

### 9.2.1 What is the Purpose of the Uniform Allowances Section?

The purpose of this Section is to establish Departmental guidance and procedures for the payment of uniform allowances to employees under the Federal Employees Uniform Allowance Act of 1954, as amended. This Section also prescribes the manner in which payments for uniform allowances are made to eligible employees and to the vendors who furnish uniforms.

The provisions of this Section are applicable to all Bureaus/Offices. This Section covers the procedures for payment of initial and replacement uniform allowances to employees whose duties require the wearing of a uniform. Bureaus/Offices authorizing employees to wear a prescribed uniform must adhere to the guidance and procedures and comply with the regulatory authority under which uniform allowances are authorized.

### 9.2.2 What are the Authoritative Sources?

- **Federal Employees Uniform Allowance Act, Public Law 83-763, 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter I, Sections 5901-5903 and Federal Employees Pay Comparability Act of 1990, PL 101-509.**

<http://www.gpoaccess.gov/uscode/browse.html>.

- **5 U.S.C. Part III, Subpart F, Chapter 79, Section 7903 - Protective Clothing and Equipment** <http://www.gpoaccess.gov/uscode/browse.html>.
- **5 CFR 591.101 – 104** <http://www.gpoaccess.gov/cfr/index.html>.

### 9.2.3 What is the Department of Interior Guidance?

The payment of a uniform allowance is proper only in those cases where employees are required by law, regulation, or Bureau/Office directive to wear a uniform, and the Bureau/Office has not provided the uniform. Uniform is defined as wearing apparel different from that normally worn in off-duty hours. Items of protective clothing authorized to be worn by Bureau/Office employees are not considered a uniform and are not subject to this policy (see 51 Comp. Gen. 446).

### 9.2.4 What are the Departmental Responsibilities for Uniforms?

- **Departmental** – The Office of Financial Management, Office of Assistant Secretary - Policy, Budget and Administration is responsible for furnishing policy and procedural guidance to implement regulatory directives and issuances, and providing assistance and guidance to the bureaus and offices on the payment of employee uniform allowances.
- **Bureaus/Offices** – Bureaus/Offices are responsible for:
  - determining the uniform to be worn,
  - designating who is to wear the uniform,
  - setting the price for each article of clothing constituting the uniform,
  - conducting periodic reviews of representative uniform suppliers to establish initial and replacement uniform allowance costs, and
  - furnishing uniforms or paying uniform allowances to employees

### 9.2.5 How are Uniform Allowances Determined?

The maximum uniform allowance is \$400 per employee, per year. Listings of each item of clothing constituting the uniform should be compared with price lists of representative suppliers to determine employee uniform allowances. A designated official will review annually the prices of representative suppliers on which uniform cost estimates are based and adjust the total uniform allowance accordingly.

### 9.2.6 How are Payments for Uniforms Made?

No uniform allowance may be paid an employee required to wear a uniform as a condition of his/her employment unless provision has been made in the applicable appropriation act. Payments must be made at regular fixed intervals. Procedures must be established which will assure that, in adjusting payments to coincide with regular payment dates, employees will receive neither more nor less than the total annual amount to which they are entitled.

- **Payment to Employees**
  - **Initial Allowance** – Payment of the initial annual uniform allowance may be made as follows:
    - In advance for the total annual amount;

- In advance, periodically, prorated over a shorter period of time until the total annual amount has been paid;
  - At the end of a period of service (biweekly, monthly, etc.), as established by the head of the bureau/office; or
  - As reimbursement, up to the allowable maximum, to the employee for purchase of authorized components upon submission of appropriate evidence of expenditure such as receipts or invoices.
- **Replacement Allowance** – Payment for replacement allowances may be made as follows:
- In advance for the total annual uniform allowance (authorized only when the employee is expected to remain for the year in a job subject to the same uniform requirements);
  - In advance, quarterly, or at more frequent regular intervals;
  - At the end of an administratively established period of service; or
  - At any time for the actual cost of uniform articles purchased on a cash or credit basis, as evidenced by receipts or invoices submitted by the employee, but not in excess of the annual uniform replacement allowance.
- **Period Covered by Allowance**
- **Adjustment of Allowance** – The uniform allowance payment must cover the period of service where the wearing of a uniform is required in accordance with approved bureau or office standards. Reduced requirements must be considered in adjusting allowance payments as follows:
    - ✓ Limited period of employment, such as for seasonal employees.
    - ✓ Extended absences in non-pay status such as for military furlough or educational purposes.
  - **Payment Upon Transfer or Furlough** – Employees must be paid for fractional parts of allowance periods when:
    - ✓ Uniform allowance is payable at the end of administratively established periods of service;
    - ✓ Employees are separated;
    - ✓ Employees are furloughed for military or educational purposes;
    - ✓ Employees are in other non-duty status for extended periods or are transferred to positions not requiring the wearing of a uniform.
- **Refunds** – No employee will be required to make a refund of an advanced initial allowance payment, provided the payment was properly made and the

employee complied with the conditions under which the allowance was granted. However, a refund will be required when the entire annual replacement allowance is paid in advance and the employee ceases to be entitled to a uniform allowance due to a change in position, transfer, resignation, retirement, etc. In such cases, the employee is entitled to one-fourth of the annual allowance for each quarter or portion thereof in which the employee remained eligible for a uniform allowance. The remainder of the allowance must be recovered by refund from the employee or deduction from salary or other amounts due to the employee.

- **Payment to Vendors** – Payments are made to vendors upon presentation of appropriate evidence by the vendor and the eligible employee of purchase or rental and subsequent receipt of the uniforms. As specified in PL 101-509, payments to vendors may be reduced by 4 percent to defray the Government's costs of reimbursement.
- **Employees Allowance Account** – The full amount of clothing purchased as represented by receipts and vendors invoicing must be posted to the employee's allowance account.

### **9.3 Undelivered Orders**

#### **9.3.1 What are Undelivered Orders?**

Undelivered orders are contracts or orders issued by the ordering activity for goods or services that have not been received. No expense or accounts payable is incurred for undelivered orders.

#### **9.3.2 Who is Responsible for Implementing Procedures for Undelivered Orders?**

Assistant Secretaries, Bureau Directors, bureau financial officials, and program managers are responsible for implementing proper procedures to ensure the timely

review of undelivered orders, cancellation of invalid undelivered orders, and certification of valid undelivered orders.

### 9.3.3 Why is it Necessary to Review Undelivered Orders?

The timely expenditure of obligated funds is a fundamental principle of sound financial management. Excess undelivered orders serve as an indicator that a manager may not be effectively using allocated funds. Recurring reviews of undelivered orders, resulting in cancellation or deobligation of invalid obligations, increases funds available for no-year appropriations and for annual appropriations if the obligation to the annual fund occurred in the current fiscal year.

### 9.3.4 What are the Minimum Review Requirements?

- Review undelivered orders quarterly.
- Document and certify quarterly all undelivered orders over 12 months old with no activity, indicating why the obligation is valid. If the obligation is invalid, deobligate the obligation with appropriate supporting documentation. Retain the quarterly documented review for reference and audit.
- Review current year annual obligations as appropriate to identify invalid obligations.
- Include any adjustments prior to the end of the reporting period, quarterly or annually.
- Complete the documented, certified quarterly review 30 days after the end of the quarter.

Report the completed review as a key performance measure accomplishment to PFM as required by Chapter 5 of this Handbook.

## **9.4 Records Management**

### **9.4.1 What is the Purpose of this Section on Records Management?**



This Section provides guidance and assistance to responsible Bureau/Office accounting personnel on documentation, record keeping, retention, and disposition of Federal financial records. Bureaus/Offices are responsible for having a records management function with approved records disposition schedules that include financial records.

#### 9.4.2 What are the Authoritative Sources?

- **Federal Records Act of 1950 and the Federal Records Management Amendments of 1976** (44 U.S.C. Secs. 2902(5), 2906, 2909, 3302, 3303(3), 3303a(a), 3309, and 3312) <http://www.gpoaccess.gov/uscode/browse.html>;
- **National Archives and Records Administration Act of 1984, Public Law 98-497**;
- **General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Procedures and Title 8, Records Management** <http://www.gao.gov>;
- **[380 DM, Records Management](#) and [384 DM, Records Disposition](#).**
- **[303 DM 6, Indian Fiduciary Trust Records](#)**

#### 9.4.3 Who is Responsible for Records Management?

The Bureau/Office records manager is responsible for the Bureau's records management program. However, each accounting office is responsible for the care and protection of the records it creates and that are in its custody. While the records are in the custody of bureau accounting offices, officials should ensure that the documents are not prematurely destroyed. Title 18, U.S.C. Part I, Chapter 101, Sec. 2071 <http://www.gpoaccess.gov/uscode/browse.html> prohibits the destruction of Federal records without proper authority. If the records are destroyed or are accidentally mutilated or marred so that their content disappears, notify the Director, GAO Records Management Center, and the National Archives and Record Administration (NARA), in writing. The responsibilities of a Bureau/Office accounting office, relating to these and other records, are included in the GAO Policies and Procedures Manual for Guidance of Federal Agencies, Title 8, "Records Management" <http://www.gao.gov>.

Department of Interior Bureaus/Offices have an additional requirement with respect to Indian fiduciary trust records. These records must be separately inventoried and

identified and must comply with special retention and disposition procedures as determined by the Office of Trust records.

#### 9.4.4 What are the Requirements for Records Management?

Each Bureau/Office accounting office, in cooperation with their Records Management Officer, must ensure a continuing, active records management program which adheres to Departmental regulations and procedures. The program's objectives should include:

- Documenting the organization, policies, functions, and procedures completely and accurately;
- Controlling the quality and content of records produced to include all essential transactions of the Department, in order to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the Department's activities;
- Simplifying the process of records creation and maintenance; and
- Preserving and disposing of records in a judicious manner.

## Additional requirements of DOI Bureaus/Offices are to:

- **Develop a separate records retention and disposition schedule;**
- Evaluate its records to determine if it creates, manages, or uses Indian fiduciary trust records; and
- Review its records and update its inventory of Indian fiduciary trust records annually.
- Maintain records in such a manner so as to facilitate an audit by independent auditors. In addition, GSA and NARA have a statutory right to inspect a Bureau/Office's records at any time.

#### 9.4.5 What is a Records Schedule?

A Records Schedule is a document that separately lists and describes each identifiable system of records. The schedule also lists the retention period of these systems of records. All accounting records should be listed and accounted for in the Records Schedule, and their disposition must conform to this schedule.

Virtually all the documents of an accounting office that support the disbursement or collection of monies is what GAO consider accountable officers' accounts. GAO has issued guidance in addition to NARA guidance pertaining to these records.

The General Records Schedules, issued by NARA, provide mandatory retention and disposal standards for records common to most agencies. The General Records Schedules shall be referred to or incorporated in the Bureau/Office's Records Schedule. However, records subject to the General Records Schedule or an approved SF 115, Request for Records Disposition Authority, may not be destroyed until the completion of an audit, investigation, or review by GAO involving the records, whichever is later.

The following is the listing of General Records Schedules most likely to affect a Bureau/Office accounting office:

- Schedule 2 - Payroll and Pay Administration Records
- Schedule 6 - Accountable Officers' Accounts Records
- Schedule 7 - Expenditure Accounting Records
- Schedule 8 - Stores, Plant, and Cost Accounting Records
- Schedule 9 - Travel and Transportation Records

#### **9.4.6 How are Exceptions to the General Records Schedule Obtained?**

GAO will consider requests for not using applicable retention periods specified in the General Records Schedule provided the agency furnishes the following information:

- A citation of the General Records Schedule authority that would normally apply;
- A copy of operative units' proposed schedules;
- A brief written explanation of how the records are used in conducting Government business and the reasons justifying the change;
- Identification of the items needing GAO approval, if a complete schedule is submitted; and
- Concurrence from the Office of Inspector General and Office of the Solicitor.

In addition, NARA may empower a Bureau/Office to retain records for a longer period than that specified in the disposal schedules.

#### **9.4.7 How are Accountable Officers' Accounts Identified?**

Pursuant to GAO's definition of accountable officers' accounts, these accounts consist of the following specific documents or their equivalent:

- Statements of transactions;
- Statements of accountability;
- Collection schedules;
- Collection vouchers;
- Disbursement schedules;
- Disbursement vouchers;
- All other schedules and vouchers; or documents used as schedules or vouchers.

In summary, accountable officers' accounts encompass practically all documents supporting disbursements or collection of money. The retention period for most of these records is six-years and three-months.

Bureau/Office specific forms used in lieu of standard-form vouchers or schedules, and machine-readable/electronic data versions of accountable officers' accounts are included in this definition of accountable officers' accounts.

#### **9.4.8 When are Accountable Officers' Accounts Transferred to the Federal Records Centers?**

Accountable officers' accounts may be transferred to the appropriate Federal Records Centers for storage, for servicing (if necessary), and/or for final destruction. Any audited accounts and all unaudited accounts more than one full fiscal year old may be transferred to the appropriate Federal Records Center by agencies without special permission from GAO. However, GAO must approve authority to transfer accountable officers' accounts, which are less than one year old and have not been audited.

NARA regulations in 36 C.F.R. Chapter XII, Sec. 1228.150 through 1228.164 <http://www.gpoaccess.gov/cfr/index.html> contain the addresses of the Federal Records Centers and the areas served by each Bureau/Office, as well as procedural requirements covering the transfer of records.

Bureau/Office accounting offices transferring fiscal records of any kind to a Federal Records Center should be careful not to mix accountable officers' account records with other records. Separate SF-135s, Records Transmittal and Receipt, must be prepared for accountable officers' account records and other records being transferred. Instructions for completing SF 135s are on the reverse side of the form.

In addition to the SF-135, an approved DOI "Records Move Request" form must accompany all DOI records being transferred to a Federal Records Center. Approval must be obtained from the DOI Associate Deputy Secretary.

#### **9.4.9 What is the Procedure for Disposal of Certain Records Subject to GAO Audit?**

When the disposal of records depends on the completion of GAO audits of related accountable officers' accounts and the records are not required by the General Records Schedule or some applicable law to be retained for a longer period, the following retention period applies: "Destroy original documents when three 3 years old or when audited by the General Accounting Office, whichever is earlier."

However, records that are otherwise scheduled for destruction because their prescribing retention period has expired may not be destroyed if they are the subjects of an ongoing GAO audit.

#### 9.4.10 What are the Special Requirements Relating to Disposal of Bureau/Office Records?

Records may be scheduled for disposal only in accordance with authority granted by **NARA**. However, disposal of certain records (i.e., schedule 2 through schedule 10) also requires GAO approval when the proposed disposition period is less than that required in the appropriate General Records Schedule. When GAO approval is required, both GAO and NARA approvals may be requested concurrently.

#### 9.4.11 How is GAO Approval to Dispose of Records Requested?

From a procedural standpoint, the twin approvals by NARA and GAO are independent of each other. However, when GAO approval is necessary, NARA will not approve an agency's disposal request until GAO has first agreed with the proposed disposition.

## APPENDIX A

### ACRONYMS

**ABACIS** Advanced Budget and Accounting Control Information System

**ABC** Activity-Based Costing

**ACCS** Accounting Classification Code Structure

**ALC** Agency Location Code

**ATB** Adjusted Trial Balance

**BFY** Budget Fiscal Year

**BOC** Budget Object Code

**CFO** Chief Financial Officer

**CFR** Code of Federal Regulations

**CG** Comptroller General, General Accounting Office

**CMIA** Cash Management Improvement Act of 1990

**CSRS** Civil Service Retirement System

**DOI** Department of the Interior

**DOJ** Department of Justice

**DOL** Department of Labor

**DOS** Disk Operating System

**DR** Departmental Regulation

**EFT** Electronic Fund Transfer

**FACTS** Federal Agencies' Centralized Trial-balance System

**FAM** Financial Administration Memoranda

**FASAB** Financial Accounting Standards Advisory Board

**FASB** Financial Accounting Standards Board

**FAST** Federal Account Symbols and Titles

**FECA** Federal Employees Compensation Act

**FERS** Federal Employees Retirement System

**FFS** Federal Financial System

**FFMSR** Federal Financial Management Systems Requirements

**FMFIA** Federal Managers' Financial Integrity Act

**FTE** Full Time Equivalent (staff years)

**FY** Fiscal Year

**GAO** General Accounting Office

**GMRA** Government Management Reform Act of 1994

**GOALS** Government On-line Accounting Link System

**GPRA** Government Performance and Results Act of 1993

**GSA** General Services Administration

**HRM** Human Resources Management

**IPAC** Inter-governmental Payment and Collection

**IRS** Internal Revenue Service

**JFMIP** Joint Financial Management Improvement Program

**KSA's** Knowledge, skills, and abilities

**LAN** Local Area Network

**MOU** Memorandum of Understanding

**OGC** Office of the General Counsel

**OIG** Office of the Inspector General

**OIRM** Office of Information Resource Management

**OMB** Office of Management and Budget

**OPEB** Other Post-employment Benefits

**OPM** Office of Personnel Management

**OSI** Overview and Supplemental Information

**PFM** Office of Financial Management PMB

**PMB** Office of Policy, Management, and Budget

**PP&E** Property, plant and equipment

**PPA** Prompt Payment Act of 1982

**QC** Quality Control

**R&D** Research and Development

**RSSI** Required Supplemental Stewardship Information

**SEC** Office of the Secretary, DOI

**SF** Standard Form

**SFFAC** Statements of Federal Financial Accounting Concepts

**SFFAS** Statement of Federal Financial Accounting Standards

**SGL** Standard General Ledger

**SSA** Social Security Administration

**TFM** Treasury Financial Manual

**U.S.C.** United States Code

**WCF** Working Capital Fund



## **APPENDIX B: GLOSSARY**

The following glossary gives definitions of common accounting terms. *Terms in italics apply to loans, credits, and guaranteed loans only.*

**ABACIS** the accounting system used by Minerals Management Service and the Office of Surface Mining.

**Absolute controls** restrict obligations and/or expenditures to specific funds availability thresholds and are due to legal limitations.

**Activity:** The actual work task or step performed in producing and delivering products and services. An aggregation of actions performed within an organization that is useful for purposes of activity-based costing.

**Activity analysis:** The identification and description of activities in an organization. Activity analysis involves determining what activities are done within a department, how many people perform the activities, how much time they spend performing the activities, what resources are required to perform the activities, what operational data best reflect the performance of the activities, and what customer value the activity has for the organization. Activity analysis is accomplished with interviews, questionnaires, observation, and review of physical records of work. It is the foundation for agency process value analysis, which is key to overall review of program delivery.

**Activity-based costing (ABC):** A cost accounting method that measures the cost and performance of process related activities and cost objects. It assigns cost-to-cost objects, such as products or customers, based on their use of activities. It recognizes the causal relationship of cost drivers to activities.

**Actual cost:** An amount determined on the basis of cost incurred including standard cost properly adjusted for applicable variance.

**Actuarial present value:** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

**Administrative expenses:** The portion of salaries and expenses directly related to credit program operations.

**Advice of Allotment** is the authority to incur obligations within a specified amount, in accordance with OMB apportionments, reappportionments, or other statutory authority making funds available for obligation.

**Advisory controls** restrict obligations and/or expenditures to specific funds availability thresholds. They are optional and are established at department or entity discretion.

**Allocation:** (1) a subdivision of an entity's apportionment. Under most circumstances, the sum of an entity's allocation would not exceed its apportionments, since absolute funds control for commitments (if applicable), obligations, and expenditures are required at the advice of allotment level. Distribution is optional and no legal limitation at the transaction level is required. (2) The amount of obligation authority transferred from one Bureau/Office, or account that is set-aside in a transfer appropriation account to carry out the purpose of the parent appropriation or fund.

**Amortization:** The gradual extinguishments of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods such as the retirement of a debt by serial payments to a sinking fund.

**Applied research:** Systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

**Apportionment** is a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specific time periods, programs, activities, projects, objects, or combinations thereof. The apportioned amount limits the obligations that may be legally incurred. An apportionment made by calendar quarters is a "Category A" apportionment. All other distributions of budgetary resources (by other time periods, activities, projects, or combinations thereof) are "Category B" apportionments.

**Appropriation:** In most cases, appropriations are a form of budget authority provided by law that permits federal agencies to incur obligations and make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.

**Assets:** Tangible or intangible items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity.

**Book value:** The net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross or nominal amount of any asset or liability minus any allowance or valuation amount.

**Borrowing authority** is budget authority given to a DOI entity to borrow funds from the Treasury Department, through the issuance of promissory notes or other credits, or through other specified means, and to obligate, expend, and disburse the borrowed funds, including through the issuance of promissory notes or other monetary credits.

**Budgetary Accounting:** The system that measures and controls the use of resources according to the purposes for which budget authority was enacted; and that records receipts and other collections by source. It tracks the use of each appropriation for specified purposes in separate budget accounts through the various stages of budget execution from appropriation through apportionment and allotment to obligation and eventual outlay. Budgetary accounts reside in the 4000 series of general ledger accounts (SFFAS No. 7).

**Budget authority:** The authority provided by federal law to incur financial obligations, as follows:

- Provisions of law that make funds available for obligation and expenditure (other than borrowing authority), including the authority to obligate and expend the proceeds of offsetting receipts and collections.
- Borrowing authority (see above);
- Contract authority, or the making of funds available for obligation but not for expenditure. Statutory authority under which contracts or other obligations may be entered into before an appropriation for the payment of such obligations. The later appropriation provides cash to liquidate such obligations; and

- Offsetting receipts and collections as negative budget authority and the reduction thereof as positive budget authority.

Budget authority may be classified by period of availability (1-year, multiple-year, and no-year), by nature of authority (current or permanent), by the manner of determining the amount available (definite or indefinite), or as gross (without reduction of offsetting collections) and net (with reductions of offsetting collections).

**Budgetary resources:** The forms of authority given to an agency allowing it to incur obligations; those amounts available to enter into obligations for specified purposes in a given year. They include: (1) new budget authority, (2) offsetting collections credited to an appropriation or fund account, (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations, and, (4) unobligated balances of such resources at the beginning of the year or transferred in during the year.

**Bureau/Office:** Includes the eight Bureaus and other offices, including the Office of the Secretary

**Business type activity:** Significantly self-sustaining activity which finances its continuing cycle of operations through collection of exchange revenue.

**Canceled Appropriation:** (See expired appropriations): After an annual fund's last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose.

**Capital leases:** Leases that transfer substantially all the benefits and risks of ownership to the lessee.

**Capitalize:** To record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized.

**Cleanup costs:** The costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.

**Collateral:** Real or personal property pledged as part or full security on a debt.

**Collections:** Amounts received by the federal government during the fiscal year. Collections are classified as follows:

- Budget receipts or off-budget receipts are collections from the public based on the government's exercise of its sovereign powers, including collections from participants in compulsory social insurance programs.
- Offsetting collections are collections from government accounts (intragovernmental transactions) or from the public that are offset against budget authority and outlays rather than reflected as receipts in computing the budget and off-budget totals. They are classified as (a) offsetting receipts (i.e., amounts deposited to receipt accounts), and (b) collections credited to appropriation or fund accounts. The distinction between these two major categories is that collections credited to appropriation or fund accounts are offset within the account that contains the associated disbursements (outlays), whereas offsetting receipts are in accounts separate from the associated disbursements. Offsetting collections are deducted from gross disbursements in calculating net outlays.

**Commitment** is a reservation of funds for anticipated future procurement and is an optional stage prior to the establishment of an obligation.

**Common cost:** The cost of resources employed jointly in the production of two or more outputs and the cost cannot be directly traced to any one of those outputs.

**Common data source:** All of the financial and programmatic information available for the budgetary, cost, and financial accounting processes. It includes all financial and much non-financial data, such as environmental data, that are necessary for budgeting and financial reporting as well as evaluation and decision information developed as a result of prior reporting and feedback.

**Condition:** The condition of an asset is based on an evaluation of the physical condition of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.

**Condition assessment surveys:** Periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies.

**Constant dollar:** A dollar value adjusted for changes in the average price level. A constant dollar is derived by dividing a current dollar amount by a price index. The resulting constant dollar value is that which would exist if prices had remained at the same average level as in the base period. Any changes in such constant dollar values would therefore reflect only changes in the real volume of goods and services, not changes in the price level. Constant dollar figures are commonly used to compute the real value of the gross domestic product and its components and to estimate the real level of Federal receipts and outlays.

**Consumption method:** A method of accounting for goods, such as materials and supplies, where the goods are recognized as assets upon acquisition and are expensed as they are consumed.

**Contingency:** An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.

**Continuing resolution**, also called a continuation of authority, allows DOI and other departments of the federal government to continue in operation until regular appropriations are enacted. Continuing authorities occur when the beginning of a fiscal year does not complete action on an appropriation.

**Contra account:** One of two or more accounts which partially or wholly offset another or other accounts; on financial statements, they may be either merged or appear together.

**Contract authority:** Contract authority is a subset of budget authority. (See budget authority.)

**Controllable cost:** A cost that can be influenced by the action of the responsible manager. The term always refers to a specified manager since all costs are controllable by someone.

**Cost:** The monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service.

**Cost accounting practice:** Any disclosed or established accounting method or technique which is used for measurement of cost, assignment of cost to accounting periods, and assignment of cost to cost objects.

**Cost allocation:** A method of assigning costs to activities, outputs, or other cost objects. The allocation base used to assign a cost to objects is not necessarily the cause of the cost. For example, assigning the cost of power to machine activities by machine hours is an allocation because machine hours are an indirect measure of power consumption.

**Cost assignment:** A process that identifies costs with activities, outputs, or other cost objects. In a broad sense, costs can be assigned to processes, activities, organizational divisions, products, and services. There are three methods of cost assignment: (a) directly tracing costs wherever economically feasible, (b) cause-and-effect, and (c) allocating costs on a reasonable and consistent basis.

**Cost-benefit analysis:** The weighing of benefits against costs usually expressed as a ratio of dollar benefits to dollar costs for each of a variety of alternatives to provide a comparable basis of choice among them.

**Cost driver:** Any factor that causes a change in the cost of an activity or output. For example, the quality of parts received by an activity, or the degree of complexity of tax returns to be reviewed by the IRS.

**Cost finding:** Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are appropriate for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent non-recurring analysis of specific costs.

**Cost object** (also referred to as **cost objective**): An activity, output, or item whose cost is to be measured. In a broad sense, a cost object can be an organizational division, a function, task, product, service, or a customer.

**Credit guarantee:** An amount the Federal government guarantees to pay to a nonfederal lender on amounts owned by a nonfederal borrower in the event of a defaulted payment obligation. The Federal government is obligated to pay a certain percentage of the principal and interest, as noted in the payment guarantee document.

**Credit program:** A federal program that makes loans and/or loan guarantees to nonfederal borrowers.

**Current discount rate:** With respect to the modification of direct loans or loan guarantees, it is the discount rate used to measure the cost of a modification. It is the interest rate applicable at the time of modification on marketable Treasury securities with a similar maturity to the remaining maturity of the direct or guaranteed loans, under either pre-modification terms, or post-modification terms, whichever is appropriate.

**Current liabilities:** Amounts owed by a federal entity for which the financial statements are prepared, and which needs to be paid within the fiscal year following the reporting date.

**Current services assessment (CSA):** Projections of future receipts and outlays from future activities based on the programs established by current law. The CSA focuses on

the totality of Government operations rather than on individual programs, and shows the short- and long-term direction of current programs.

**Default:** The failure to meet any obligation or term of a credit agreement, grant, or contract. Often used to refer to accounts more than 90 days delinquent.

**Deferred maintenance:** Maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.

**Deposit Fund:** An account used to record amounts held temporarily by a Bureau until ownership is determined or held as an agent for others (OMB Circular A-11).

**Depreciation accounting:** The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

**Development:** Systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

**Differential cost:** The cost difference expected if one course of action is adopted instead of others.

**Direct cost:** The cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities. A cost that is specifically identified with a single cost object.

**Direct credit:** An amount owed to the Federal government by a nonfederal entity for goods and services delivered for which repayments are due over a determined period of time for both principal and interest.

**Direct loan:** A disbursement of funds by the government to a nonfederal borrower under a contract that requires the repayment of such funds within a certain time, with or without interest. The term includes the purchase of, or participation in, a loan made by another lender.

**Direct loan obligation:** A direct loan obligation is a legal or binding agreement by a federal agency to make a direct loan when specified conditions are met by the borrower and which will therefore result in outlays, either immediately or in the future.

**Direct loan subsidy cost:** The estimated long-term cost of a direct loan, calculated on a net present value basis, excluding administrative costs, at the time the loan is disbursed. The cost is the aggregate of the following cash flows: loan disbursements; repayments of principal; and payments of interest and other payments by or to DOI over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries. The subsidy cost will be estimated and an obligation recorded against budget authority when the direct loan obligation is incurred.

**Disclosure:** Reporting information in notes regarded as an integral part of the basic financial statements.

**Discount:** The difference between the estimated worth of a future benefit and its present value; a compensation for waiting or an allowance for returns from using the present value of these returns in other ways.

**Discount rate:** An interest rate that is used in present value calculations to equate amounts that will be received or paid in the future to their present value. The interest rate used to adjust for the time value of money.

**Dividend fund interest rate:** The interest rate determined at policy issuance used to determine the amount of the dividend fund. It is the rate used to credit interest to the

dividend fund, and against which experience is measured to determine the amount of the interest portion of dividends paid to individual policyholders.

**Donated capital:** The amount of nonreciprocal transfers of assets or services from State, local, and foreign governments; individuals; or others not considered parties related to the Government.

**Earmarked Receipts:** Specifically identified receipts that are required by statute to be used for designated activities, benefits, or purposes.

**Econometrics model:** An equation or a set of related equations used to analyze economic data through mathematical and statistical techniques. Such models may be devised in order to depict the essential quantitative impact of alternative assumptions or government policies.

**Economic life:** The period during which a fixed asset is capable of yielding services of value to its owner. (See **useful life**.)

**End user:** Any component of a reporting entity that obtains goods for direct use in its normal operations. The component may also be a contractor.

**Entitlement program:** A program in which the federal government becomes automatically obligated to provide benefits to members of a specific group who meet the requirements established by law.

**Entitlement period:** The period (such as, monthly) for which benefits become due.

**Entity:** A unit within the federal government, such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds, and/or other accounts for which financial statements will be prepared in accordance with OMB annual guidance on Form and Content of Financial Statements.

**Estimated cost:** The process of projecting a future result in terms of cost, based on information available at the time. Estimated costs, rather than actual costs, are sometimes the basis for credits to work-in-process accounts and debits to finished goods inventory.

**Event:** A happening of consequence to an entity. It may be an internal event that occurs within an entity, such as the transforming of raw materials into a product. Or it may be an external event that involves interaction between an entity and its environment, such as a transaction with another entity, an act of nature, theft, vandalism, a tort caused by negligence, or an accident.

**Exchange Revenue:** Inflows of resources to a Bureau that it has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return, i.e., a two way-flow of resources or of promises to provide resources (SFFAS No. 7).

**Exchange transaction:** A transaction that arises when each party to the transaction sacrifices value and receives value in return.

**Executory contract:** A contract, which has not been performed by all parties to it.

**Executory costs:** Those costs such as insurance, maintenance, and taxes incurred for leased property, whether paid by the lessor or lessee.

**Expected value:** A statistical measurement attribute that is the sum of the products of each potential outcome multiplied by the probability of that potential outcome.

**Expenditure** is the incurrence of an actual liability in accordance with governmental authority. With respect to provisions of the Antideficiency Act (31 U.S.C. 1513-1514)

and the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(i)), a term that has the same definition as outlay.

**Expense:** Outflows or other using up of assets or incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period.

**Expired appropriations (accounts):** Appropriation accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired.

**FAM:** A memorandum to transmit information regarding accounting events that must be executed prior to updates to the Accounting Handbook and to transmit interim one-time information.

**FFS:** The accounting system used by all DOI Bureaus/Offices except Minerals Management Service and the Office of Surface Mining.

**Federal mission property, plant, & equipment (PP&E):** Items used to meet a Federal Government mission in which the specific PP&E used is an integral part of the output of the mission.

**Financing account:** A non-budget account associated with each credit program account. The financing account holds fund balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the government resulting from post-1991 direct loans or loan guarantees.

**First-in, first-out (FIFO):** A cost flow assumption; the first goods purchased or produced are assumed to be the first goods sold.

**Fixed cost:** A cost that does not vary in the short term with the volume of activity. Fixed cost information is useful for cost savings by adjusting existing capacity, or by eliminating idle facilities. Also called Non-Variable Cost or Constant Cost.

**Fixed value securities:** Securities that have a known maturity or redemption value at the time of issue.

**Foreclosure:** A method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights that the mortgagor has in the mortgaged property upon completion of due process through the courts.

**Full-absorption costing:** A method of costing that assigns (absorbs) all labor, material, and service/manufacturing facilities and support costs to products or other cost objects. The costs assigned include those that do and do not vary with the level of activity performed.

**Full cost:** The sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources.

**General PP&E land:** Land and land rights owned by the Federal Government that are acquired for or in connection with items of general PP&E.

**General-purpose financial reports:** Financial reports prepared in accordance with generally accepted federal accounting standards and DOI financial policies. Accounting data on these reports come from Bureau/Office general ledgers and include appropriate estimates, such as accrued liabilities. Typical examples are annual audited financial statements or SF-133, "Report on Budget Execution." In all cases either the instructions



for the reports or the reports themselves inform users that the reports were prepared in accordance with applicable accounting standards and financial policies.

**General Fund:** The accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys (OMB Circular A-11).

**General Ledger:** The general ledger is a uniform system of accounts in which all transactions are summarized. It contains control accounts from which the trial balance and related supporting schedules are prepared, and establishes a control point for the accounting system.

**Good:** A tangible product produced to provide to a customer.

**Government-acknowledged events:** Events that are not a liability in themselves, but are those events that are "of financial consequence" to the federal government because it chooses to respond to the event.

**Government-related events:** Nontransaction-based events that involve interaction between federal entities and their environment.

**Guarantee programs:** See "Insurance and guarantee programs."

**Hazardous waste:** A solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed.

**Heritage assets:** Property, plant, and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic (e.g., aesthetic) importance; or, significant architectural characteristics.

**Historical cost:** Initially, the amount of cash (or its equivalent) paid to acquire an asset; subsequent to acquisition, the historical amount may be adjusted for amortization.

**Human capital:** Expenses incurred for education and training programs financed by the Federal Government for the benefit of the public and designed to increase or maintain national economic productive capacity.

**Incremental cost:** The increase or decrease in total costs that would result from a decision to increase or decrease output level, to add a service or task, or to change any portion of operations. This information helps in making decisions such as to contract work out, undertake a project, or increase, decrease, modify, or eliminate an activity or product.

**Indirect cost:** A cost that cannot be identified specifically with or traced to a given cost object in an economically feasible way.

**Insurance and guarantee programs:** Federal government programs that provide protection to individuals or entities against specified risks. Because the federal government frequently commingles aspects of insurance and guarantees within the same program, this chapter treats the terms as a single type of activity.

**Inter-entity:** A term meaning between or among different federal reporting entities. It commonly refers to activities or costs between two or more agencies, departments, or bureaus.

**Interest:** The service charge for the use of money or capital, paid at agreed intervals by the user, commonly expressed as an annual percentage of outstanding principal.

**Interest method:** A method used to amortize the premium or discount of an investment in bonds or to amortize the subsidy cost allowance of direct loans. Under this method, the amortization amount of the subsidy cost allowance equals the effective interest minus the nominal interest of the direct loans. The effective interest equals the present value of the direct loans times the effective interest rate (the discount rate). The nominal interest equals the nominal amount (face amount) of the direct loans times the stated interest rate (the rate stated in the loan agreements).

**Interest rate:** The price charged per unit of money borrowed per year, or other unit of time, usually expressed as a percentage.

**Job order costing:** A method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as the repair of equipment or the treatment of a patient in a hospital.

**Land:** Land is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources related to land).

**Last-in, first-out (LIFO):** A cost flow assumption; the last goods purchased are assumed to be the first goods sold.

**Latest acquisition cost:** Includes all amounts, except interest, paid to a vendor to acquire an item.

**Latest acquisition cost (LAC) method:** A method that provides that all like units that are held be valued at the invoice price of the most recent like item purchased, less any discounts, plus any additional costs incurred to bring the item to a form and location suitable for its intended use.

**Liability:** A probable and measurable future outflow of resources arising from past transactions or events.

**Life cycle costing:** An acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition, cost of assets.

**Liquidating account:** The budget account that includes all cash flows to and from the government resulting from pre-1992 direct loans or loan guarantees (those originally obligated or committed before Oct. 1, 1991), except those pre-1992 direct loans and loan guarantees that have been directly modified and transferred to a financing account.

**Loan guarantee:** Any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

**Loan guarantee commitment:** A binding agreement by a federal entity to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

**Loan guarantee subsidy cost:** The estimated long-term cost of a loan guarantee, calculated on a net present value basis, excluding administrative costs, at the time the guaranteed loan is disbursed by the lender. The cost is the amalgam of the following cash flows: estimated payments by DOI to cover defaults and delinquencies, interest

subsidies, and other payments; and estimated payments to DOI including origination and other fees, penalties, and recoveries. The subsidy cost will be estimated and an obligation recorded against budget authority when the guaranteed loan commitment is made.

**Loss:** Any expense or irrecoverable cost, often referred to as a form of nonrecurring charge, an expenditure from which no present or future benefit may be expected.

**Lower of cost or market:** A valuation rule that recognizes impairment of asset values but avoids anticipated gains. The rule is typically applied to individual items or groups of like items, such as inventory or marketable securities. In this rule, "cost" refers to historical cost and "market" refers to the current replacement cost by purchase or production.

**Maintenance:** The act of keeping fixed assets in useable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it in order to serve needs different than, or significantly greater than, those originally intended.

**Managerial cost accounting system:** The organization and procedures, whether automated or not, and whether part of the general ledger or stand-alone, that accumulates and reports consistent and reliable cost information and performance data from various agency feeder systems. The accumulated and reported data enable management and other interested parties to measure and make decisions about the agency's/segment's ability to improve operations, safeguard assets, control its resources, and determine if mission objectives are being met.

**Market-based treasury securities:** Treasury securities issued to governmental accounts that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

**Marketable treasury securities:** Debt securities, including Treasury bills, notes, and bonds, that the U.S. Treasury offers to the public and are traded in the marketplace. Their bid and ask prices are quoted on securities exchange markets.

**Market value:** The estimated amount that can be realized by disposing of an item through arm's length transactions in the marketplace; the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time. For investments in marketable securities, the term refers to the value of such securities determined by prices quoted on securities exchange markets multiplied by the number of bonds or shares held in an investment portfolio.

**Measurable:** When deciding to recognize a liability, the liability can be determined with reasonable certainty or is reasonably estimable.

**Modification:** A federal government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans (or direct loan obligations), or the liability of loan guarantees (or loan guarantee commitments). Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. The term modification does not include subsidy cost reestimates, the routine administrative

workouts of troubled loans, and actions that are permitted within the existing contract terms.

**Modification adjustment transfer:** A non-expenditure transfer from a financing account to the Treasury, or vice versa, to offset the difference between the cost of modification of direct loans (or loan guarantees) and the change in the book value of direct loans (or loan guarantee liabilities).

**Moving average:** An inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

**Negative subsidies:** Will occur in cases where the present value of cash inflows exceeds the present value of cash outflows.

**Negative subsidy account:** The budget account for the receipt and/or expenditure of amounts paid from the financing account when there is a negative subsidy for the original estimate or a downward reestimate. Special fund expenditure and receipt accounts must be established with Treasury for any program that has negative subsidies or downward reestimates of the subsidy.

**Net realizable value:** The estimated amount that can be recovered from selling, or any other method of disposing of an item less estimated costs of completion, holding and disposal.

**Nominal dollar:** The dollar value assigned to a good or service in terms of prices current at the time of the good or service is required. This contrasts with the value assigned to a good or service measured in constant dollars.

**Nominal (or face or par) value or amount:** The amount of a bond, note, mortgage, or other security as stated in the instrument itself, exclusive of interest or dividend accumulations. The nominal amount may or may not coincide with the price at which the instrument was first sold, its present market value, or its redemption price. Often referred to as the stated value.

**Nonexchange Revenue:** Inflows of resources that the Bureau demands (e.g., fines or penalties) or receives by donation, i.e., there is a one-way flow of resources or promises (SFFAS No. 7).

**Nonexchange transaction:** A transaction that arises when one party to a transaction receives value without giving or promising value in return or one party to a transaction gives or promises value without receiving value in return.

**Nonfederal physical property:** Physical properties financed by grants from the Federal Government, but owned by state and local governments.

**Obligated Balance:** The cumulative amount of budget authority that has been obligated but not yet outlaid. It is also known as unpaid obligations (made up of accounts payable and undelivered orders) net of accounts receivable and unfilled customer orders (OMB Circular A-11).

**Obligations** are the amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payment during the same or a future period.

**Offsetting receipts:** Offsetting receipts are a subset of offsetting collections. (See collections.)

**Operating lease:** An agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

**Opportunity cost:** The value of the alternatives foregone by adopting a particular strategy or employing resources in a specific manner. Also called Alternative Cost or Economic Cost.

**Original discount rate:** The discount rate originally used to calculate the present value of direct loans or loan guarantee liabilities, when the direct or guaranteed loans were disbursed.

**Other Financing Sources:** Inflows of resources other than revenues or gains that increase the net position of a Bureau (SFFAS No. 7).

**Outcome:** An assessment of the results of a program compared to its intended purpose. They shall: 1) be capable of being described in financial, economic, or quantitative terms; and 2) provide a plausible basis for concluding that the program has had or will have this intended effect. For measuring outcomes for research and development programs, results may be reported by a narrative discussion of the major results achieved by the program during the year.

**Outlay:** The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed.

**Output:** A product or service generated from the consumption of resources. It can include information or paper work generated by the completion of the tasks of an activity.

**Output measure:** A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. Outputs shall have two key characteristics: 1) they shall be systematically or periodically captured through an accounting or management information system, and 2) there shall be a logical connection between the reported measures and the program's purpose.

**Performance measurement:** A means of evaluating efficiency, effectiveness, and results. A balanced performance measurement scorecard includes financial and nonfinancial measures focusing on quality, cycle time, and cost. Performance measurement should include program accomplishments in terms of outputs (quantity of products or services provided, e.g., how many items efficiently produced?) and outcomes (results of providing outputs, e.g., are outputs effectively meeting intended agency mission objectives?).

**Post-modification liability:** The present value of net cash outflows of loan guarantees estimated at the time of modification under the post-modification terms, discounted at the current discount rate.

**Post-modification value:** The present value of net cash inflows of direct loans estimated at the time of modification under the post-modification terms, discounted at the current discount rate.

**Post-1991 direct loans:** Direct loans obligated after September 30, 1992.

**Post-1991 loan guarantees:** Loan guarantees committed after September 30, 1992.

***Pre-modification liability:*** The present value of net cash outflows of loan guarantees estimated at the time of modification under the pre-modification terms, discounted at the current discount rate.

***Pre-modification value:*** The present value of net cash inflows of direct loans estimated at the time of modification under pre-modification terms, discounted at the current discount rate.

***Pre-1992 direct loans:*** Direct loans obligated before October 1, 1992.

***Pre-1992 loan guarantees:*** Loan guarantees committed before October 1, 1992.

**Premium deficiency:** A condition under which a liability for future policy benefits using current conditions exceeds the liability for future policy benefits using contract conditions. In such cases, the difference should be recognized as a charge to operations in the current period.

**Present value (PV):** The value of future cash flows discounted to the present at a certain interest rate (such as the reporting entity's cost of capital), assuming compound interest.

**Probable:** When deciding to recognize a liability, that which can reasonably be expected or believed to be more likely than not on the basis of available evidence or logic but which is neither certain nor proven.

**Process:** The organized method of converting inputs (people, equipment, methods, materials, and environment), to outputs (products or services). The natural aggregation of work activities and tasks performed for program delivery.

**Process costing:** A method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.

**Process value analysis:** Tools and techniques for studying processes through customer value analysis. Its objective is to identify opportunities for lasting improvement in the performance of an organization. It provides an in-depth review of work activities and tasks, through activity analysis, which aggregate to form processes for agency program delivery. In addition to activity-based costing, quality and cycle time factors are studied for a complete analysis of performance measurement. Each activity within the process is analyzed, including whether or not the activity adds value for the customer.

**Product:** Any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as intangible products. A good or service is the product of a process resulting from the consumption of resources.

**Program account:** The budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account.

**Proprietary Accounting:** Also known as financial accounting, a process that supports accrual accounting and financial reporting to show actual financial position and results of operations by accounting for assets, liabilities, net position, revenues, and expenses (SFFAS No. 7).

**Purchases method:** A method of accounting for goods, such as materials and supplies, in which the acquisition cost is recognized as an expense upon purchase of the goods rather than upon their use.

**Reapportionment** is a revision approved by OMB of a previous apportionment for an appropriation or fund account.

**Reappropriation:** Enacted legislation that continues the availability of unexpended funds that expired or would otherwise expire.

**Recognition:** Recognition is the process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. A recognized item is depicted in both words and numbers, with the amount included in the statement totals. Recognition comprehends both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item.

**Recognize:** To determine the amount, timing, classification, and other conditions precedent to the acceptance and entry of a transaction. Hence, to give expression on the books of account; said of transactions. To report that amount in the entity financial statements either individually or in aggregate with other amounts.

**Record:** To give expression to a transaction on (or in) the books of account; to enter.

**Recourse:** The rights of a holder in due course of a financial instrument (such as a loan) to force the endorser on the instrument to meet his or her legal obligations for making good the payment of the instrument if dishonored by the maker or acceptor. The holder in due course must have met the legal requirements of presentation and delivery of the instrument to the maker of a note or acceptor of a draft and must have found that this legal entity has refused to pay for or defaulted in payment of the instrument.

**Reestimate:** Refers to estimates of the subsidy costs performed subsequent to their initial estimates made at the time of a loan's disbursement.

**Reimbursements:** Sums received as payment or advance payment for goods or services furnished either to the public or to another federal government account. If authorized by law, these sums are credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts. Reimbursements are offsetting collections.

**Restatement (of direct loans or loan guarantees):** Refers to establishing a new book value of a direct loan or the liability of a loan guarantee.

**Repairable:** An inventory item that is expected to be repaired when broken or worn out.

**Replacement cost:** The cost to reproduce an inventory item by purchase or manufacture. In lower of cost or market computations, the term "market" means replacement cost, subject to ceiling and floor limitations.

**Required Supplementary Stewardship Information (RSSI):** The category defined by the Board for reporting information required by the stewardship standards. Stewardship information may be presented as ROSSI, in the financial statements, or in the notes to them. Stewardship information will be necessary for a fair presentation of financial position and results of operations.

**Research and development:** Federal investment in research and development refers to those expenses incurred in support of the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of basic research, applied research, and development.

**Responsibility center:** An organizational unit headed by a manager or a group of managers who are responsible for its activities. Responsibility centers can be measured as revenue centers (accountable for revenue/sales only), cost centers (accountable for costs/expenses only), profit centers (accountable for revenues and costs), or investment centers (accountable for investments, revenues, and costs).

**Responsibility segment:** A significant organizational, operational, functional, or process component which has the following characteristics: (a) its manager reports to the entity's top management; (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products; and (c) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity.

**Revolving Fund:** A fund that conducts continuous cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without the need for annual appropriations (OMB Circular A-11).

**Risk category:** Subdivisions of a cohort of direct loans or loan guarantees into groups of loans that are relatively homogeneous in cost, given the facts known at the time of obligation or commitment. Risk categories will group all loans obligated or committed for a program during the fiscal year that share characteristics predictive of defaults and other costs.

**Selling expense (cost):** Expenses incurred in selling or marketing, e.g., salaries, commissions, and promotion expenses.

**Service:** An intangible product or task rendered directly to a customer.

**Special Fund:** An account for receipts earmarked for specific purposes and the expenditure of those receipts (OMB Circular A-11).

**Specific identification:** An inventory system in which the seller identifies which specific items are sold and which remain in ending inventory.

**Standard costs:** Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results.

**Standard costing:** A costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. The anticipated cost of producing a unit of output. A predetermined cost to be assigned to products produced. Standard cost implies a norm, or what costs should be. Standard costing may be based on either absorption or direct costing principles, and may apply either to all or some cost elements.

**State and local governments:** State and local governments generally include:

- the 50 States and the District of Columbia;
- cities, counties, townships, school districts, special districts, public authorities, and other local governmental units as defined by the Bureau of the Census; and
- Puerto Rico, the Virgin Islands, and other US territories.

**Stewardship:** The Federal Government's responsibility for the general welfare of the nation in perpetuity.



**Stewardship investments:** Items recognized as expense in calculating net cost, but meriting special treatment to highlight the substantial investment and long-term benefit of the expenses. This would include nonfederal physical property, human capital, and research and development.

**Stewardship land:** Land and land rights owned by the Federal Government that are not acquired for or in connection with items of general PP&E.

**Stewardship responsibilities:** The projected financial impact on the Government of sustaining the current services that it provides pursuant to laws already enacted. The commitments and constraints reflected in "current services" are inherent in the tax and spending policies contained in current law.

**Subsidiary Ledger:** Subsidiary ledger accounts are used to accumulate and segregate detailed transactions during an accounting period and support or generate entries recorded in applicable general ledger control accounts. The combined balances of the subsidiary ledger accounts must agree with the balance of the related control account in the general ledger. Subsidiary ledger accounts may also have accounts that are subsidiary.

**Subsidy cost:** The cost of a grant of financial aid, usually by a governmental body, to some person or institution for particular purposes.

(a) Credit subsidy cost is the estimated long-term cost to the government of direct loans or loan guarantees calculated on a net present value basis, excluding administrative costs.

(b) Direct loan subsidy cost is the estimated long-term cost to the government of direct loans calculated on a present value basis, excluding administrative costs. The cost is the present value of estimated net cash outflows at the time the direct loans are disbursed. The discount rate used for the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan, applicable to the time when the loans are disbursed.

(c) Loan guarantee subsidy cost is the estimated long-term cost to the government of loan guarantees calculated on a present value basis, excluding administrative costs. The cost is the present value of estimated net cash outflows at the time the guaranteed loans are disbursed by the lender. The discount rate used for the calculation is the average interest rate (yield) on marketable Treasury securities of similar maturity to the loan guarantees, applicable to the time when the guaranteed loans are disbursed.

**Support costs:** Costs of activities not directly associated with production. Typical examples are the costs of automation support, communications, postage, process engineering, and purchasing.

**Title:** The right to property; the means by which such right is established.

**Total cost method:** An accounting method that includes the actual acquisition cost of each item held plus the costs of any additions, improvements, alterations, rehabilitations, or replacements that extend the useful life of an asset.

**Traceability:** The ability to assign a cost directly to a specific activity or cost object by identifying or observing specific resources consumed by the activity or cost object.

**Transaction:** A particular kind of external event involving the transfer of something of value concerning two or more entities. The transfer may be a two way or one-way flow of resources or of promises to provide resources.

**Transfers between appropriation/fund accounts:** Occur when all or part of the budget authority in one account is transferred to another account when law specifically authorizes such transfers. The nature of the transfer determines whether the transaction is treated as an expenditure transfer or a non-expenditure transfer.

**Trust Fund:** An account designated by law for receipts or offsetting receipts earmarked for specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust revolving funds, which have no receipt accounts, and the collections are credited directly to the expenditure account (OMB Circular A-11).

**Uncontrollable cost:** The cost over which a responsible manager has no influence.

**Unit cost:** The cost of a selected unit of a good or service. Examples include dollar cost per ton, machine hour, labor hour, or department hour.

**Unobligated balances:** Balances of budgetary resources that have not yet been obligated. Unobligated balances expire (cease to be available for obligation) for:

- 1-year accounts at the end of the fiscal year;
- multiple-year accounts at the end of the period specified;
- no-year accounts only when they are 1) rescinded by law, 2) purpose is accomplished, or 3) when disbursements against the appropriation have not been made for 2 full consecutive years.

**Useful Life:** The normal operating life in terms of utility to the owner.

**Value-added activity:** An activity that is judged to contribute to customer value or satisfy an organizational need. The attribute "value-added" reflects a belief that the activity cannot be eliminated without reducing the quantity, responsiveness, or quality of output required by a customer or organization. Value-added activities should physically change the product or service in a manner that meets customer expectations.

**Valuation (or accounting valuation):** Valuation methods and bases are numerous and varied; and may be expressed quantitatively and in monetary terms. Application may be made to a single asset, a group of assets, or an entire enterprise, as determined by various bases and methods.

**Valuation account (allowance or reserve):** An account that partly or wholly offsets one or more other accounts; for example, accumulated depreciation is a valuation account related to specific depreciable assets and allowance for bad debts is a valuation account related to accounts receivable. If a valuation account is deducted from the related asset or liability it is sometimes referred to as a contra-asset or contra-liability account.

**Variable cost:** A cost that varies with changes in the level of an activity, when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity.

**Variable value securities** - Securities that have unknown redemption or maturity values at the time of issue. Values of these securities can vary on the basis of regulation or specific language in the offering.

**Variance:** The difference for a year or less between the elements (direct material, direct labor, factory overhead) of standard cost and actual cost. The term applies to (a) a money difference or (b) changes in the character or purpose of amounts expended. The amount, rate, extent, or degree of change, or the divergence from a desired characteristic or state.

**Weighted-average:** A periodic inventory costing method where ending inventory and cost of goods sold are priced at the weighted-average cost of all items available for sale.

**Write-off:** An action to remove an amount from an entity's assets or financial resources. A write-off of a loan occurs when an entity official determines, after all appropriate collection tools have been used, that a debt is uncollectible. Active collection on an account ceases and the account is removed from the entity's receivables.

**Appendix C, Budget Object Class Codes**, references [www.doi.gov/pfm/boct\\_04.pdf](http://www.doi.gov/pfm/boct_04.pdf) for the DOI current FY Budget Object Class Table. The DOI budget object codes and definitions are at [www.doi.gov/pfm/boct\\_04\\_handbook.pdf](http://www.doi.gov/pfm/boct_04_handbook.pdf).