DEPARTMENTAL ACCOUNTING MANUAL

January 20, 1995

Prepared for:
U.S. Department of the Interior
U.S. Geological Survey

Through the:
National Capital Region
General Services Administration

Task Number N4S142101

TABLE OF CONTENTS

This page intentionally left blank

1 INTRODUCTION

The objective of this manual is to document principles and policies to be followed by all bureaus and offices of the U.S. Department of the Interior (DOI). The principles and policies provide guidance in current financial activities and criteria for decisions on appropriate accounting treatment of issues and new developments. When consistently applied throughout DOI, these principles and policies assure that the various financial statements issued by the bureaus are comparable.

This chapter describes the organization of the manual, maintenance of DOI policy and the manual, and the overall roles and responsibilities of bureau personnel.

1-10 Organization and Scope

This section describes how the manual is organized in terms of subject content and of physical presentation.

The scope of material included in the manual 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 Inspector General (IG), and by the historical division in DOI of accounting functions from other supporting functions such as payroll and contracting. Other offices and functions have policy or procedure manuals covering their responsibilities. This manual is centered around policy 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.

The twelve topical chapters in the manual are based on the major DOI accounting cycles. The chapter topics and most of the policy in the chapters is, therefore, relatively stable. Other related information, which generally changes each year with new appropriations, is expected to change with each release of the manual, or is referenced by several different chapters, is presented in Appendices. The twelve topical chapters and related appendices are:

- **2** **Principles and Standards** establishes the theory and concepts of accounting and financial management which underpin DOI policy. To assist users of this manual, this chapter also contains a summary discussion of major principles and policies contained in the federal requirements and central agency guidelines.

- **3** **Internal Control Concepts** defines DOI policy for internal controls relevant to accounting functions, activities, and reporting.

- **4** **DOI Accounting System** embodies the departmental principles, standards, and policies for the planning, development, maintenance, operation, and functionality of the DOI accounting system.

- **5** **Financial Reporting** specifies which financial reports bureaus are responsible for and which financial reports the department is responsible for. Adjustments, calculations, and reconciliations requiring period-end closing are defined. However, preparation instructions for specific reports are included only if clarification of the issuing agency's (such as Treasury) instructions is required to ensure proper and consistent preparation among the bureaus.

- **6** **Cost Accounting** defines business-type activities, cost categories, and mandatory cost structures. The definition, method, and purpose of cost recovery processes is defined, as well as the applicability of cost principles to reimbursable work projects and other project accounting. The requirements for collecting labor hour and rate information are defined in **Chapter 12 Labor**.

- **7** **Cash and Other Assets** covers the definition, special considerations, and requirements of cash and other assets, except for accounts receivable which is covered in **Chapter 8 Accounts Receivable**. Cash management is presented in a separate section to emphasize the special controls required over cash, including deposits, checks, and returned checks. Control, documentation, and authorization requirements specific to imprest funds are included, but restrictions and requirements related to imprest funds are covered in **Chapter 10 Purchases and Payables**. Concepts related to valuation, depreciation, capitalization, and disposal of inventory and property, plant, and equipment are included.

- **8** **Accounts Receivable** presents the definitions, legal requirements, and processing specific to short- and long-term receivables, including allowable methods of collections, requirements for interest and administrative fee charges, and uncollectible debt processing. The criteria for determining when a receivable must be recorded are presented, but the actions which might result in a receivable, such as grant and contract activities, reimbursable work agreements, and employee travel advances, are covered in other chapters as appropriate.

- **9** **Liabilities and Equity** presents DOI policy with regards to liabilities and equity.

- **10** **Purchases and Payables** presents definitions, legal requirements, funds availability controls, and other processes specific to purchasing and payables. Definitions, controls, and authorizations related to receiving and accepting purchased items to create payables are included. Allowable methods of disbursing payments and the controls and process requirements specific to all disbursements are presented. Additional requirements for disbursements related to grants and loans are presented in **Chapter 11 Grants, Agreements, and Loans**. Additional requirements for disbursements related to employee benefits or travel are presented in **Chapter 12 Labor** and **Chapter 13 Travel**, respectively. Disbursements related to regular payrolls is not included in this manual, but is referenced in this chapter.

- **11** **Grants, Agreements, and Loans** presents DOI policy specific to grants, cooperative agreements, and loans. The funding restrictions, processing requirements, allowable disbursement methods, authorized amount calculations, and special controls for payments are presented; however, the concepts related to each disbursement method are presented in **Chapter 10 Purchases and Payables**.

- **12** **Labor** presents the definitions, controls, and interfaces required in the accounting system for payroll and other employee related actions. The approval, schedule, and transaction processes required to interface with the payroll system are included, and the payroll system and manual are referenced. Concepts, definitions, and controls for distributing employee costs to the cost accounting structure are included; however, the application of labor costs to projects is covered in **Chapter 6 Cost Accounting**.

- **13** **Travel** presents DOI policy for travel in terms of accounting transactions and financial policy. This chapter references General Services Administration (GSA) Federal Travel Regulations (FTRs), and provides additional departmental requirements, restrictions, and controls over DOI funded travel.

1-20 Policy Development and Maintenance

PFM is responsible for establishing and implementing a policy development and maintenance process that meets the following criteria:

- The process is inclusive of PFM; Budget Office; and all bureau CFO, Finance, Budget and Program officers who use the manual.
- The process is directed and led by PFM.
- The process provides for regularly scheduled as well as unscheduled quick response policy decisions and maintenance.
- The process maintains a list of unresolved issues.

1-30 Roles and Responsibilities

This section describes the roles and responsibilities in accounting cycle activities of other federal offices and of DOI positions. The chapter also presents a description of each organization or position's overall role and responsibilities applicable throughout the accounting cycle. Responsibilities specific to certain topics are presented in the chapters on each topic.

Figure 1-1 DOI Organization shows the general organization of the department. **Figure 1-2 Overview of Roles** provides an overview of the interaction among the offices and positions in the DOI organization. This section describes each of the organizational structures. Also included in this section is a description of the roles and responsibilities of three other federal offices shown in **Figure 1-2**: the Department of the Treasury, the General Accounting Office (GAO) and the Office of Management and Budget (OMB).

Treasury responsibilities are focused on appropriation, warrant, cash management, Treasury investments, fund balance, and management activities. GAO responsibilities are focused on general accounting guidance and legal ruling and interpretation activities. OMB responsibilities are focused on CFO Act implementation, financial statement, apportionment, and budget activities.

Within DOI, two general groups of positions are described: positions in the Office of the Secretary and positions in the bureaus. Roles and responsibilities are described for positions instead of for organizations to emphasize the separation of responsibilities by position which is required for internal controls and to allow greater organizational flexibility within these general requirements.

The presentation of positions reflects interaction only for accounting cycle activities; it does not imply organizational relationships. The <u>bureaus</u> may assign the positions described in this manual to staff who also hold another position, and may assign more than one position to an individual, unless dual assignment is specifically prohibited. Each position may have a staff to whom activities and authority are delegated. However, final responsibility for the activities described in this section and in later chapters remains with the position specified regardless of delegations.

1-30-10 DOI Organization

Within DOI, two levels of responsibility are defined. Positions in the Office of the Secretary are responsible for activities throughout DOI. Positions in the bureaus are responsible for the activities of a specific bureau-level office. This manual encompasses policy for the following components:

OPERATIONAL BUREAUS

- Bureau of Land Management
- Minerals Management Service
- Office of Surface Mining Reclamation and Enforcement
- Bureau of Reclamation
- Geological Survey
- Bureau of Mines
- Fish and Wildlife Service
- National Park Service
- Bureau of Indian Affairs
- National Biological Survey

OTHER ORGANIZATIONS

- Office of the Secretary
- Office of the Inspector General

- Office of the Solicitor
- Office of Territorial and International Affairs
- Office of Aircraft Services

Each of the operational bureaus is required to assign personnel to the bureau positions depicted in **Figure 1-2 Overview of Roles** and described in **section 1-30-10-20 Bureau Positions**. The other organizations, although independent reporting entities at the bureau level for financial statement purposes, have special circumstances and requirements different from the operating bureaus.

The Inspector General (IG) and Solicitor must be independent of the daily operations of the department, and as a result, are considered bureaus for purposes of performing their financial management activities. The IG and Solicitor are the allottees in their organizations, and each is responsible for designating appropriate officials within their organizations to carry out the financial management functions described above for operating bureaus.

Because of the small size in terms of staffing requirements for the Territorial and International Affairs (TIA) function, the function is embodied in the office of the responsible Assistant Secretary and does not have a typical bureau structure. The Assistant Secretary for TIA is the allottee in that organization and is responsible for designating appropriate officials within the organization to carry out the financial management functions described above for operating bureaus.

For purposes of the bureau-level financial management policy contained in this manual, the Office of the Secretary is comprised of the immediate Office of the Secretary, the offices of the Assistant Secretaries, and all the organizational components reporting to the Assistant Secretary for Policy, Management, and Budget. Because of this atypical conglomeration of units, financial management functions for these units have been delegated to the Director of Administrative Services, under the line authority of the CFO.

1-30-10-10 Office of the Secretary

Within the Office of the Secretary, seven positions have responsibilities for accounting cycle activities: the Secretary, the Deputy Secretary, the Solicitor, the Inspector General (IG), the Assistant Secretaries, the Chief Financial Officer (CFO), and the Deputy CFO.

The **Secretary** is responsible for reporting to the President through the Director of OMB and to the Congress. Ultimate responsibility for the administrative control of funds through the obligation and expenditure of appropriated and apportioned amounts rests with the Secretary. The Secretary is responsible for reporting any violation of the provisions of the Antideficiency Act. The accounting system must fully support the administrative funds control system established by the Secretary.

The **Deputy Secretary** is responsible for assisting the Secretary as directed by the Secretary. Responsibilities assigned to the Deputy Secretary may include monitoring the funds position of the department on behalf of the Secretary.

The **Solicitor** is responsible for providing legislative and rule-making guidance and related legal counsel regarding the financial and funds control implications of laws and rulings related to DOI appropriations and programs. On behalf of the Secretary, the Solicitor is responsible for providing this guidance and counsel to the CFO and responsible Assistant Secretaries.

The **Inspector General (IG)** is responsible for periodic review and inspection of the accounting system and program operation to determine whether the accounting system is operating as designed and to evaluate program performance. The IG is also responsible for auditing financial statements of the bureaus. Based on the various review, inspection, and audit activities, the IG develops recommendations to correct any weaknesses found in the accounting system or operations, and communicates the findings of reviews and inspections to the appropriate managers for follow-up action.

The **Assistant Secretaries** are responsible for the tasks delegated to them by the Secretary. This includes line authority over one or more bureaus in the Assistant Secretary's functional area as illustrated in **Figure 1-1 DOI Organization**.

The **department CFO**, referred to in this manual as the DOI CFO, is responsible for managing and reporting to the Secretary on all matters relating to financial management and accounting for DOI. The Assistant Secretary for Policy, Management and Budget is the designated DOI CFO. The duties of the DOI CFO include all responsibilities outlined in the CFO Act and includes chairing the DOI CFO Council.

The DOI CFO does not have line authority over bureaus, but does have oversight responsibilities as specified in the CFO Act. **Figure 1-2 Overview of Roles** shows the "dotted line" relationship of the DOI CFO with the bureaus. The DOI CFO exercises oversight guidance by providing technical rather than line authority.

The **Deputy CFO** for DOI is the Director, Office of Financial Management. The Deputy CFO is charged with the day-to-day development and implementation of the areas of CFO responsibility. In that capacity, the Deputy CFO is the principal spokesperson for the CFO regarding financial management matters department-wide. The Deputy CFO is the personal representative of the CFO in interaction with bureau heads, bureau CFOs, and other program and financial management leaders and managers. Specific duties of the Deputy CFO are defined in the CFO Act.

1-30-10-20 Bureau Positions

Each bureau may establish its own titles for the positions described in this section. When the titles of bureau positions differ from the titles described, the bureau must specify the equivalent titles in position descriptions and in the bureau issuance system.

Within the bureaus, the bureau head and bureau CFO have overall management responsibility. Other responsibilities are divided into three groups for effective internal controls through the separation of duties related to authorization, recording, and initiation. Budget activities provide obligation authority and monitor the execution of that authority. Accounting activities record financial events. Operations groups receive obligation authority to execute the budget and initiate all execution events.

The **bureau head** is the allottee for the bureau. The bureau head authorizes suballotments and monitors execution of the bureau's budget.

The **bureau CFO** reviews the bureau's budget and makes recommendations to the bureau head on suballotments. The bureau CFO monitors the bureau's financial positions and makes recommendations to the bureau head and operations personnel on reprogramming requirements. The bureau CFO reviews legislation, regulations, and other authorities related to bureau operations to assure that the bureau budget reflects the intent of Congress or other funds providers and to assure that the bureau administrative control of funds structure and amounts reflects the limitations, restrictions, and priorities imposed. At least annually, the bureau CFO reviews all fees, user charges, and other collections to assure that bureau collections cover costs whenever regulatory limits allow cost recovery. The bureau CFO reports to the DOI CFO on the bureau financial position as required by the DOI CFO.

The **bureau Budget Officer** prepares the bureau's budget and reviews operating plans. The budget officer provides guidance and assistance to operations personnel in preparing operating plans. The budget officer monitors operating plan execution, makes recommendations on adjustments and reprogramming needed in the plans, and reports to the bureau CFO on operating plan status.

The **bureau Finance Officer** establishes and manages the system for recording financial events in the accounting records, including procedures and practices necessary to implement the DOI accounting system for bureau operations. The bureau finance officer is responsible for assuring that the system for recording and posting transactions fully supports the administrative funds control system described in **Chapter 2 Principles and Standards**.

1-30-10-30 Administrative Service Centers

Two service centers have a role in department-wide financial management, the Washington Administrative Service Center (WASC) and the Denver Administrative Service Center (DASC).

The WASC is a component of the Geological Survey that also acts as an operational arm of PFM for department-wide financial management services and the DOI accounting system. WASC's department-wide responsibilities include automated accounting systems analysis, design, development, documentation, acquisition, implementation, training, and maintenance. WASC is responsible for overall coordination of the DOI accounting system software improvements and problem solving.

In addition to its department-wide responsibilities, WASC provides DOI accounting system operations support for several bureaus and for several other federal agencies through cross-servicing agreements. The first priority for WASC is service to DOI. Cross-servicing agreements with other agencies must be approved by the Assistant Secretary for Policy, Management, and Budget.

The DASC is a component of the Bureau of Reclamation with department-wide responsibility similar to that of WASC. DASC is responsible for developing, maintaining, and operating the payroll/personnel system and providing DOI accounting system operations support for the bureaus not serviced by WASC and for other agencies through cross-servicing agreements.

1-30-20 Other Federal Agencies

The central agencies provide overall direction and guidance to departments and agencies on financial management policies and practices. Independent boards or committees provide standards and recommendations developed jointly by representatives of the central agencies and departments. The central agencies include the:

- Office of Management and Budget (OMB)
- Department of the Treasury (Treasury)

- General Accounting Office (GAO)
- Office of Personnel Management (OPM)
- General Services Administration (GSA)

The independent boards and committees include the:

- Joint Financial Management Improvement Program (JFMIP)
- Federal Accounting Standards Advisory Board (FASAB)

The **Office of Management and Budget (OMB)** assists the President in the development and effective management of federal programs. Its primary functions are to assist the President in the preparation of the budget submission to Congress, supervise execution of the enacted budget, and evaluate the performance of federal programs. Under the CFO Act, OMB is responsible for providing overall direction and leadership in the development of a federal financial management structure.

The **Department of the Treasury** provides centralized fiscal services for the federal government. Treasury estimates the government's needs for funds, taxes, borrows, maintains, and disburses federal funds; and records and reports information on federal finances.

The **General Accounting Office (GAO)** is responsible for assisting the Congress in its oversight of the Executive Branch in carrying out programs enacted by the Congress. The GAO audits and evaluates programs, activities, and financial operations of federal departments and agencies and their contractors and grantees. Based on the results of its audits and evaluations, GAO makes recommendations for improving the efficiency and effectiveness of government operations. The GAO has statutory authority to investigate all matters relating to the receipt, disbursement, and application of fundal funds.

The **Office of Personnel Management (OPM)** administers the federal personnel system. OPM supports government program managers in their personnel management responsibilities and provides benefits to employees and to retired employees and their survivors.

The **General Services Administration (GSA)** establishes policy and provides a system for the management of government property and records including: building construction and operation, supplies procurement and distribution, and property utilization and disposal. GSA provides regulations controlling transportation, travel, and communications management; and administers a government-wide information resource management program.

The **Joint Financial Management Improvement Program (JFMIP)** is a joint and cooperative undertaking of OMB, GAO, Treasury, and OPM, working in cooperation with each other and with operating agencies to improve financial management.

The **Federal Accounting Standards Advisory Board (FASAB)** was established by three principals of the JFMIP: the Secretary of the Treasury, the Director of OMB, and the Controller General. The Board, composed of nine members, was established to assist the JFMIP principals in coordinating their efforts to establish improved accounting and financial reporting requirements for federal government agencies.

The mission of the Board, through due process, is to develop and recommend accounting standards to the three JFMIP principals after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and other users of federal financial information. The JFMIP principals then decide whether to adopt the recommended standards. If they do, the standards become effective after being published by the GAO and the OMB.

Figure 1-1 DOI Organization

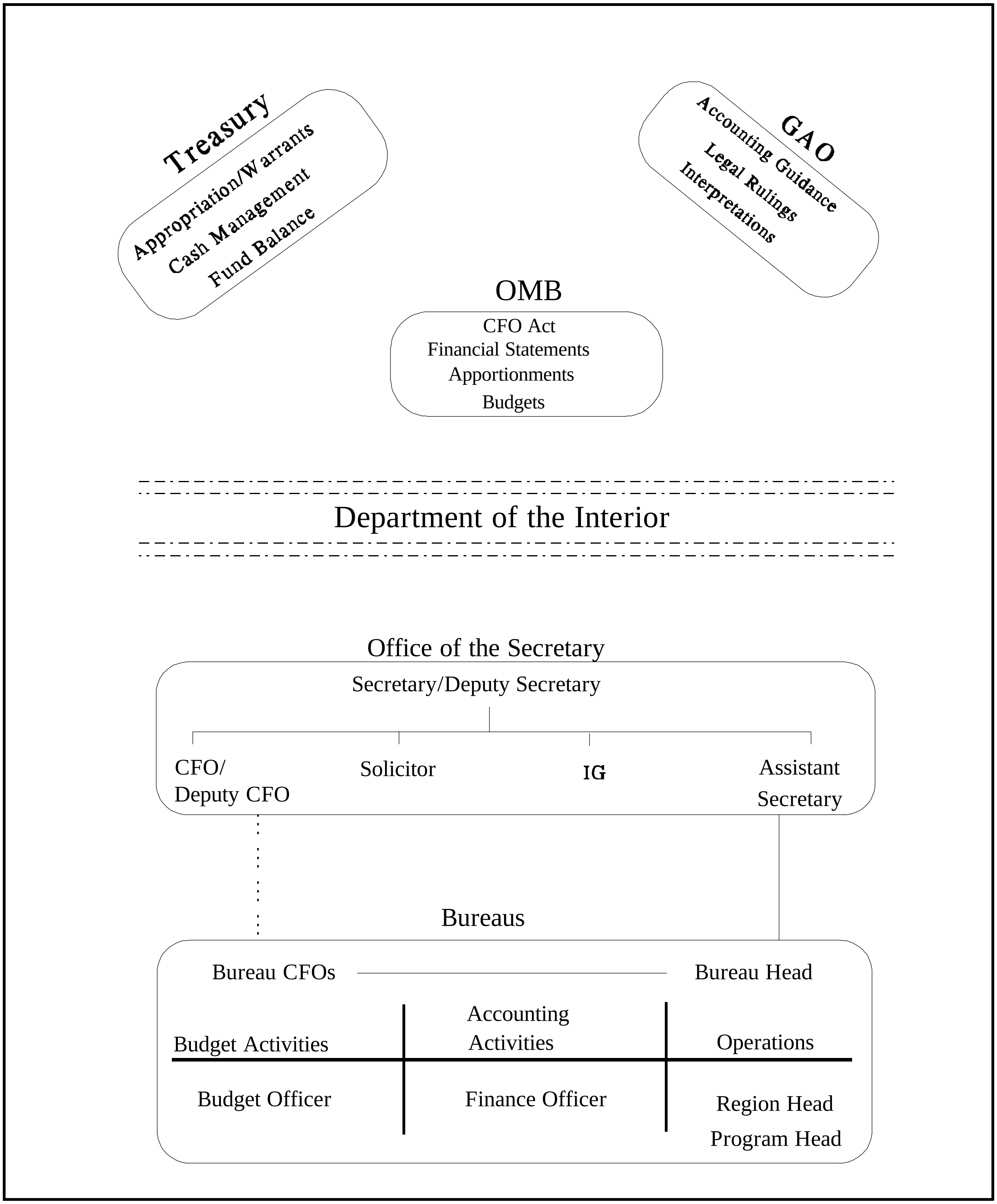

Figure 1-2 Overview of Roles

This page intentionally left blank

2 PRINCIPLES AND STANDARDS

The Department of the Interior's (DOI) policy is to comply with the issuances of Treasury, OMB and GAO. The policies contained herein meet or exceed federal requirements and central agency guidelines. In accordance with OMB A-134, DOI policy is based on a hierarchy of authoritative sources. The Statements of Federal Financial Accounting Standards (SFFAS), as they are issued, are the primary source. For matters not covered by a SFFAS, central agency sources are used. If the central agency guidance does not meet the requirements for DOI, Generally Accepted Accounting Principles (GAAP) recognized by the American Institute of Certified Public Accountants (AICPA) may be used. Chapter 2 contains a summary discussion of major principles and policies contained in the authoritative sources to assist users. This chapter also discusses key principles and provides specific references to additional sources if clarification or interpretation is needed.

2-10 Conceptual Framework of DOI Financial Management

This section defines the most fundamental level of objectives of the financial management system of DOI. A commonly accepted Conceptual Framework for federal accounting has not yet been defined by any authoritative organization. The publications of the Federal Accounting Standards Advisory Board (FASAB) reflect the most current efforts towards developing consensus on a framework. As FASAB recommended statements are approved by the Director of OMB, the Secretary of the Treasury, and the Comptroller General they will become Statements of Federal Financial Accounting Standards (SFFAS). The SFFASs are considered generally accepted accounting principles for federal agencies. However, in the current absence of a commonly accepted framework, DOI has adopted the concepts described in this section based on available information and DOI's requirements and priorities.

The purpose of DOI's Conceptual Framework is to provide a theoretical structure which will encompass future developments, providing consistency in the accounting, reporting, and decision-making treatment of new topics. For the current body of policy, the Conceptual Framework defines why each topic is treated as it is for recording, reporting, and decision-making.

DOI's policy is to update the Conceptual Framework presented in this section for issuances of GAO, OMB, Treasury, and FASAB guidance as the guidance becomes available.

2-10-10 Scope of Accounting Information

DOI policy is that all information recorded in the DOI accounting system must possess the following common characteristics. These characteristics are based on Financial Accounting Standards Board (FASB) Statement of Financial Accounting Concepts 2 and FASAB Statement of Federal Financial Accounting Standards #1. Information which does not meet DOI's criteria for the common accounting characteristics should not be recorded in the accounting system, but may be tracked in non-accounting systems for management control and reporting purposes.

Whenever possible, bureau finance officers are responsible for defining quantified standards for objective evaluation of the common characteristics for their bureau's information in accordance with the guidelines presented in this section. When criteria cannot be quantified, the bureau finance officers are responsible for making case by case judgements. The finance officer must ensure that quantified criteria must be incorporated in the DOI accounting system through user defined options and edits whenever possible, and through standard processes in all other cases. The bureau CFO is responsible for reviewing and approving the quantified criteria and for providing oversight on significant or difficult case decisions.

The characteristics are described as a hierarchy with qualities that are dependant on the organization's objectives and user's knowledge. **Figure 2-1 Hierarchy of Accounting Information Characteristics** is a graphic depiction of the characteristics. Additional guidelines on the common characteristics and establishing quantified criteria follow the figure.

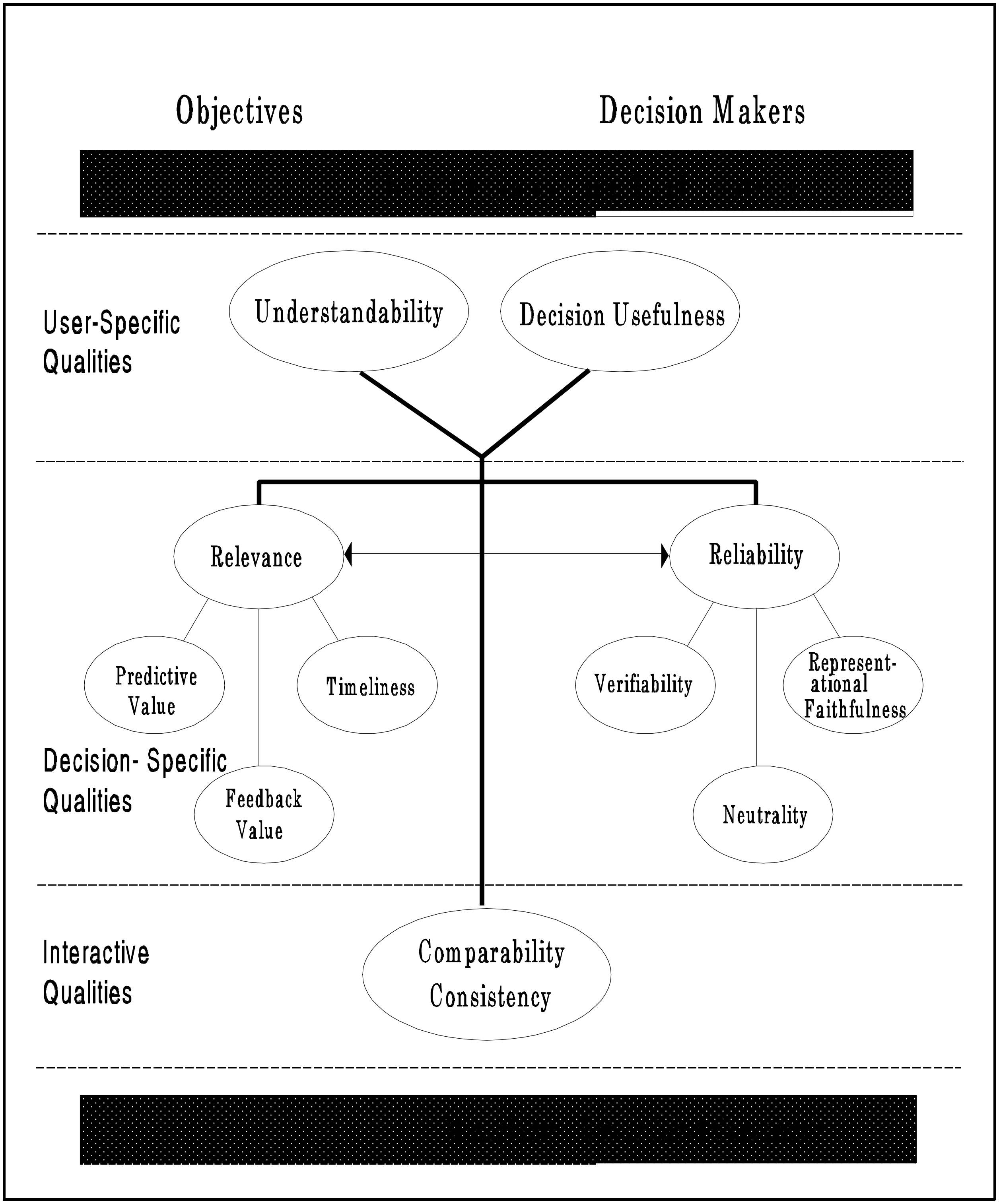

Figure 2-1 Hierarchy of Accounting Information Characteristics

The deputy CFO is responsible for identifying and defining any scope criteria that are to be applied throughout DOI. Those criteria are included in this manual where criteria have been defined. The finance officers are responsible for identifying and defining any scope criteria needed for their bureau's accounting information. Finance officers are to use the definitions in this section, knowledge of overall bureau operation, and any specific legislation requirements to identify and define criteria. The finance officers, in conjunction with the budget officers are responsible for ensuring that the accounting code structure and the DOI accounting system support implementation of criteria through accounting codes, system edits, user defined system options, and other available means.

The users' **Objectives** and the **Decision Maker's** backgrounds set the context for all other accounting characteristics described in this section. (See **Chapter 1 Introduction)** The two broadest constraints are **materiality** and **cost/benefit**. **Materiality** is the level of detail and amount below which there is no impact on decisions or on the overall presentation of the reporting entity in financial statements. In the absence of department-wide standards established by the deputy CFO, the finance officer is to establish materiality thresholds wherever applicable for types or classes of transactions so that excessive processing is not devoted to immaterial amounts. **Cost/benefit** is the **cost** to provide the information compared to the benefit of the information to the users. In general, the benefit must be greater than the cost. However, some information is required by legislation or regulation. If the cost to provide such required information is significant, or the benefit within DOI is minimal, the finance officer is responsible for notifying the DOI CFO of the cost and source of the requirement. The DOI CFO is responsible for obtaining relief from costly reporting requirements.

For information that is not required by legislation, the finance officer is responsible for evaluating the cost and benefit of all bureau financial information in the DOI accounting system. The evaluation may be performed for types or classes of transactions, sources of information, or any other logical grouping. The evaluation must consider frequency of need, users, possible alternative sources, the decision impact of data, the possible consequences of providing an aggregate level of data.

DOI policy is that only the most aggregate level of information required for conformance to accounting standards, informed management decisions, compliance with legislation and regulation, or satisfaction of specific customer demands is to be maintained in the DOI accounting system. If information is recorded primarily to satisfy customer demands, the finance officer is responsible for estimating the cost to provide the information and the bureau CFO is responsible for including the estimate and related information in the annual cost review submitted to PFM, as described in **section 6-20 Cost Accumulation and Allocation** .

The **User-Specific** qualities, defined in terms of the decision-makers who will rely on the information, include **understandability** and **decision usefulness**. These qualities can only be evaluated in terms of specific users' ability to understand the information presented, and to apply the information to the users' decision making processes. Finance officers are to consider their bureau's budget, accounting, program, and other administrative staff within their bureaus as the primary users of accounting information. Although PFM and external groups are users, PFM is responsible for identifying criteria and defining those criteria in this manual. Therefore, the bureau finance officers may focus their judgements on bureau users' requirements. In evaluating these qualities, bureau finance officers are to determine the highest level of aggregation that is needed. Information does not meet these qualities unless it is used in decision making by a primary user. Potential usefulness does not qualify as decision usefulness.

Decision-Specific qualities, defined in terms of particular decisions, include **relevance** and **reliability**. **Relevance** is the capacity of information to influence decisions. It is composed of three qualities:

- **Timeliness** - being available when decisions need to be made and reflecting current financial conditions and activities.

- **Predictive value** - having a known, consistent relationship to the course of future events.

- **Feedback value** - providing confirmation of the expected affect of prior actions or events on current performance.

Bureau finance officers are responsible for defining standards for elements related to timeliness for types or classes of information sufficient to ensure the timeliness of accounting information as a whole within the bureau. The elements include the time from occurrence to recording and reporting, and from process to process. Predictive values are difficult to determine, and should be used only when known and used for another purpose, such as program management requirements. Feedback values are also to be established in connection with other activities, such as performance measurement or program management.

Reliability is the extent to which information is known to reflect actual performance and events. Reliability is dependant on three characteristics of the accounting systems, sources, and processes. The three characteristics are:

- **Verifiability** - the degree to which information can, and is found to, agree with independent measures.

- **Representational faithfulness** - (or validity) the extent to which accounting information and the external resources or events agree.

- **Neutrality** - the extent to which information is free from bias towards any predetermined outcome or decision.

Bureau finance officers are responsible for establishing and maintaining procedures to ensure the reliability of accounting information within their bureaus.

The **Interactive** qualities, defined in terms of how information can be presented in reports and other outputs, include **comparability** and **consistency**. **Comparability** is measured between reporting entities of the same organizational level. At the department level comparability is measured between bureaus, funds, and programs, and at the federal level among departments and other federal agencies. **Consistency** is measured over time for each reporting entity. The DOI CFO is responsible for ensuring that accounting standards and processes are implemented sufficient to ensure comparability among bureaus. This manual contains those policies deemed necessary. The bureau finance officers are responsible for establishing and implementing standards and policies sufficient to ensure comparability within the bureau program, funds, and other reporting units. DOI policy is that accounting standards and policies, both throughout DOI and within bureaus, are not changed without substantive reason to ensure consistency over time.

2-10-20 Fund Accounting Concepts

Enabling legislation defines an agency's authority and responsibility and a program's objectives. Appropriations are legislation which provide sources of funding for agencies and programs. The language of both the enabling and the appropriation acts govern the use of funds provided in an appropriation.

The budget officers are responsible for defining segregated resources according to the sources and uses defined in enabling and appropriation legislation. The finance officers are responsible for ensuring that a fund with a set of self-balancing Standard General Ledger (SGL) accounts is established in the DOI accounting system for each segregation of funds.

2-10-20-10 Resource Distribution Terminology

The distribution of funds below the sub-allotment level is recorded in the DOI accounting system. The bureaus, Office of Budget, PFM, and DOI accounting system use different terms to refer to the same information within the distribution of funds. In general, DOI policy is that all bureaus use the same terminology, account codes, and accounting standards, as specified in this manual. However, in the case of the concepts described below, the cost of making the extensive changes required in all bureaus, the DOI accounting system, the Office of Budget, and PFM would far exceed the benefits of the standardized terminology. Therefore, DOI policy is that the following terms may be used synonymously to express the distribution of funds below the sub-allotment level:

- Resource Distribution
- Allocation
- Control Schedule
- Operating Plan

The Office of Budget uses the term "resource distribution" in DM 328 to refer to amounts which, if reprogrammed, require notice or approval from the congressional committee staff. The standards for departmentally controlled tables, cost accounting, and labor in this manual refer to resource distributions as the distributions approved by the committee. Bureaus may also distribute funds at levels below a sub-allotment, but not matched to a resource distribution. For example, cost accounting standards require tracking funds by project if the project includes cost recovery. This level of distribution is referred to in this manual as an allocation.

2-10-20-20 Budget Execution

The resource distribution structure assigns primary responsibility for specific portions of the DOI budget to program heads. DOI policy is that program heads monitor the performance of their programs at least monthly. The DOI accounting system supports management by providing monthly performance reports. With the resource distribution as a starting point, program heads must monitor balances which depict the rate and amount of obligations and outlays.

At the start of the fiscal year, or other period of availability, the amount of a resource distribution is equal to the unobligated balance. As obligation documents are processed, they are recorded in the DOI accounting system and reported in the obligated balance until paid. The unobligated balance is decreased.

A portion of the obligated balance is obligation documents for goods or services which have not been received in full. The undelivered orders balance reflects this amount, as well as the amount of orders for which advance payment was made. Undelivered orders are also known as unliquidated obligations.

When goods and services are received and accepted, the obligation amount related to the goods or service becomes payable. Outlays are the amount paid for obligations.

The unexpended balance is the amount of resource distribution less outlays. This amount is also equal to the sum of the obligated and unobligated balances.

2-10-30 Basis of Accounting

There are two fundamental methodologies of accounting, each with assumptions, constraints and theories which guide all financial recording, reporting, and measurement activities (reference GAO 2, page 9). The two methodologies are described below.

- **Cash** basis accounting records financial events only when cash actually changes hands in an arms-length transaction.

- **Accrual** basis accounting records revenues when earned and expenses when incurred and measurable.

DOI policy requires the use of the accrual basis of accounting for financial transactions unless otherwise stated in this manual.

2-20 Stewardship

The body of enacted appropriation acts, legislative history, and relevant budget submissions become the federal government's financial plan for the fiscal year. The concept of stewardship encompasses how well the government's resources are managed and safeguarded, how well an agency's mission is accomplished, and the faithfulness with which the government's financial plan is implemented. DOI has the following stewardship objectives for funds control:

- Departmental and bureau funds are used only for purposes authorized in substantive and appropriation legislation.

- Obligations and expenditures of departmental or bureau funds do not exceed the amounts authorized in apportionment, allotment, suballotment, or allocation documents.

- Departmental or bureau funds authorized to be obligated or expended in the legislation or funding authorization documents referenced in the above two bullets are not reserved, deferred, or otherwise withheld from obligation or expenditure without appropriate Congressional awareness or approval.

DOI has the following stewardship objectives for resource management:

- Departmental and bureau funds are used efficiently and effectively.

- Program resources are used only in accordance with the bureau's financial plan.

- The specific objectives of the financial plan and bureau mission are met as well as possible.

- The objectives are accomplished using the minimum resources required for the quality required.

- The value of the department's assets is maintained.

- Departmental or bureau assets are not lost or stolen.

The mechanisms used to accomplish stewardship are administrative control of funds and performance measures. Administrative control of funds provides practices and information to monitor resource use and execution of the financial plan. Performance measures provide information to monitor accomplishment of objectives and the overall DOI mission. Administrative control of funds is an established process and is described in **section 2-20-10 Administrative Control of Funds**. Performance measurement is a new requirement which is, by definition, specific to each agency's mission and office's responsibilities. Performance measures are discussed in **section 2-20-30 Budget Coordination**.

2-20-10 Administrative Control of Funds

Administrative control of funds is the mechanism by which the department ensures that proper stewardship occurs. There are at minimum three levels of control: the first imposed by

Congress, the second by OMB, and the third by DOI policy defined in this Manual. This administrative system provides a tool to departmental and bureau resource managers and a monitoring device for supervisors and higher level managers.

The administrative control of funds processes generate financial information. The combination of performance measures, subjective office or program performance evaluations, and the financial information from the administrative control of funds provides the basis for evaluating stewardship.

2-20-10-10 Appropriations and Apportionments

Congress provides the first level of control in the separate appropriation acts and enabling legislation, and through warrant and apportionment documents. The Office of Budget is responsible for monitoring the warrant and apportionment requirements for DOI funds and notifying bureau budget officers when requests for apportionment are required. Although warrants and apportionments are not always required by Treasury, DOI policy requires that an allocation (or written notice of authorization to obligate) is established before funds are available for obligation or expenditure. The Office of Budget is responsible for ensuring that the finance officers are provided with sufficient information to record budgetary transactions in accordance with the SGL, and the finance officers are responsible for ensuring that those transactions are accurately recorded.

OMB provides the second level of control through apportionment of appropriations. OMB apportions DOI appropriations based on time period, generally a quarter (Category A apportionments), purpose such as activities, objects, projects (Category B apportionments), or a combination of time and purpose.

Bureau budget officers are responsible for developing recommended apportionments to assure that program activities can be properly, efficiently, and effectively carried out. The request is sent to the Office of Budget for policy level coordination and approval before being sent to OMB. OMB issues an Apportionment and Reapportionment Schedule (SF-132) for each allotment to notify agencies of funds availability and provide source documents for budgetary transactions. As for appropriations, the Office of Budget is responsible for providing the finance officer with sufficient information to record budgetary transactions in accordance with the SGL, and the finance officers are responsible for ensuring that those transactions are accurately recorded.

DOI policy is that appropriations are recorded in the DOI accounting system promptly after receipt of warrants, and apportionments are recorded promptly after receipt of SF-132s or letters of apportionment. The apportionment establishes funds available for obligation in accordance with the Antideficiency Act. However, DOI funds are not available for obligation until the division of authority through resource distributions has been completed.

2-20-10-20 Commitment

A commitment transaction sets funds aside for a specific purpose. The committed amount is unavailable for obligation except for the specified purpose. DOI policy is that commitments must be used to set aside funds for planned obligations which are expected to take one or more months to execute and be for at least $25,000. A commitment must be supported by a Request for Proposal (RFP), Request for Bid (RFB), Requisition, Commodity Requisition, or other written statements of intent to obligate a specific amount for a stated purpose by a stated date. When an obligation is created, the commitment is canceled through a reversing transaction. Any outstanding committed balance is canceled and included in the unobligated balance at fiscal year end.

This policy will be reviewed when a department-wide procurement system is implemented.

2-20-10-30 Obligation

An obligation is a legal agreement to pay a specified amount if the payee performs a service, delivers goods, or performs under a grant or loan in accordance with the terms of an agreement.

An obligation must be supported by documentary evidence of a binding agreement in writing between a bureau and the payee, in a manner and form and for a purpose authorized by law, and supported by available budget authority at the time the agreement is executed (reference DM 328 section 1.5). For example, binding agreements in use in DOI are Miscellaneous Purchase Orders and Commodity Purchase Orders. Other support for obligations can be as follows (reference 31 USC section 1501)

- A valid loan agreement showing the amount of the loan to be made and the repayment terms.
- A sales order for goods or services which is required by law to be placed with a departmental bureau.
- A purchase order issued pursuant to a law authorizing purchases without advertising.

- A grant or subsidy payable based on legislated formulae or pursuant to an agreement authorized by law.

- A liability of employment or services of persons or expenses of travel in accord with law, and services performed by public utilities.

- Any other legal liability of DOI or its bureaus made on behalf of the United States against an appropriation or fund legally available to DOI for the liability.

DOI's obligations are recorded in the DOI accounting system against all budgetary authority, and against departmentally controlled codes and bureau specified elements required by the finance officer.

2-20-10-40 Expenditures

An expenditure decreases DOI's resources including assets and budgetary resources. The most common expenditure is a cash payment in accordance with the terms of an obligation. Expenditures may be recorded without an obligation if a situation creates an obligation to pay at the same time that payment is due, and not in advance of the payment due date. An expenditure is also recorded when assets are used to produce goods or services for which DOI collects funds.

DOI policy is that expenditures be recorded in the periods which benefit from the expenditure, or in which a debt is created. In some cases, an event occurs in the current period which does not generate a payment until a future period. Since the current period benefits, the current period is charged through the accrual process. (See **Chapter 5 Financial Reporting**).

2-20-20 Antideficiency

The Antideficiency Act prohibits making or authorizing obligations or expenditures in excess of apportionments, allotments, or suballotments. The Act does not apply to allocations below the suballotment level. In other words, exceeding one's allocation or other resource distribution is not a violation of the Antideficiency Act. However, DOI applies the rules of the Act to the resource distribution level of allocations, as described in **section 2-20-10 Administrative Control of Funds**.

Though a bureau official's excessive obligations against an allocation or other resource distribution may cause an overage against the bureau head's allotment, the allocation overage itself is not a violation, but a cause of the violation. Hence the need for administrative controls of funds to be in place in each bureau and through the DOI accounting system to prevent the unknowing violation of the Antideficiency Act. In DOI, over-obligation or over-expenditure of allocations are considered serious breaches of fiscal responsibility and are treated as "nonstatutory" violations of the Antideficiency Act.

Exceeding cash balances is not in itself a violation if adequate additional resources exist. A violation occurs when:

- Obligations are made that will result in expenditures exceeding cash available when the obligation becomes payable, or

- Actual disbursements are in excess of cash balances.

Under the Antideficiency Act, DOI officers and employees are personally responsible for any obligations or expenditures they authorize or create in excess of funds available for obligation from an allotment. Under DOI policy, officers and employees are personally responsible for any obligations or expenditures they authorize or create in excess of funds available for obligation from an allocation. Once a violation has occurred, subsequent additional funding does not eliminate the violation, it merely corrects the over-obligation condition.

If an appropriation is exempt from apportionment, then an antideficiency violation occurs only if an entire appropriation, allotment or suballotment is exceeded. Allotments and suballotments are established at the discretion of DOI. Exceptions from apportionment are discussed in **section 2-20-10-10 Appropriations and Apportionments** .

2-20-20-10 Special Problems

Two situations can cause unanticipated violations: contingent liabilities and recording errors.

The exact amount and time, if ever, that payment becomes due on a contingent liability is not known at the time the liability is incurred, but is recorded based on the probability of occurrence and an estimate of the amount payable. Nevertheless, if a contingent liability causes an over-obligation, it is a violation. Estimates and reserves should be established accordingly.

Recording errors are not violations themselves. Allotment holders are responsible for the correct balance in their accounts, regardless of accounting errors. Whether or not an antideficiency condition has occurred is determined based on corrected balance information. An error neither creates nor alleviates a violation.

2-20-20-20 Determining if a Violation has Occurred

Any over-obligation or over-expenditure of an appropriation, apportionment, allotment or suballotment is a violation of the Antideficiency Act and must be reported accordingly (reference DM 328 section 1.6).

Any over-obligation or over-expenditure of an allocation, whether or not resulting in violation of the Antideficiency Act, is a violation of DOI policy and must be reported accordingly.

Regulations will be strictly interpreted in determining whether or not a particular action, or failure to act, constitutes a violation of the system of control prescribed in this Manual, and in any other manuals which an individual is responsible for implementing.

Individual responsibility will be determined for all violations.

Failure to record an obligation is a violation of the system of control, and does not alter the over-obligation condition, it merely creates another violation to be considered in determining the nature and seriousness of the offense.

The dollar amount of an over-obligation or over-expenditure is not relevant to whether or not a violation has occurred, but is considered in determining the seriousness of the offense.

Receipt of additional funds before the end of the accounting period does not eliminate the violation, but is considered in determining the seriousness of the offense.

Disciplinary action will be consistent with all circumstances of a violation and with action previously taken in similar circumstances.

2-20-20-30 Determining Responsibility

The Secretary has the overall responsibility for proper fund controls and reporting of violations of such controls. The Secretary has delegated the responsibility for proper fund controls and reporting of violations of such controls to the CFO.

The official to whom an apportionment, allotment, suballotment or allocation of funds is made is primarily responsible for a violation resulting from an over-obligation or over expenditure. In order to prevent a violation, officials are responsible for:

- Periodically reviewing the funds available and the rate of obligation.
- Projecting the obligations which will be incurred through the end of the accounting period.
- Establishing an allocation structure sufficient to monitor budget execution and forecast requirements.
- Setting aside administrative reserves in allocations as necessary for reasonably predictable contingencies.

At the first indication that a division of funds may be inadequate for the accounting period, or for future periods in the fiscal year, officials are responsible for initiating steps to curtail operations or obtain additional funding as possible, and for notifying the official from whom obligation authority was received.

2-20-20-40 Reporting Requirements

Any individual with knowledge of a possible violation of the Antideficiency Act or DOI antideficiency policy is responsible for reporting the violation. When a suspected violation occurs, the bureau head is responsible for reporting to the Secretary within thirty days, in the letter format described below. The Secretary is responsible for determining, with advice from the Solicitor and the CFO, whether a violation of the Act or of DOI policy actually occurred (reference DM 328 section 1.6B).

When the Secretary determines that a violation of DOI policy has occurred, the bureau head is responsible for administrative discipline of the responsible parties. The Secretary is responsible for reporting through OMB to the President, the Director of OMB, the Speaker of the House and the President of the Senate. The Secretary's letter to the President must open with a statement that the letter is a report on the Antideficiency Act, and include the following information:

- The title and Treasury symbol of the fund in which the violation occurred.

- The name and position of the officers or employees responsible for the violation.

- All pertinent facts of the violation, including the type of violation, primary reason or cause, responsible officers' statements, and IG's or Solicitor's reports.

- A statement of the administrative discipline imposed and further actions taken with respect to the responsible parties.

- An evaluation of the adequacy of the system of administrative controls prescribed by this Manual, and proposals for correcting any deficiencies.

- A description of additional actions taken by, or at the direction of, the bureau head to prevent repeat violations.

- If the case involves an employee suspected of willfully and knowingly violating the Act, information on when and how the case was submitted to Justice.

- If the case involves another agency, a statement concerning the steps taken to coordinate with the other agency.

2-20-30 Budget Coordination

In fund accounting, the budget formulation and budget execution phases are continuous, and constantly interacting. In DOI, the Office of Budget has leadership responsibility for budget policy.

The department's accounting community, i.e., PFM and the bureau CFOs, Deputy CFOs, and Finance Officers, have significant, increasing leadership responsibilities in budget administration. The principal responsibility is financial reporting--the periodic preparation and analysis of accounting reports. The DOI accounting system is recognized as the official record of the department and its bureaus in accounting for operations. The system provides accurate historical data as one input to the budget formulation process. The accounting system also serves as the basis for establishing the corresponding budgetary accounts once the appropriations are made available to the bureaus. The system is the single official tool to be used for tracking the cost of program operations.

The preparation of accounting reports is discussed in **Chapter 5 Financial Reporting**. The intent of this section is to highlight the fact that the budget execution cycle is incomplete without financial reporting. The intent is also to discuss a critical component of financial reporting: program performance measures.

2-20-30-10 Relationship of Budget Formulation and Execution

OMB provides guidance on the formulation of the department's budget requests. Those instructions, and the requirements of the House and Senate Appropriations Committees, provide for reporting much more detail than that which will ultimately appear in the Appropriations Act or Committee Reports accompanying the appropriations legislation. Therefore, once DOI bureau appropriations have been enacted, the estimates and supporting material continue in effect, having the full force and effect as law, and forming the nucleus of the department's financial plan.

It is the department's policy to account for its obligation and expenditure of program funds in sufficient detail to be able to report on activities at the budget line item justification level.

2-20-30-20 Program Performance

A key element in ensuring the utility of financial statements is their inclusion of appropriate performance measures. It is the department's policy to provide bureau managers with performance guidance and measurement information to assist them in assessing the efficiency and effectiveness of their programs and in designing actions to correct problems. It is also the policy of the Office of the Secretary to make relevant comparisons among similar programs.

Therefore, DOI policy is to include and link program and financial performance data in annual financial statements. This involves the CFO and Deputy CFO continually improving the financial systems to routinely collect and manage performance measurement data and to consistently organize such data across all bureaus in order to provide such performance information to program managers, and to otherwise facilitate the analysis of performance information.

The department has routinely tracked program inputs and outputs, i.e., program workload data. The Chief Financial Officer's Act of 1990 heightened the usefulness of this data by requiring the reporting of it in financial statements as discussed above. The bureaus are responsible for reporting program performance information in their financial statements. The CFO is responsible for reviewing and approving bureau statements, and issuing the bureau statements in the Annual CFO Report. (See **Chapter 5 Financial Reporting**).

The CFO Act also required the collection of program outcome data for reporting and analysis. The department has begun an effort in that regard.

The Government Performance and Results Act (GPRA) of 1993 intensifies and solidifies the department financial community's responsibility in this area. It requires the implementation of a strategic planning process and establishes a schedule and specific requirements for reporting program performance data.

It is the department's policy to posture itself for implementation of the provisions of the GPRA. The policy objective is to identify the new types of information that have to be collected and develop collection systems, including modifying and integrating programmatic and financial systems to accomplish this.

3 INTERNAL CONTROL CONCEPTS

This section contains DOI policy for internal controls relevant to accounting functions, activities, and information. Internal controls are designed to protect DOI resources against waste, fraud, loss, and misuse while ensuring that timely and reliable data are obtained, recorded, maintained, and fairly disclosed in reports. Internal controls are safeguards built into a process or work flow to provide reasonable assurance to management that the DOI accounting system is working as intended and that resources are used in the most effective and efficient manner possible.

In addition to the policy and concepts contained in this section, specific policies regarding internal controls are addressed throughout this manual. For example, controls over the payment process can be found in **Chapter 10 Purchases and Payables**.

3-10 Internal Control Objectives

DOI policy is to satisfy the following internal control objectives (reference GAO 2 Appendix II, page 121):

- Obligations and costs comply with applicable laws.
- All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- Revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

3-20 Internal Control Standards

Department internal control standards relevant to accounting are listed and described below. The standards are presented in the two groups listed below.

- General standards applying to all accounting activities.

- Accounting standards applying to specific accounting activities.

3-20-10 General Standards

DOI policy is to satisfy the following general internal control standards for all accounting activities in the bureaus and in PFM (reference GAO 2 Appendix II, page 123).

3-20-10-10 Reasonable Assurance

Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks.

3-20-10-20 Supportive Attitude

Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times. This requires agency managers and employees to be attentive to internal control matters and to take steps to promote the effectiveness of the controls. Good internal controls require clear lines of authority and responsibility; appropriate reporting relationships; and appropriate separation of authority.

3-20-10-30 Competent Personnel

Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls. This requires managers and their staff to maintain and demonstrate (1) personal and professional integrity, (2) a level of skill necessary to help ensure effective performance, and (3) an understanding of internal controls sufficient to effectively discharge their responsibilities.

3-20-10-40 Sufficient Documentation

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination. This requires written evidence of (1) a bureau's internal control objectives and techniques and accountability systems and (2) all pertinent aspects of transactions and other significant events of a bureau. Also, the documentation must be available as well as easily accessible for examination.

3-20-10-50 Control Objectives

Internal control objectives are to be identified or developed for each bureau activity and are to be logical, applicable, and reasonably complete.

3-20-10-60 Control Techniques

Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.

3-20-10-70 Proper Recording of Transactions and Events

Transactions and other significant events are to be promptly recorded and properly classified. This standard applies to (1) the entire process or life cycle of a transaction or event and includes the initiation and authorization, (2) all aspects of the transaction while in process, and (3) its final classification in summary records.

3-20-10-80 Proper Execution of Transactions and Events

Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. This standard deals with management's decision to exchange, transfer, use, or commit resources for specified purposes under specific conditions. It is the principal means of assuring that only valid transactions and other events are entered into.

3-20-10-90 Adequate Separation of Duties

Key duties and responsibilities shall be separated among individuals. Duties and responsibilities shall be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions.

3-20-10-100 Appropriate Supervision

Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. This standard requires supervisors to continuously review and approve the assigned work of their staffs. It also requires that they provide their staffs with the necessary guidance and training to help ensure that errors, waste, and wrongful acts are minimized and that specific management directives are followed.

3-20-10-110 Controlled Access to and Accountability for Resources

Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparisons shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset. Restrictions of access to resources shall also depend upon the vulnerability of the resource as well as the perceived risk of loss, both of which shall be periodically assessed.

3-20-10-120 Prompt Resolution of Audit Findings

Managers are to (1) promptly evaluate findings and recommendations reported by auditors, (2) determine proper actions in response to audit findings and recommendations (e.g., develop corrective actions), and (3) complete, within established time frames, all actions that correct or otherwise resolve the matters brought to management's attention. The audit resolution process begins when the results of an audit are reported to management, and is completed only after actions have been taken that (1) correct identified deficiencies, (2) produce improvements, or (3) demonstrate the audit findings and recommendations are either invalid or do not warrant management actions.

3-20-20 Accounting Standards

DOI policy is to satisfy the internal control standards related to specific accounting activities, as specified below.

3-20-20-10 Transaction Authorization

- Bureau accounting transactions are authorized pursuant to laws, regulations, and department and bureau management policy.
- Laws, regulations, and department and bureau policy are readily available to staff.
- Documented procedures exist for initiating, reviewing, approving, preparing, and recording transactions.
- The DOI accounting system requires that transactions are to be authorized and executed only by persons acting within the scope of their authority.
- Modification or adjustment to previously recorded transactions require authorization.

3-20-20-20 Transaction Recording - Timing

- Transaction dates recorded in the DOI accounting system accurately reflect the date the transaction occurred.
- Revenues are recognized when earned and expenses when incurred.
- Processing, cutoff and period-end closing schedules and procedures are documented.
- Cash sales are recorded at the time of sale and deposited and reported according to Treasury requirements.

3-20-20-30 Transaction Recording - Amount

- Prior or related transactions are checked for conformity with transaction being recorded (e.g., match invoice to purchase order).
- Amount of posted transactions are checked against source documents.

- Balances with third parties are verified when appropriate (such as debtors, creditors, or custodians of investments).

- Transactions are recorded in conformity with documented pricing and valuation policies in this manual and in bureau guidance.

3-20-20-40 Transaction Recording - Accuracy

- Transactions are recorded in the DOI accounting system accurately.

- An approved set of general ledger and subsidiary accounts are maintained for assets, liabilities, net worth, revenues, costs, budgetary accounts, and statistical accounts.

- Transactions recorded in the DOI accounting system are supported by documentary evidence which becomes part of the accounting records.

- The DOI accounting system utilizes standard forms and provides control and accountability over these forms.

- Supervisors review posted DOI accounting system transactions with source documents and processing documents.

- The DOI accounting system edits assure validity of data.

- Suspense/error transactions are reviewed, resolved, and cleared in a timely fashion.

- Manually determined control totals are reconciled with recorded results.

3-20-20-50 Assignment of Responsibility

- Responsibility for duties shall be specifically assigned and appropriately separated.

- Position descriptions or their equivalents identify specific responsibilities in accordance with this manual and bureau policy.

- Handling and listing cash receipts is segregated from responsibility for recording cash remittances to individual accounts in the DOI accounting system.

- Acceptance of goods and services that have been purchased is segregated from payment for these goods and services.

- Physical inventory and property inspection is segregated from daily control and custodianship.

- Staff receiving property do not keep related financial records or have sole authority to approve the transfer, sale, or other disposition of property.

3-20-20-60 Assets and Controlled Documents

- Assets and controlled documents (e.g., negotiable instruments, securities, and other investments) are safeguarded against waste and misuse.

- Only authorized personnel have access to assets and controlled documents.

- Staff collecting revenues are not maintaining or in a position to adjust the related accounting records.

- Accountability for the custody and use of resources is assigned and maintained.

- Records of quantities and physical locations (e.g., inventory records) are maintained according to policy.

- Periodic physical inventories of assets and controlled documents are performed, compared to records, and discrepancies resolved.

- Physical security measures and devices are employed, e.g., safes, locked cabinets.

- Authorization procedures are documented and followed for using or removing assets and controlled documents.

3-20-20-70 Fund Control

- Bureau funds are controlled and limitations are not exceeded.

- Valid obligations as defined by law are recorded in the DOI accounting system.

- Appropriate recognition is provided for apportionments of appropriations, and subdivisions of fund authorizations.

- Data from the DOI accounting system clearly shows status of appropriations in terms of apportionments, allotments, obligations, investments, disbursements and collections, accrued expenditures, revenues, and reimbursements.

- Unliquidated obligations are reviewed periodically, no less frequently than annually.

- All violations of the Antideficiency Act and nonstatutory limitations also imposed by the department shall be reported immediately upon discovery in conformance to the Act.

- In cases where funding limitation violations occur, responsibility is assigned to an individual.

- Reports shall be made available to responsible officials in a timely fashion in sufficient detail to facilitate:

    - control of resources for the purposes intended,

    - comparison of actual performance to planned or budgeted performance and analysis of variances, and

    - evaluation of personnel and organization performance.

3-20-20-80 Disbursements

- Bureau disbursements are controlled, accounted for, and made for the proper amounts.

- Accounts payable are established by individuals other than those purchasing or ordering services, supplies or equipment which results in a disbursement.
- Reference is made to the accounts payable, obligating records, and committing or requisitioning documents as appropriate to assure that the disbursement conforms to the established liability or obligation, e.g., invoices are properly matched to receiving/acceptance reports and obligating documents.
- Vouchers are approved by a designated certifying officer.
- Documented procedures address taking available discounts if economically advantageous to the government.
- The DOI accounting system provides for procedures for the preaudit and approval of vouchers before they are certified for payment.
- Unannounced imprest funds audits are performed periodically.
- Credit cards are issued only to authorized personnel, and credit card purchases are accounted for properly.
- The disbursement process supports statistical sampling.

3-20-20-90 Reporting

- Information and reports are designed and produced to meet the needs of the department.
- Information and reports are available only for legitimate uses.
- Users of financial information and their needs are identified.
- Responsibility is assigned within PFM for keeping current on changing reporting requirements from external sources, e.g., Treasury.
- Documented policies and procedures exist for initiating and approving requests for financial information.

- Bureau reports, other than internal management reports, are prepared and issued by designated individuals knowledgeable of the reporting requirements.

- Classified and unclassified material is maintained in accordance with written policies and procedures.

- The account structure and classification coding in the DOI accounting system shall enable the accumulation and recording of all transactions in all categories required by both internal and external managers.

- Each line item on a report can be traced to SGL account balances, subsidiary ledger balances or other DOI accounting system transactions.

3-20-20-100 Reconciliations

- Bureau accounting data is reconciled periodically to assure accuracy and consistency.

- Reconciliations with Treasury data are performed in compliance with TFM 2-4100.

- The DOI accounting system ensures consistency between the general ledger accounts, subsidiary ledger accounts, detail transactions, and between system modules through automated reconciliation features.

- Accounting records in the DOI accounting system are reconciled periodically with accounting records in interfaced DOI systems, e.g., bureau mixed program/financial systems that feed transactions to the DOI accounting system.

- Data in accounting reports issued outside of DOI is consistent with data in the DOI accounting system.

- Transactions recorded in the DOI accounting system are periodically reconciled with source documents.

- Accounting records are promptly brought into agreement with the results of audits and physical inventories.

- Discrepancies identified as a result of reconciliations, audits, physical inventories or by other means are investigated and resolved in a timely fashion, and procedures are implemented to prevent recurrences and, if applicable, to effect recoveries.

3-20-20-110 Cash and Collections

- Bureaus control and account for collections and cash in a timely and accurate fashion.

- The DOI accounting system accounts for the events surrounding the delivery of goods and/or services that generate receivables.

- An established billing cycle is in effect with a periodic follow-up cycle for unpaid bills.

- The DOI accounting system ages receivables in accordance with Treasury guidance.

- Procedures, historical trends, and allowances for losses on receivables are maintained in a manner consistent with GAO requirements.

- Cash collections are recorded and deposited in a timely fashion.

- Collections are accounted for, including the identification of source, amount collected and accounts credited.

- Adequate controls over incoming mail are established to assure that all receipt of cash or other negotiable instruments are placed under accounting control.

- Adequate fireproof safekeeping facilities are maintained for collections officers and cashiers.

- Unannounced verification of imprest fund cashiers' cash balances are performed, as well as semi-annual reviews of collections activities.

3-20-20-120 Audit Trails

- The DOI accounting system provides audit trails for all recorded transactions.
- Transactions can be traced from source documents, original input, system-generated transactions, and internal allocation transactions through the system to the trial balance.
- Account balances are supported by transaction detail.
- The DOI accounting system provides the ability to trace source documents through successive levels of summarization to the financial statements and vice versa.
- The DOI accounting system provides a means to identify changes made to system tables and parameters.
- A record of the individual(s) that record and modify each transaction is maintained.

3-20-20-130 Security

- The DOI accounting system provides adequate security over access and changes to system and user data.
- Proper authorization required for access to the system is defined by individual user and user class.

3-20-20-140 Audit Follow-up

- Audit findings are evaluated and resolved in an effective and timely manner.
- Proper corrective actions are determined in response to audit findings and recommendations.
- Corrective actions are implemented in a timely fashion.

3-20-20-150 Sales

- Sales are controlled and accounted for in the DOI accounting system and any bureau program systems.
- Sales are recorded immediately as items are sold with accounts receivable established and billed on a timely basis for non-cash sales.
- Receipts are recorded accurately and timely.
- Receipts are safeguarded and promptly deposited to the Treasury.
- Sales are conducted in accordance with applicable laws and regulations.
- Sales are conducted only upon appropriate credit authorization.

3-20-20-160 Fines, Penalties, and Judgements

- Fines, penalties, and judgements are properly controlled and accounted for in the DOI accounting system.
- Fines, penalties, and judgements are levied or sought from individuals and organizations as required by laws and regulations.
- Fines and penalties are charged at the proper statutory rate.
- Rescissions and forgivenesses are properly authorized.

3-20-20-170 Compensation

- Payroll, pensions, and other fringe benefits are properly controlled and accounted for in the payroll and personnel system, and in summary form in the DOI accounting system.
- Appropriate authority exists for the appointment, assignment, and termination of personnel as needed.
- Compensation and benefit payments are made in accordance with current statutory and regulatory limitations.

- Payments are made only in return for services rendered, or as otherwise specified.
- Payroll charges, including fringe benefits, are recorded and distributed promptly.
- Timely, accurate, and complete subsidiary records are maintained of vacation, sick leave, and other balances.

3-20-20-180 Acquisition

- Acquisition of goods and services is properly controlled and accounted for in the procurement system.
- All purchases are authorized within budget limits and made in accordance with applicable laws, regulations, and agreements.
- Lowest prices are paid commensurate with quality, service, delivery, and reliability.
- Goods and services are received and examined for acceptability.

3-20-20-190 Travel Advances and Reimbursements

- Travel reimbursements and advances are provided only for properly authorized travel.
- Amounts are paid in accordance with applicable government travel regulations.
- Advances are liquidated in compliance with department policy. Department policy regarding travel is included in **Chapter 13 Travel**.

4 DOI ACCOUNTING SYSTEM

This section prescribes the department principles, standards, and policy for the planning, development, maintenance, operations, and functionality of the DOI accounting system. In accordance with OMB A-123 and A-127, DOI is implementing a single, integrated financial management system. At the center of this is the department-wide DOI accounting system. The DOI accounting system includes manual and automatic procedures and processes from the point a transaction is initiated to issuance of financial reports. The DOI accounting system has been implemented using FFS software in a majority of the bureaus and accounting for most transactions.

The remainder of this section addresses the following topics pertaining to the accounting system:

- System objectives that shall be satisfied by the accounting system.
- Accounting system standards.
- Accounting system reviews.
- Integration of the accounting system with other financial management systems.

4-10 System Objectives

The DOI accounting system shall provide the following (reference GAO 2 Appendix III, page 11):

- Complete disclosure of the financial results of bureau activities.
- Adequate financial information needed for bureau management purposes.
- Effective control over, and accountability for, assets for which bureaus are responsible.

- Reliable accounting results and reports that will be the basis for preparing and supporting department and bureau budget requests, controlling budget execution, and providing financial information the President requires.

- Suitable integration of agency accounting with Treasury's central accounting and reporting responsibilities.

DOI's financial management system goals are to 1) comply with Government-wide policies and requirements; 2) provide timely, complete, consistent, and accurate information that is responsive to management needs; 3) accommodate the geographical dispersion of bureaus; 4) reduce the numbers of systems; and 5) improve the standardization of processes related to such systems (reference DOI CFO Status Report and 5 Year Plan).

4-20 Accounting System Requirements

Department policy requires that the DOI accounting system satisfy requirements associated with accounting information classification, accounting records, general support, reporting, and ADP requirements. These requirements are discussed in the following subsections.

4-20-10 Accounting Information Classification

PFM is responsible for defining and maintaining a uniform department accounting classification code structure. The DOI accounting classification structure is implemented in the DOI accounting system through policy regarding the general and subsidiary ledgers; accounting tables; and various types of accounting codes such as object classes, cost codes, and fund accounts (reference OMB A-127, page 5).

4-20-10-10 General and Subsidiary Ledgers

DOI policy requires implementation of the self-balancing US Standard General Ledger (SGL) at the transaction level. PFM is responsible for controlling the department general ledger accounts and transaction codes consistent with the SGL and approving any requests for deviating from the SGL. Bureaus may supplement the SGL with agency specific information requirements. For example, bureaus may define subaccounts and additional transaction codes.

The general ledger is supported by subsidiary ledgers at various levels of detail. Bureaus are responsible for maintaining subsidiary ledgers or equivalent records. The subsidiary ledgers or equivalent records shall tie to and be consistent with control accounts in the general ledger. Subsidiary general ledger accounts must be approved by PFM (reference OMB A-127, page 5 and JFMIP Core Financial System Requirements, pages II-1 to II-4).

4-20-10-20 Accounting Tables

Accounting tables can be classified as (1) bureau controlled, and (2) departmentally controlled or partially controlled.

Bureau finance officers are responsible for controlling and maintaining bureau controlled tables. Authorization to modify data in tables shall be limited to the bureau finance officers and a limited number of other individuals designated by the finance officer.

Departmentally controlled or partially controlled tables shall only be changed with the authorization of PFM. The system manager, is responsible for developing, testing, installing, and distributing departmentally approved accounting tables.

4-20-10-30 Accounting Codes

Accounting codes used uniformly across the department are stored in department controlled tables, identified above. The department codes include general ledger accounts, transaction codes, object classes, fund types, travel purposes, and other standard department codes identified throughout this manual.

Bureaus are required to maintain consistency with the department accounting classification code structure, and to obtain approval from PFM for any exceptions. Bureaus are responsible for maintaining all other codes, e.g., programs, projects, organization, and fund codes (reference JFMIP Core Financial System Requirements, pages I-1 to I-15).

4-20-10-40 Object Classes

PFM is responsible for defining department object classes and sub-object classes in the DOI accounting system consistent with OMB Circular A-11. The bureaus are to use these codes uniformly in submitting budget estimates and reports to Congress. Bureaus may define their own sub-object classes beyond those prescribed by PFM (reference JFMIP Core Financial System Requirements, page I-4).

4-20-10-50 Cost Coding

Bureaus are responsible for defining and maintaining their own cost codes in the DOI accounting system. Cost accounts are required to tie into the department general ledger (based on the SGL) and be reconciled to general ledger control accounts (reference JFMIP Core Financial System Requirements, pages II-23 to II-26).

4-20-10-60 Fund Accounts

Bureaus are responsible for establishing their own fund accounts and codes. Bureau division chiefs are responsible for the administration and maintenance of their own file of account authorizations (reference JFMIP Core Financial Systems Requirements, page I-2).

4-20-20 Accounting System Records

Bureau finance officers are responsible for establishing and maintaining accounting records for their bureau. This includes recording individual transactions and documents, maintaining journals, performing period processing activities, and working with the service centers to archive and retrieve closed records.

4-20-20-10 Transactions

Bureau users are responsible for recording transactions in the DOI accounting system in a timely and accurate fashion (reference JFMIP Core Financial System Requirements, pages I-1 to I-6).

DOI policy requires that transactions are:

- categorized consistently within the bureau for bureau defined codes, and;

- properly posted to the general ledger accounts.

4-20-20-20 Period Processing

PFM is responsible for providing guidance to the bureaus on month and year-end processing and closing based on that provided by the central agencies, primarily OMB and Treasury. The bureau finance officers are responsible for implementing this guidance through their own guidance and schedules.

4-20-20-30 Archiving and Retention

The system manager is responsible for recommending policy to PFM concerning retention periods, means for restoration of archived data, and disposal standards applicable to the various types of data and storage media. The system hosts have operational responsibility for archiving and restoration of data (reference OMB A-130 section 8 a (1) (k), pages 8).

4-20-30 Financial Reporting and Performance Measurement

Both external and internal accounting reports shall be produced from the DOI accounting system. PFM is responsible for evaluating reporting guidance from the central agencies and issuing implementing guidance to the bureaus for external reports. The bureau CFO and staff is responsible for preparing and issuing both external and internal reports, and for the data contained in the reports. Reporting will be discussed in greater detail in **Chapter 5 Financial Reporting** (reference OMB A-127, page 7 and CFO Act).

The DOI accounting system shall support the capture and production of financial information required to measure program performance, financial performance, and financial management performance as needed to support budgeting, program management and financial statement presentation.

The bureau CFOs are responsible for measuring and reporting performance annually. The DOI accounting system shall support this activity. Performance data that is reported shall be consistent with data contained in the DOI accounting system.

4-20-40 General Support

Adequate support of the DOI accounting system will ensure that it operates in an effective, efficient, and controlled manner. The bureaus, systems hosts, and PFM share responsibilities for such support activities as documentation, training, and security.

4-20-40-10 Documentation

The DOI accounting system documentation shall be clear and kept up-to-date and readily available for examination. System user documentation shall be in sufficient detail to permit a person, knowledgeable of the agency's programs and of systems generally, to obtain an understanding of the operation of the system. Technical systems documentation shall be adequate to enable technical personnel to operate the system in an effective and efficient manner. Documentation shall reflect the most recent software changes and their operational effects. Documentation shall be detailed, well organized and presented, and contain features that make the documentation useful as reference and training materials (reference OMB A-127, page 8 and JFMIP Core Financial System Requirements, page III-3).

The system manager is responsible for ordering and distributing DOI accounting system user and operational documentation associated with each new software release. One central set of documentation (with multiple copies) shall be maintained for all bureaus. However, bureaus may supplement the documentation to address their needs.

Both the manual and automated components of the financial management system must be documented. Documentation shall include:

- Project documentation covering all phases of the development effort.
- User documentation describing the total system as a functional entity.
- ADP documentation including program documentation and an operation manual.

4-20-40-20 Training

Users of the DOI accounting system shall be provided with adequate training and appropriate user support to enable them to understand, operate and maintain the system as appropriate.

The system manager is responsible for training during system implementation. Subsequent to implementation, bureaus are responsible for obtaining training for new users and for maintaining staff skills on an ongoing basis.

Training techniques may include lecture, workshop (e.g. on-line entry), and self-study. Instructors shall be knowledgeable and possess the skills to communicate this knowledge to others (reference OMB A-127, page 9 and JFMIP Core Financial System Requirements, pages III-1 to III-3).

4-20-40-30 Security

The DOI accounting system shall include procedures and controls which protect hardware, software, data, and documentation from physical damage and from unauthorized access. The integrity and confidentiality of the data and software must also be protected from accidental or malicious modification, destruction, or unauthorized disclosure (reference GAO 2 Appendix III, pages 211 to 212).

The DOI accounting system security shall be provided from two sources -

(1) The technical environment surrounding the DOI accounting system, e.g., the mainframe and operating system. The system hosts are responsible for providing, maintaining, and issuing guidance related to this security.

(2) The DOI accounting system application software. The bureaus, system hosts, and PFM are jointly responsible for providing this security. The system manager, system hosts, and the bureaus, as system users, are responsible for developing guidance to implement security features and for complying with security requirements.

The system manager is responsible for ensuring that security safeguards are adequate. PFM, the system owner, is responsible for establishing and maintaining a continuity of operations plan and meeting the requirements for a DOI information resources security program. This program shall include periodic reviews of the DOI accounting system security (reference DM 375 19.1).

Each bureau CFO is responsible for designating an individual to be responsible for security in the DOI accounting system for their bureau. This individual shall be responsible for providing system access authorizations, reporting potential security violations, and coordinating the security program and review referred to above. Access to the DOI accounting system shall be limited to those individuals with proper authorization. Access by log on will require proper procedures, i.e., entering DOI accounting system User ID and password. Logging into the hardware environment may also require additional access procedures.

4-20-50 ADP Requirements

The DOI accounting system shall utilize modern information technology (reference JFMIP Core Financial System Requirements, pages IV-2 to IV-5) that will provide such things as:

- The ability to add, delete and/or modify data elements in an effective and efficient manner.
- Flexibility to provide individual bureaus with options including those associated with system controls, data files, validation structures, operating periods, and reporting periods.
- Summary level data for reporting purposes.

4-30 System Reviews

PFM shall ensure that there are (1) periodic assessments of the system usefulness, (2) periodic or continuing measurements of workload efficiency and productivity to determine whether system performance expectations are being realized, and (3) periodic reviews of sensitive applications and recertification of system security (reference OMB A-127, page 13 and OMB A-130, page 12).

DOI bureaus, with support from the system manager and PFM, shall review financial management systems in compliance with (1) FMFIA and Circular A-123 requirements associated with internal controls, (2) Circular A-130 requirements associated with systems and security, and (3) Circular A-127 financial management system requirements. Where appropriate, these reviews shall be combined.

The department CFO is responsible for issuing a report on whether the DOI accounting system conforms to applicable federal principles, standards, and related requirements in accordance with FMFIA Section IV. In order to comply with this requirement, department policy requires that the Accounting System Compliance Review (ASCR) is performed annually. The ASCR consists primarily of two major types of reviews:

1) System Compliance Review - The system manager is responsible for evaluating and certifying DOI conformance with the JFMIP Core Financial System Requirements from a systems capability perspective. The system manager chief is required to make a certification to PFM based on this review. The Core Compliance Checklist serves as a tool for conducting the review. The system manager is responsible for maintaining the Core Compliance Checklist.

2) DOI Accounting System Operation/Implementation Compliance Review - Each bureau finance officer is responsible for evaluating and certifying conformance of the DOI accounting system implementation and operations in the bureau with all pertinent principles, standards, and related requirements. These include Statements of Federal Financial Accounting Standards (SFFAS), other guidelines issued by OMB and Treasury, and the policies contained in this accounting manual.

Bureau review guides and checklists may serve as tools for conducting the reviews. The bureau directors are responsible for providing PFM the Operational Core Compliance Certification Statement based on the review results (reference OMB A-127, page 13).

PFM, as owner of the DOI accounting system, is responsible for approving the review results. The department CFO is required to incorporate the certifications and review results into the annual FMFIA report and the annual CFO Report, which includes a summary of FMFIA findings.

4-40 Integration of the DOI Accounting System with other DOI Financial Management Systems

The department policy is to establish and maintain a single, integrated financial management system by consolidating the DOI accounting system in all bureaus and by integrating the DOI accounting system with the other financial management systems in DOI. These include systems for payroll/personnel, procurement, and property (reference OMB A-127, page 56).

This integration shall have the following characteristics (reference OMB A-127):

- Common Data Elements

  Standard data classification (definitions and formats) shall be established and used for recording financial events. Common data elements shall be used to meet reporting requirements and, to the extent possible, used throughout the agency for collection, storage and retrieval of financial information.

- Common Transaction Processing

  Common processes shall be used for processing similar kinds of transactions throughout the system to enable these transactions to be reported in a consistent manner.

- Consistent Internal Controls

  Internal controls over data entry, transaction processing and reporting shall be applied consistently throughout the system to ensure the validity of information and protection of federal government resources.

- Efficient Transaction Entry

  Financial system designs shall eliminate unnecessary duplication of transaction entry. Wherever appropriate, data needed by the systems to support financial functions shall be entered only once. Where appropriate the system shall be updated through electronic means.

5 FINANCIAL REPORTING

The policy in this manual applies to the financial information in any report, regardless of the report's primary topic and whether produced for internal management or external dissemination, which incorporates financial information.

Financial information must be concise, timely, accurate, and informative with full disclosure of events or circumstances which might impact a user's interpretation of the information. **Chapter 2 Principles and Standards** discusses the requirements for financial information in detail. The bureau heads and CFOs are responsible for ensuring that all financial information reported by their bureaus meets the policy of this section. The DOI CFO is responsible for ensuring that all financial information reported by PFM or another office within the Office of the Secretary meets the policy of this section. The DOI CFO and bureau CFOs should delegate authority and responsibility as necessary to ensure compliance with this policy 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 policy.

5-10 Financial Information Source

The DOI accounting system is the official source of all financial information. If information that is not directly or economically obtainable from the DOI accounting system is required, the following procedures are required.

The officer responsible for generating the report (responsible officer) should produce the report using any sources necessary. However, the responsible officer must maintain work papers that include a clear audit trail from amounts reported to amounts in the DOI accounting system. Next, the officer is required to estimate the frequency that the information will be required in the future.

If the information is expected to be required again, the officer is further required to estimate the cost to maintain the required information by modifying processes, system codes or the accounting system software. These estimates may take the form of executive estimates included by memorandum to the work paper file. A full cost benefit analysis should be initiated only if the initial estimates indicate a greater expected benefit than cost to maintain the information. The reporting officer must notify [group] of opportunities to improve processes, accounting codes, or the DOI accounting system.

5-10-10 Financial Information Availability

DOI policy is that the deputy CFO is permitted unrestricted read access to bureau financial information. The bureau CFO is responsible for ensuring that unrestricted access is provided to the deputy CFO.

5-10-20 Financial Information Consistency

DOI policy is that accounting codes, documents, processes, procedures, training and other aspects of the accounting function are to be standardized throughout DOI to the maximum extent possible for purposes of economy and comparability.

5-20 Adjusting and Closing Entries

DOI policy is that the following adjusting and closing entries are to be made by all bureaus to ensure comparability among bureau's financial information.

5-20-10 Payroll

Payroll must be accrued at year end, and may be accrued at month end at the option of the bureau CFO. Accruals are to be reversed at the start of the next period. The payroll accrual is based on the number of work days remaining in the period. A representative pay period may be used, provided that the potentially distorting effects of all factors is considered. Factors to be considered in calculating the accrual include, but are not limited to:

- Overtime
- Sunday
- Differences
- Comp Time
- Credit Hours
- Awards

If the actual unpaid payroll expense is available, that amount must be used. Bureau finance officers are responsible for determining the method to be used in calculating the accrual, ensuring that adequate work papers are kept to document the calculation, that any potentially distorting factors are considered.

5-20-20 Travel Obligations

The balance of open travel obligations must be reviewed at year end, and may be reviewed at month end at the option of the bureau CFO. A general ledger transaction to record the estimated accounts payable and expense amounts must be posted and reversed at the start of the next period. The review may be against the total outstanding amount of open travel obligations or against individual travel authorizations. The bureau finance officer is responsible for establishing a review process that is cost effective considering the significance of travel expense to the bureau's financial position.

5-20-30 Other Accrued Expenses

The amount of expenses incurred in the current period, but not yet recorded, must be recognized in the expense and payable accounts if the amount is material. Unrecorded expenses arise when the expense and payable are related to the passage of time, but are recorded periodically. Activities that cause accrued expenses include:

- Contract holdbacks for the amount earned but not paid.
- Receiving reports for which no invoice has been received.
- Imprest fund expenses from the time of the last reconciliation.
- Utility payments billed for the prior period usage.
- Third party blanket purchase agreements and draft payments for the amount since the last reporting .
- Workman's Compensation and Unemployment Tax for amounts related to the accrued payroll.
- Leave for the amount earned and not taken during the year, for reimbursable activities. (Note that this accrual, while related to payroll, applies to the entire year. The payroll accrual relates only to the period between the last payroll and the year end.)

Materiality of accrued expenses is to be evaluated for both each expense individually and for accrued expenses as a whole. The bureau finance officer is responsible for establishing the materiality threshold, ensuring that all accrued expenses are calculated and for ensuring that appropriate general ledger transactions are recorded and reversed. The bureau finance officer is also responsible that the amount of each accrued expense is calculated consistently each year, and that work papers adequate to trace the transaction amount to supporting source amounts are maintained.

5-20-40 Extraordinary Events

Until other guidance is issued by FASAB, DOI policy on extraordinary events is based on APB No. 30, "Reporting the Results of Operations". An extraordinary event is unusual and infrequent and material. An event must be both unusual and infrequent to be classified as extraordinary. Special acts of Congress and natural disasters are specifically included in the definition of extraordinary events for the year in which they occur. The bureau finance officer is responsible for determining whether events during the year should be classified as extraordinary. In making the determination, the bureau finance officer is required to obtain input from the program officer and budget officer if either has extensive knowledge of the circumstances of the event.

The results of an extraordinary event are to be recorded in the DOI accounting system in the standard accounts. A footnote disclosure describing the event and the amounts related to the event accompany all financial reports that include any of the general ledger accounts in which the event is recorded.

5-20-50 Accounting Changes and Prior-Period Adjustments

Until other guidance is issued by FASAB, DOI policy on prior-period adjustments is based on APB No. 20, "Accounting Changes" and APB No. 16, "Prior-Period Adjustments". Prior-period adjustments arise from accounting changes and errors. This section defines the various categories, then describes the accounting treatment. The bureau finance officer is responsible for determining the category and treatment of events that may require prior-period adjustment based on the definitions and criteria presented in this section.

5-20-50-10 Accounting Changes

There are three main categories of changes: change in accounting estimate, change in accounting principle and change in reporting entity. Changes in estimate arise in the ordinary course of business as new information is gained and best professional estimates are updated. If a change includes both a change in estimate and a change in principle, the change is treated as a change in estimate. A change in estimate is reflected in the current and future years. Footnote disclosure is made for unusual or substantive changes.

Changes from one accepted to another accepted method should be avoided. Changes may be made only when new guidance or interpretations have been issued, or when circumstances have changed such that the original method no longer provides the best indication of financial condition. A change in principle to conform with newly issued guidance is considered a change in principle from one accepted method to another accepted method. However, a change in principle from an unaccepted method to an accepted method that had been established as of the beginning of the fiscal year is an error correction.

Within DOI, there are two possible changes in accounting method: changes to this manual that are implemented uniformly across DOI, and changes within a bureau of policy left to bureau discretion by this manual. For policy implemented uniformly across DOI bureaus, PFM is responsible for decisions on accounting methods, with input from the bureaus. For policy left to bureau discretion, the finance officer is responsible for evaluating the impact of potential changes and reporting on the impact to the bureau CFO. The bureau CFO is responsible for making a determination on accounting methods.

At this time, the bureau is the reporting entity. DOI policy is that department-wide reports are prepared on a consolidation basis. Policy on changes in reporting entity will be defined when the FASAB draft on Entity Definition has been released and considered.

5-20-50-20 Error Correction

Many errors automatically counterbalance during the next fiscal year. Those that do not must be corrected. Corrections are to be recorded in the affected accounts and to the equivalent general ledger account using the Treasury prescribed SGL number and name.

5-20-60 Contingent Liabilities

A contingent liability is created when there is some doubt as to whether or not DOI will incur a liability as a result of current period activities or circumstances. The bureau finance officers, in conjunction with the solicitor and with input from program officers, are responsible for evaluating any contingent liabilities at year end. The deputy CFO is responsible for evaluating any contingent liabilities that apply to more than one bureau or to the Office of the Secretary. The bureau finance officer or deputy CFO must determine whether it is probable or possible that DOI will eventually incur a liability, and whether a reasonably accurate estimate of the amount of the eventual liability can be made. Based on the determinations, the following accounting treatment must be applied:

LIKELIHOOD	AMOUNT	ACCOUNTING TREATMENT
Probable	Reasonable Estimate	Record in GL
Probable	No Estimate	Footnote
Possible	Reasonable Estimate	
Possible	No Estimate	No recognition

5-30 Closing

DOI policy is that accounting records for a period will be closed in sufficient time to meet regulatory requirements.

6 COST ACCOUNTING

Department and bureau management will use cost information for purposes such as:

- Making decisions and planning future operations with the knowledge of the costs of projects, programs, and other activities.
- Assisting in establishing standards of performance based at least partially on past cost history.
- Determining the efficient and effective distribution and use of resources.
- Supporting performance evaluation based on actual costs versus budgeted costs.
- Recovering costs for products and services provided to entities.
- Preparing reimbursable work and cooperative agreements.
- Supporting budget formulation through responses to requests for information.

Cost accounting is not applicable to all programs or activities; however, for those programs or activities that do use cost accounting, the principles in this section are designed to assure that:

- Cost accounting information is communicated consistently throughout DOI.
- Reviews to evaluate the cost/benefit of cost information for specific programs are based on consistent criteria throughout DOI.
- Only the highest level of aggregated information required for management decisions or user service is maintained.

Cost information must meet criteria for the common characteristics of accounting information defined in **Chapter 2 Principles and Standards**. In addition, bureau finance officers are responsible for ensuring that any cost information maintained to meet customer service requirements is minimized and that recovery of the cost to provide information to customers is maximized.

Cost accounting is defined as a technique or method for determining the cost of a project, process, or thing. This cost is determined by direct measurement, specific assignment, or systematic and rational allocation. Central to cost accounting is the process for tracing various input costs to the product or services of an organization. DOI policy requires that bureaus accumulate, distribute, monitor, and evaluate cost information during each accounting period, when appropriate.

6-10 Cost Classification

Cost is the financial measure of resources consumed or acquired in accomplishing a specified purpose, such as performing a service, providing a product, or carrying out a project or program regardless of when the resources were ordered, received, or paid for. Cost can be defined in a variety of ways depending on the objectives or information desired. This section presents cost classifications based on the following characteristics: 1) time incurred, 2) reaction to changes in activity levels, and 3) influence on decision making.

6-10-10 Time Incurred

Costs may be measured in relationship to the time the cost is incurred. The three most common measurements are historical costs, current market costs, and budgeted costs. In many cases, the measurement time for cost is specified in authorizing or regulating documents for a program. In other cases, the bureau CFO is responsible for determining which cost will be used for specific purposes, and for assuring that similar programs are treated consistently within the bureau.

- **Historical Cost** is the cash equivalent price of goods and services at the date of acquisition. This cost does not change over time.

- **Current Market Cost** (also referred to as replacement cost) is the current value of an asset. Depending on whether the asset is tangible or intangible and the availability of similar assets on the open market, current market cost may be measured by replacement cost, reproduction cost, sales value, net realizable value, or net present value of future cash flows.

- **Budgeted Cost** (also referred to as standard cost) is the cost that should be incurred to produce a product or provide a service based on past experience producing or providing like-items. Thus, comparison of actual costs with the predetermined benchmark alerts program managers to those areas in which the actual costs appear excessive.

6-10-20 Reaction to Changes in Activity Levels

In any period, cost may or may not change in relationship to changes in levels of activity. Based on the relationship to changes in levels of activity, costs are classified as variable, fixed, or mixed costs. Activity measures can include production or service levels, machine hours, or sales in units or dollars. The way a cost reacts to changes in activity is determined by how the total cost for the period, rather than the cost of a single unit of activity, changes when activity levels change. The program officers and budget officers are jointly responsible for developing cost projections and budgets that identify costs by variable, fixed, or mixed categories. The program officers are responsible for minimizing variable and mixed costs. The bureau CFOs are responsible for ensuring that fixed costs are minimized, and are fairly spread over all projects, whether or not those projects incorporate cost accounting.

- **Variable Costs** are costs that vary in total in direct proportion to changes in levels of activity. If total cost varies in direct proportion to activity changes, the cost per unit is constant.

- **Fixed Costs** represent all costs that remain constant within the agency's relevant range of activity. A relevant range is a range of activity in which costs behave in accordance with the way they have been defined, generally the normal operating range.

- **Mixed Costs** has both a variable and fixed component; it does not fluctuate in direct proportion with activity, nor does it remain constant with changes in levels of activity.

6-10-30 Influence on Decision Making

Bureau budget officers and program officers are jointly responsible for classifying costs as 1) direct costs, and 2) indirect costs. Bureau CFOs are responsible for ensuring that costs are consistently classified as either direct or indirect in similar situations.

6-10-30-10 Direct Costs

Direct costs are all costs that can be specifically or readily identified with producing a specific product or providing a specific service. Direct costs include direct labor, equipment purchased for use on a program, and other direct costs. These direct costs are explained in further detail in the sections below.

Direct labor is the portion of base wages and salaries which can be identified with and charged to a particular activity. This includes:

- **Fringe Benefits** are those allowances and services provided to employees as compensation in addition to wages and salaries, including retirement, health insurance, and life insurance. Fringe benefits are allocated as a rate applied to direct labor costs. The budget officer is responsible for determining the fringe rate based on all labor and fringe costs, regardless of where an employee works. A single fringe rate must be applied to all employees in all projects, unless the budget officer has developed separate cost pools. Separate cost pools must reflect a significantly different fringe cost among groups of employees and be approved by the bureau finance officer.

- **Overtime and Premium Pay** are charged in the same manner as the regular wage portion of an employee's earnings for hours identified with a specific activity.

- **Other Personnel Costs** are charged in the same manner as the related base labor charge, e.g., allowances for offsite pay, location allowances, hardship pay, hazardous duty pay, and uniform allowances.

Equipment used in an activity for which costs are accumulated can be charged in either of two manners: a) charging for the full acquisition cost, or b) recovery of a portion of depreciation. Budget officers are responsible for determining whether equipment can be charged in full to a project, and if not, for determining the rate and basis for charging equipment usage to projects.

When an explicit agreement exists with the recipient permitting the bureau to purchase the equipment and recover the cost, the equipment must be charged as a direct cost. In other cases, an appropriate portion of depreciation costs may be charged and recovered from any project that uses the equipment. If the equipment is purchased in the current fiscal year, the recovery may be available in the current appropriation if there is specific authority to reimburse the financing appropriation, or if the equipment is purchased by a working capital or revolving fund. Otherwise, such collections must be deposited into the General Fund of the Treasury as Miscellaneous Receipts.

Other direct cost items that are incurred or consumed exclusively for the completion of a specific activity include the following examples:

- Miscellaneous supplies and materials
- Equipment rentals
- Travel
- Purchased services (i.e., printing, ADP services, and photographic reproduction)
- Contractual services

6-10-30-20 Indirect Costs

Indirect costs are those costs which cannot be specifically identified with producing a specific product or providing a specific service but which can be shown to bear some relationship to, result from, or be in support of, the product or service.

Indirect costs must be accumulated in indirect cost pools. Bureau CFOs, with input from the budget officers, are responsible for clearly defining identifiable cost pools. Indirect costs may include the following examples, if the item is not directly attributable to a specific activity:

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

- Equipment costs (excluding those recovered as a direct costs)
- Training, employee development, and personnel transfers, including costs of travel and time in-transit
- Budget development and program planning
- Research and development activities
- Administrative support such as procurement, contracting, office services, property management, payroll, voucher processing, personnel services, records management, and document control
- Reports, including report preparation and distribution
- Public information and inquiries (not reimbursed under the Freedom of Information Act (FOIA))
- Safety management, including inspection and training
- EEO and other affirmative action programs

The indirect cost pool will generally include costs that benefit both cost recoverable and non-cost recoverable work. Although indirect costs are not required to be allocated to non-cost recoverable work, an allocation basis must be used that would, if applied to all projects or activities, fairly distribute the cost pool over the benefited activities. Cost recovery projects must not be unduly burdened with indirect costs. The budget officer is responsible for developing and documenting the allocation method, using a generally acceptable and consistently applied overhead rate based on direct costs, identifiable cost pools, and the cost elements that are charges to those pools.

6-20 Cost Accumulation and Allocation

The cost classifications discussed in the previous section must be supported by an accounting structure. The budget officers are responsible for identifying the requirements of the cost classification structure; the finance officers are responsible for defining and implementing the structure in the DOI accounting system or an integrated support system, as appropriate. DOI policy is that the cost structure meet the cost/benefit criteria established in **section 2-10 Conceptual Framework of DOI Financial Management** . The minimum cost structure must include a level which relates directly to the reprogramming amounts defined in the resource distribution structure. The maximum cost structure must provide greater benefit than the cost of the resources required to maintain the information accumulation and reporting required by the structure.

The structure must include additional elements when needed to support program management requirements. The budget and finance officers are required to obtain input from the program officers when establishing or updating the cost classification structure.

Bureau CFOs are responsible for reviewing their bureau's cost classification structure bi-annually in accordance with the CFO Act. The review includes two components:

- Evaluation of the products and services for which cost information is accumulated and the level of detail of the information gathered as required by the CFO Act.

- Review of the cost recovery and reimbursement activities, as required by DOI policy.

The evaluation of the products and services for which cost information is accumulated is a management level analysis to identify activities which might realize performance improvements or funding requirement reductions through the use of cost information. The evaluation may incorporate requirements for implementation of the Government Performance and Results Act (GPRA) as guidance is issued. When feasible, the evaluation process should include the bureau budget officer, finance officer, and program officer.

The review of cost recovery and reimbursement activities includes an inventory of every program that provides any type of service to the non-federal sector. The review may take place as a part of the annual Accounting System Compliance Review (ASCR). DOI's policy requires conducting an annual review of cost recovery activities. The Chief Financial Officers (CFO) Act of 1990 requires that the agency review the user charges for rents, royalties, etc. for agency programs biennially.

The bureau CFOs are responsible for reporting the results of the annual review to PFM. Bureaus' reports must:

- Describe the process, identify the participants, and summarize the conclusions of the evaluation of the products and services for which cost information is accumulated.

- Identify all non-federal services that have been provided by the bureau.

- Indicate whether or not each service is subject to the department cost recovery policies.
- Provide reasons for any noncompliance with the department cost recovery policy and describe the schedules of planned corrective actions.
- Provide quantitative data related to each cost activity.
- Present recommendations for changes in the cost classification structure or cost recovery policy and activities.
- Describe changes implemented on bureau authority.

6-30 Cost Recovery

Cost recovery is used to recoup the bureau costs incurred for service which provided special benefits or privileges to an identifiable non-federal recipient. Bureau budget officers are responsible for distinguishing between funded and unfunded costs. Funded costs represent the application of current funds or appropriations or the use of current working assets, such as prepayments, advances, and inventories. Unfunded costs represent charges not payable from existing appropriations, such as charges for accrued leave.

6-30-10 Accumulating Cost

Upon execution of a reimbursable agreement or when a determination is made that a project may ultimately result in the recovery of costs, DOI policy is that a unique account in the bureau's cost classification structure must be established to accumulate all costs associated with the project. A single account is required for both funded and unfunded amounts, and a segregation within the account if needed. Bureau budget officers are responsible for providing sufficient information to the finance officer to establish the appropriate accounts, and finance officers are responsible for implementing the accounts in the DOI accounting or support systems.

6-30-20 Guidelines for Identifying Recoverable Programs

Bureau CFOs, with input from program officers and budget officers, are responsible for identifying cost recoverable programs. Costs will be recovered for measurable services rendered when there is a special benefit or privilege bestowed to an identifiable recipient above and beyond those that accrue to the public at large. Consequently, the two key criteria to the existence of a recoverable service are: 1) special benefit or privilege, and 2) identifiable recipient.

6-30-20-10 Special Benefit or Privilege

A special benefit or privilege accrues when DOI renders a service which:

- Enables the beneficiary to obtain more immediate or substantial gains or values, or
- Is performed at the request of the recipient and is above and beyond the services regularly received by other members of the same industry or group, or of the general public.

There are three types of benefits:

- Private benefit - benefits an individual recipient.
- Public benefit - benefits the public at large or some independent public interest.
- Incidental public benefit - benefits an individual recipient, but also benefits others incidentally.

Generally, costs associated with private benefits can be recovered, but not those associated with public benefits. The cost of providing public benefits incident to a private benefit may be recoverable and need not be separated from the private benefit.

6-30-20-20 Identifiable Recipient

The recipient of the benefit must be clearly identifiable in order to recover costs. The identifiable recipient can be an individual, organization, unit of government, business entity, or a combination thereof. When there is a request for service or privilege, the recipient is generally easily identifiable. If the ultimate beneficiary is obscure, recovery of costs would not ordinarily be sought.

6-30-30 Costs Recovery

DOI policy is that bureaus must recover the full cost to the government of rendering the recoverable service unless an exception is obtained from PFM. Exceptions will be in accordance with OMB Circular A-25 User Charges section 6.(c). The cost recovery will include both direct and indirect costs of providing products, services, or information.

Bureaus may submit recommendations to exempt certain activities from cost recovery to PFM. PFM reviews the request and, if approved, submits the request to OMB to obtain the exception. If the service is an appropriate courtesy to a foreign country or international organization, or comparable fees are set on a reciprocal basis with a foreign country, PFM submits the request and its recommendation on approval to the Secretary who has delegated authority from OMB to grant exceptions in this instance.

6-30-40 Establishing and Collecting Fees and Rates

Fees, rates and total costs are generally based on the cost accumulated in the cost accounting structure. The accumulated costs may be charged as an actual amount, or cost on previous projects used to estimate the cost of a current project. The budget officer is responsible for establishing fees, rates and total costs. User charges are collected in advance from non-federal customers unless specific legislative authority exists providing an exception. In business-type conditions, user charges in excess of actual cost may be collected. The DOI CFO is responsible for identifying those programs which operate in business-type conditions.

6-40 Cost Recovery Agreements

6-40-10 Reimbursement from Other Federal Agencies

Costs will be reimbursed for products and services provided other federal agencies when appropriate. The Economy Act requires that a charge be imposed on a federal recipient for an appropriate share of the costs incurred by a bureau to conduct a program which is of benefit to both the bureau and other federal agency. This program must be covered by a reimbursable agreement signed by both the bureau and the other agency. Reimbursement must not be prohibited or limited by statute or other authority.

6-40-20 Establishing Reimbursable Agreements

Bureaus are responsible for establishing reimbursable agreements before any spending documents may be charged against the work. Terms of the agreement must be established, including identifying the expected work and costs involved. Finance officers are responsible for ensuring that reimbursable work agreements are recorded in the DOI accounting system budgetary accounts in accordance with the SGL transactions. New agreements must not be established with applicants that have overdue balances owed to the government, unless specifically required by regulation or legislation.

The bureau CFO is responsible for ensuring that when the bureau establishes an agreement, the following actions occur:

- Assign agreements to specific programs and projects, establishing the programs and projects if necessary in the cost classification structure.
- Ensure that a customer account is established in the Accounts Receivable subsidiary ledger of the DOI accounting system, if needed, or as required by the agreement.
- Establish a budget structure and limits for the associated programs.
- Develop an accounting distribution structure for the reimbursable work.
- Establish payment and reimbursable terms, including the object class, costing method, and the indirect cost rate.

6-40-30 Spending Against the Reimbursable Agreement

The bureau finance officer is responsible for ensuring that spending against reimbursable agreements begins only after the reimbursable agreement and the associated program and project are approved and recorded in the DOI accounting system. Spending against the reimbursable agreement must not exceed either the stated agreement limit or budget controls without proper and necessary authorizations.

6-40-40 Collecting on Reimbursable Work

The bureau finance officer is responsible for ensuring that charges against reimbursable agreements are billed and collected in a timely fashion. Receivables and collections will be recorded in the DOI accounting system and distributed to the appropriate customer agreements. A bill for advanced payments must be issued to non-federal entities, and payment received before charges are incurred. Except as otherwise authorized, exceptions to this requirement are described in **Chapter 2 Principles and Standards**.

6-40-50 Internal Control of Costs Charge

The bureau head is responsible for designating a program officer with responsibility for internal control over costs associated with each cost recoverable project. This includes responsibility for assuring that all costs charged to specific projects are not only proper but also accurately recorded in the DOI accounting system. The program officer is responsible for ensuring that controls are in place in order to properly review cost transactions and take any action necessary to verify that individual transactions are properly and accurately coded. The program officer is responsible for justifying all costs charged against the program.

6-40-60 Capital and Expense Work Orders

Capital and expense work orders are non-reimbursable projects established to track costs of specific construction jobs. Capital work order projects will be capitalized upon completion of the project, while expense work order projects involve construction projects which will not produce capital assets.

Finance officers are responsible for establishing capital and expense work orders accounts and recording costs against these accounts.

6-40-70 Closing Reimbursable Work and Cooperative Agreements

The bureau finance officer is responsible for ensuring that reimbursable work and cooperative agreements, and if applicable, the associated projects, are closed within a reasonable period of time after the work is completed, billed, and collected. The status and performance against the agreements and projects must be reviewed, any discrepancies resolved, and the items closed both from an administrative and accounting standpoint.

7 CASH AND OTHER ASSETS

7-10 Cash Management

This section presents DOI policy related to all cash transactions. The principles in this section apply to payments, regardless of the method of payment or the purpose of the payment and to receipts, regardless of the method or purpose of the receipt.

7-10-10 Cash Receipts and Collections

Bureau finance officers are responsible for identifying all activities that potentially include cash receipts or collections. The bureau finance officers must ensure that the methods used to transfer cash meet the following criteria:

- Fastest available
- Least chance of subsequent loss (i.e. dishonored check)
- Cost effective
- Adequate internal controls

Generally, the preferred method of cash transfer is electronic. Alternative methods should be used if they are more cost effective in a particular circumstance. Bureau finance officers are responsible for determining the most cost effective method for cash transfers in their bureaus, and for coordinating any programmatic impacts with the program officer.

7-10-20 Cash Payments

Bureau finance officers are responsible for identifying all activities that potentially include payments. The bureau finance officers must ensure that the methods used to transfer cash are cost effective.

Generally, the preferred method of cash transfer is electronic. Alternative methods should be used is they are more cost effective in a particular circumstance. Bureau finance officers are responsible for determining the most cost effective method for activities in their bureaus, and, in coordination with program officers, establishing processes to implement those methods.

7-10-30 Internal Control

Internal controls over cash functions require more focus on physical safeguarding than the controls for other transactions. Bureau finance officers are responsible for establishing controls that are cost effective considering the amount, physical risk, and safeguarding options for various activities, and general compliance with Treasury regulations. When those requirements necessitate controls which are not considered cost effective, the bureau finance officer is responsible for documenting the requirement, cost effectiveness evaluation, and alternative recommendation, and sending the document to the PFM. PFM is responsible for identifying and removing legal, regulatory, and policy barriers to cost effective internal controls.

DOI policy is that a cash management review take place in each bureau in accordance with federal regulations. The finance officer is responsible for establishing processes, in coordination with PFM, to ensure the review is conducted in a cost effective manner. The review will include an evaluation of the bureau's implementation of this policy.

7-10-40 Imprest Funds

DOI policy is that the establishment and maintenance of imprest funds should be discouraged in favor of more effective and economical methods of payment. As discussed in **Chapter 13 Travel**, travel advances should not be paid from imprest funds if any other method exists. Bureau finance officers are responsible for ensuring that a minimum number of imprest funds are operated considering geographic requirements, cash payment requirements and alternative methods of payment. Imprest funds can be operated to serve more than one bureau.

Cashiers must be authorized in accordance with PFM procedures. Cashiers must be provided with the following resources: physically secure facilities, training, and copies of the TFM regulations and DOI policies covering imprest fund operation. The resources must be sufficient to enable the cashier to operate the fund in accordance with all applicable requirements. Bureau finance officers are responsible for ensuring that all cashiers are provided with the required resources and that all imprest funds are operated in accordance with requirements.

Imprest funds with a balance of $5,000 or less must be reviewed and audited at least once a year. Funds with a balance greater than $5,000 must be reviewed and audited twice a year. The review must be conducted without prior notice to the cashier or staff in the office which is responsible for the imprest fund. PFM is responsible for ensuring that reviews and audits are performed, the results reported to the cashier and responsible officer, and any corrective actions implemented.

7-10-50 Accountable Officers

The personal liability and relief from liability of cashiers, disbursing, and other accountable officers is defined in the TFM and DM. The basic principle is that in the case of a pecuniary loss, accountable officers are presumed to be negligent until proven otherwise.

7-20 Property, Plant, and Equipment

The primary issues related to property, plant and equipment assets are accountability, classification, valuation, and depreciation. DOI policy is that assets will be classified in accordance with the SGL for land, buildings, other structures and facilities, and equipment.

7-20-10 Capitalization and Valuation

A capitalization threshold should be set at a level that accurately presents the financial condition of the bureau and minimizes record keeping.

Valuation depends on whether the asset is purchased, constructed, donated or transferred, or is an improvement to an existing asset. Purchased assets include those acquired new or used for cash. DOI policy is that the asset is recorded at the cash payment amount associated with the transaction.

For assets that are constructed, the capitalized value includes all costs incurred to place the asset in service. These costs include, but are not limited to:

- Direct Materials
- Direct Labor
- Overhead
- Equipment that is to be permanently installed in the facility
- Contracted Services

- Site Preparation Costs

The cost of land which is not related to construction is recorded separately. The cost of the land as part of an asset is recorded as an asset.

When material costs are incurred to improve an existing asset, the bureau finance officer must determine whether the costs are recorded as an expense, or are added to the basis of the asset and capitalized. Material amounts are amounts greater than either $5,000 or 50% of the book value of the asset. The amount may be capitalized, provided the material amount results in one of the following conditions:

- The improvement extends the useful life of the assets by at least 5 years, and by 25% of the original life.

- The improvement increases the output or utility of the asset by at least 25%.

- The improvement increases the fair market value of the asset by at least 25%.

- The improvement provides another benefit that the bureau finance officer determines to be sufficient justification to capitalize the amount.

If the improvement extends the useful life of the asset, the new book value is depreciated by the same method previously used over the remainder of the new life. If the improvement does not change the remaining useful life, the new book value is depreciated by the same method.

If an asset is transferred to DOI by another federal agency, the asset is recorded at the book value on the books of the transferring agency, if that amount is known. If the book value is not known, the asset is recorded at its fair market value.

7-20-20 Depreciation

DOI policy is that only assets held in a cost recovery program fund will be depreciated. The straight line method will be used in accordance with GSA guidance, unless this method results in misleading or inaccurate information. The bureau finance officers are responsible for determining whether an alternative method is required, and if so, for defining the method and life to be used. Any alternative method used must be disclosed in the financial reports.

7-30 Inventories

Inventories include assets held for resale or for use in manufacturing. Supplies are to be expensed when purchased. The value of inventories accounts must be confirmed periodically through statistical sampling of the physical inventory items. The bureau finance officers are responsible for determining the frequency and nature of the physical inventory necessary to ensure that accurate inventory accounts are maintained and that the inventory is physically safeguarded.

Inventory items are recorded as an asset when purchased and an expense when sold or used. Acquisition cost should be used to record the asset, however, any generally accepted inventory valuation method may be used provided the following:

- The method is applied consistently over time.
- The method is applied consistently to like inventory pools within the bureau.
- The method reasonably reflects the real flow of goods in and out of the inventory.

Inventories of many homogenous items are to valued using the first-in, first-out (FIFO) method. Inventories of unique items which are each of significant cost are to valued using the specific identification or inventory pool methods. Any requests for exceptions must include a cost benefit evaluation and be approved by the bureau CFO.

This page intentionally left blank

8 ACCOUNTS RECEIVABLE

Accounts receivable may arise from two sources: employees and program operations. Receivables from employees occur due to payroll related transactions (overpayment, health and benefits), service related amounts (quarters, uniforms), and accountability (loss or destruction of property). Receivables due to program operation occur in the normal course of executing an office's responsibilities. Program receivables include debt arising from administrative offices such as contracting and accounting. The office responsible for the program or administrative function that led to the receivable is the point of origin.

Most program receivables arise only when the authorizing legislation includes a specific requirement to allow debt by the public. Some program authorizing legislation includes authority to allow debt by the public, but does not include a requirement to allow debt. If the program is not required to grant credit to the public, DOI policy is that the program may not extend credit unless there is a compelling programmatic need. In these cases, the point of origin is responsible for any losses due to uncollected receivables. Unless DOI has specific authority, credit cannot be extended to the public. Credit may be extended to other federal agencies under reimbursable agreements as discussed in **Chapter 6 Cost Accounting**.

In all cases, whether dealing with program or administrative functions with the public, DOI policy is to encourage transactions that do not open the possibility of a debt that may require collection actions. In establishing operations with the public, bureaus should include incentives for the use of wire transfers, debit cards, cash and other forms that rarely result in a late receivable.

Regardless of the point of origin of a receivable, the objectives of accounting for a receivable are to ensure that all receivables are identified, classified uniformly, accounted for in the DOI accounting system, recorded in a timely manner, aggressively collected, and supported by sufficient documentation.

8-10 Minimum Requirements to Record Receivables

In order to record a receivable, the following minimum information must be collected. The point of origin office is responsible for maintaining the minimum information with an audit trail to accounting transactions in the DOI accounting system.

- Debtor - Who owes the debt?

- Amount - How much is the debt for?
- Basis - What is the debt for?
- Time - When did the debt arise? When is it to be paid?
- Accounting Classification - What accounting codes need to be assigned to the debt transaction?
- Sufficient Documentation - What documentation is needed to support the debt in the event of a legal challenge?

In the private sector, a reasonable expectation of collection is also required to establish a valid receivable. Since receivables are an asset, recording receivables for which there is not reasonable expectation of collection would overstate assets. However, in the federal government, receivables reflect one aspect of DOI's performance of its fiduciary duty to safeguard the public's resources and implement programs as directed by Congress. Since DOI policy is to not extend credit unless specific legislative authority exists, receivables generally arise from performance of programs with a legislatively required credit element. Other receivables may arise due to administrative weaknesses within DOI, such as overpayments to employees or contractors. Failure to record all material receivables, regardless of the expectation of collection, would understate the cost of program performance or of administrative processes.

8-20 Collection

The level of effort and expense expended in the collection of a receivable must be set in comparison to the amount that may ultimately and reasonably be collected. Bureaus must evaluate the relative cost and benefit of all accounts receivable activities. The guidelines presented in this section are to be followed unless a cost versus benefit review shows that the DOI policy is not cost effective.

All checks returned to DOI Non Sufficient Funds (NSF) are to be resubmitted at least once. No receivable transaction is required unless the check is returned NSF twice (or more as established by a bureau). However, bureaus are required to maintain an audit trail of NSF checks received and resubmitted, and are required to ensure that resubmitted checks either clear with sufficient funds or result in a receivable transaction.

Transactions for amounts less than a material level will be recorded in an allowance, expense, or other account and not to the receivable ledger. For example, a NSF check returned twice would be recorded as a receivable only if the amount of the check exceeded the material threshold. Otherwise, the amount would be written-off to an allowance, expense, or other account.

Each originating office is required to take all reasonable steps, in accordance with the Debt Collection Act, to collect receivables in a timely manner. Fees, interest, and penalties must be assessed by the originating office during the time the office processes the debt. Penalties must be established to cover the full cost of receivable processing. Bureaus may establish additional procedures or consolidate receivable processing functions.

Amounts which are determined to be uncollectible by the originating office must be transferred to the Solicitor for collection. The Solicitor is responsible for collection or resolution of delinquent debt under 4 CFR, GAO, and Justice regulations. The amount of debt must be transferred from the originating office's appropriation to the Solicitor's appropriation at the time that the debt is determined to be uncollectible and transferred to the Solicitor for resolution. Possible actions by the Solicitor include:

- Suspense - collection efforts are suspended until a specified future date or event

- Termination - the debt is written-off

- Compromise - DOI and the debtor reach an agreement that DOI will accept a lessor principal amount, interest or asset in satisfaction of the debt

- Waiver - DOI waives all or a portion of an employee's debt.

8-30 Allowance for Loss on Accounts Receivable

Bureau finance officers are responsible for determining the amount of their bureau's receivable balance that is reasonably collectable at the end of each fiscal year. As part of year end closing processes, finance officers must analyze accounts receivable by category, based on historical information, to determine the amount of allowance for loss that is needed to provide a net balance equal to the amount reasonably collectable. Finance officers are required to obtain input from the program officers in the originating office for debt. The analysis may be based on the amount of new debt which arose during the year, on the total amount of the receivable balance, on an aging of debt, or on another basis, as appropriate for the category of debt. The analysis method selected must be consistently applied each year, and must be disclosed in the notes to the financial reports.

8-40 Deposits

Treasury issues substantial regulations on the timing and amount of deposits and the controls required for safeguarding deposits before transfer to a financial institution. DOI follows these regulations unless an exception has been granted. Many exceptions exist due to the large number of locations and circumstances in which DOI collects funds. In accordance with cash management policy defined in chapter 5, deposits will not be made more frequently than is cost effective.

9 LIABILITIES AND EQUITY

DOI policy is that liabilities must be accounted for in accordance with the SGL. Funded and unfunded liabilities must be distinguished in the general ledger accounts and in financial reports.

This page intentionally left blank

10 PURCHASES AND PAYABLES

The purchase and payable function includes activities that may be performed by several different functions, including accounting, procurement, program offices, receiving, and certifying. This chapter describes accounting policy, regardless of which function in a bureau may be responsible for performing activities to support the policies.

10-10 Commitment and Obligation

Purchase requisitions may be issued by a requisitioning office or authorized end-user, as allowed by the bureau. All purchase requisitions include a description of goods or services, accounting classification codes, and an estimated amount. The accounting classification must conform to the standards established in **Chapter 2 Principles and Standards** for department wide and for bureau defined codes. The finance officer is responsible for establishing processes, training, and periodic reviews, in coordination with the procurement officer, to ensure that purchase requisitions are completed with proper accounting codes.

A purchase requisition may require a commitment transaction be recorded if the terms meet the criteria defined in **Chapter 2 Principles and Standards**. If a commitment transaction is required, the transaction must be recorded after the requisition is approved. Finance officers are responsible for ensuring that commitment transactions are recorded timely and properly when required. An obligation is required when the purchase order is approved and funds certification occurs, regardless of whether or not a commitment transaction was processed.

10-20 Payment

DOI policy is that payments must be supported by a procurement document, receiving report, and invoice. A payable and budgetary transaction must be recorded in the DOI accounting system promptly based on either the receipt or acceptance of goods or services. If acceptance is specified in the procurement document to be at a later date than receipt, then the transactions are required on receipt. Otherwise, the transactions are required on acceptance. Receiving reports are required to describe the goods or services received and identify the quantity. However, receiving reports are not required to be in hard copy or any other specific medium.

The vendor is responsible for sending an invoice to the address designated on the procurement document. The vendor is required to submit a written demand for payment before payment may be approved. When the payment is approved and scheduled, a disbursement and budgetary transaction are required.

The finance officer is responsible for defining processes, identifying system functions, training staff, and reviewing outcomes to ensure that disbursement transactions are timely, accurately, and completely recorded.

10-30 Prompt Payment

DOI policy is that payments are to be made in accordance with the terms of the Prompt Pay Act. The following dates are to be used for determining payment due dates and conditions under the Act.

- Receipt and acceptance. Receiving reports and invoices will be stamped or otherwise annotated with the date upon receipt of the goods and services in the office designated in the procurement document.

- Start of payment period. The period available to make timely payment of an invoice without incurring an interest penalty shall begin on the date of receipt of the invoice.

DOI policy is that approval and certification processes are to be standard throughout DOI. The least costly and most effective methods are to be implemented.

11 GRANTS, AGREEMENTS, AND LOANS

Grants, agreements, and loans are contractual devices used by DOI to implement various programs. The requirements for competition, negotiation, award, execution, and close-out of grants, agreements, and loans are covered in OMB circulars, authorizing legislation, and programmatic regulations. The contract is the guiding authority if there is any ambiguity or conflict between policies and the contract terms.

This chapter addresses accounting policy specific to grants, agreements, and loans. Contracts should provide information needed to comply with these policies unless there is an unusual and overwhelming programmatic need which prevents compliance. In that event, the contract should highlight the noncompliance and the programmatic need which necessitates noncompliance so that the bureau financial officer can assess how to account for the contract.

Program heads are responsible for ensuring that the form and content of grants, agreements, and loans issued under their programmatic authority conform to central agency guidance and to the policy in this manual. Program heads are responsible for balancing the requirements of regulations and policies with programmatic needs. If there is programmatic justification to deviate from regulations and policies, program heads are responsible for preparing and submitting a request for exception. Exceptions to central agency guidance must be submitted to the issuing agency in accordance with the agency's process. Exceptions to DOI policy in this manual must be submitted to the DOI CFO. However, the DOI CFO may delegate authority to grant exceptions as deemed appropriate.

Regulatory and policy requirements should not be enforced at the expense of effective and efficient program execution. However, regulations and the policies in this manual can be implemented in most programs without interfering with effective and efficient program execution. Therefore, these policies should be observed in the absence of an unusual and overwhelming programmatic need. When such a need does exist, program heads are responsible for seeking an exception that would allow effective and efficient execution of their programs.

11-10 Accounting Transactions for Grants

Generally, the entire balance available for obligation of a resource distribution or accounting classification is to be used for a specific grant program, and so no commitment transaction is required. A commitment of funds available for grants may be required if funds in the resource distribution are also available for other purposes and the grant transaction meets the requirements of **Chapter 2 Principles and Standards**.

When grants are awarded, an obligation transaction for the amount of current year funds awarded is required. A memorandum entry or footnote is required regarding the balance of funds awarded from future year funds. The bureau finance officer is responsible for ensuring that required transactions are recorded in the DOI accounting system. A standard is pending from FASAB regarding reporting requirements.

Payments on grants may be recorded as advances or expenditures, and may be made on a reimbursement, schedule, lump sum, or other basis. Payments on grants are generally for reimbursement of expenses incurred and reported by the grantee, and are recorded as expenditures. If payments are made in advance of grantees incurring expenses, the payment is recorded as an advance. An expenditure is recorded when the grantee reports actual expenses.

A grant may not link grant payments to expenses incurred for a specific purpose, for example a general operations grant paid quarterly. If a grant does not require the grantee to report actual expenditures, the payment should be recorded as an expenditure. In addition, if grants are generally renewed each year to the same eligible grantees and are paid on a regular basis, then recording the payment as an advance and later recording actual expenditures does not add value to the financial records. An equal amount would always be the current outstanding advance. In this case, the payment should be recorded as an expenditure, and any adjustment to the current payment based on prior period reports or audits should be made to the current period transaction.

11-20 Accounting Transactions for Agreements

The agreement document and administrative records must be sufficient to support the amount recorded for obligation, expenditure, payment, equipment titles and other accounting transactions in the event of a legal challenge of those amounts.

12 LABOR

Chapter 12 Labor presents the DOI accounting policy related to the responsibility of the accounting function. The payroll system and manual are referenced regarding accounting policy and procedures on payroll, personnel benefits, and employee records. Concepts, definitions, and controls for distributing employee costs to the cost accounting structure are included in this chapter; however, the application of labor cost data to projects is covered in **Chapter 6 Cost Accounting**.

The accounting, payroll, and personnel functions all interact in performing activities and using information related to labor. 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 Denver Administrative Service Center (DASC) 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.

12-10 Time, Attendance, and Leave Reporting

The objectives of the department's time, attendance, and leave reporting are to assure that employees are paid correctly, and in a timely manner, and that an accurate record of their attendance and leave becomes a part of the permanent records. Time and attendance processing provides information to determine gross pay and distribution of labor to the cost classification structure from hours worked and leave taken.

12-20-10 Principles and Standards

Edited and approved time and attendance reports shall be transmitted each pay period to the payroll processing function (reference JFMIP FFMSR-2, page 16 Time and Attendance). 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 defined in **section 6-20 Cost Accumulation and Allocation.**
- 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 1) within the department but in different organizations or cost centers or 2) 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.

Time and attendance records must be safeguarded together with SF 71s, Applications for Leave, and overtime approvals to preclude unauthorized changes to approved documents.

12-10-20 Accrued Unfunded Annual Leave

Accrued unfunded annual leave is the dollar value of annual leave accrued to employees for annual leave hours earned but not used, and that is expected to be paid from future years' appropriations. Annual leave is an expense which accrues as it is earned by employees. DOI policy treats unfunded leave differently depending on whether it accrues to a general appropriation fund or a working capital or revolving fund.

In general appropriations, DOI policy is that no obligation is recorded for annual leave until it is used. For working capital and revolving funds, the expense for annual leave is recorded as a liability, and serves to bridge obligations to the total cost of personnel compensation. Initially, a liability accruing annual leave is recorded at the wage rate at which it is earned. A revised balance reflecting the annual leave liability shall be computed at least annually to reflect current pay rates and leave balances. Any resulting increase is charged to current year expenses. Unused sick leave, compensatory, or credit time may be tracked for budget or management purposes, but is not recorded as a liability.

12-20 Payroll Processing

The <u>payroll processing function</u> must calculate earnings, gross pay, deductions, net pay, and employer contributions for each employee on an effective pay period basis (reference JFMIP FFMSR-2, page 20 Pay Processing). This function provides for the computation and disbursement of net pay, deductions, and employer contributions by:

- Computing gross pay as the sum of each rate of pay times the number of units related to it, plus all appropriate allowances and/or other gross pay components.

- Classifying and totalling deductions.

- Subtracting the sum of deductions from gross pay.

- Applying formulas or utilizing tables to determine employer contributions required for certain payroll taxes and benefits.

12-20-10 Deductions from Earnings of Employees

The gross pay of employees is reduced by mandatory and employee related deductions. The difference in gross pay and net pay is due to mandatory deductions (e.g., Civil Service Retirement System (CSRS), Federal Employee Retirement System (FERS), social security taxes, federal income taxes, state and local income taxes); voluntary deductions (e.g., life insurance, health insurance, Thrift Savings Plan, allotments, and bonds); and involuntary deductions (indebtedness to the federal government, administrative debt collection, and garnishment).

The amounts deducted are recorded as liabilities until disbursed to a third party. DOI policy is that funds deducted for third parties are disbursed at the same time as payroll disbursements, unless the third party specifies an alternative payment schedule. Funds deducted from payroll and held pending disbursement are to be recorded as liabilities, segregated by payee, and transferred to deposit accounts.

Authorization for mandatory and voluntary deductions requires the employee's completion of standard forms provided by the taxing authority or other payee (e.g, IRS Form W-4 "Employee's Withholding Allowance Certificate" for income tax purposes). In the case of voluntary deductions, the payee must meet DASC's requirements for administration of the deduction and disbursement. The three main types of involuntary deductions are indebtedness to the federal government, administrative debt collection, and garnishment. Involuntary deductions require some additional authorization and processing. The involuntary deductions and processing are discussed below.

12-20-10-10 Indebtedness to the Federal Government

The Debt Collection Act of 1982, 5 U.S.C 5513, and 5 U.S.C. 5514 provide for collection by salary offset for amounts due the United States. Collection by salary offset shall occur only after the employee has been properly notified in accordance with the requirements of the Debt Collection Act.

12-20-10-20 Administrative Debt Collection

Employees receiving overpayments from the federal government are to reimburse the government by adjustments made on a current payroll or by cash refund. Administrative debt may occur due to errors in computing withholdings; application of an incorrect pay rate; timing errors in beginning or ending allowances for uniforms, lodging, etc.; or any other errors. Debt related to travel is discussed in **Chapter 13 Travel**.

The finance officer is responsible for processing employee debt, including notification to the employee in writing regarding any overpayment. The notification must include:

1) A statement of facts showing the amount overpaid, the cause of the overpayment, the date on which the overpayment occurred, and the date on which the overpayment was discovered.

2) An indication that the employee may elect to have the indebtedness liquidated by withholding from the employee's pay either in a lump sum or, if justified by the amount and the circumstances in the particular case, in installments of a specified amount each pay period.

3) A statement that a reply is required within 15 calendar days from the date of the notice (an exception may be made under extenuating circumstances, i.e., an employee is in travel status or on extended leave).

4) A statement that if the employee wishes to contest the indebtedness or the amount to be deducted each pay period, the employee may submit an appeal within the 15 calendar day time limitation.

Collections received for the current calendar year must be reported by the CFO to the DASC so the employee's W2 can be adjusted accordingly.

After following the provisions of the Debt Collection Act, the CFO may authorize the DASC to collect the indebtedness by payroll deduction (reference BOR 486.5.12c).

12-20-10-30 Garnishment

Employing agencies are permitted to garnish the pay of federal employees for the enforcement of child support and for the collection of private debt. DOI policy is that court orders for garnishment of pay are processed by the Payroll Operations Division. Designated agents identified in 5 CFR 581, Appendix A, are responsible for receiving the garnishments and forwarding them to the DASC within two business days after receipt. The Payroll Operations Division is responsible for confirming with the Solicitor that the order is valid, determining if any other court orders are outstanding against the employee, and notifying the employee of the effect on pay. If more than one court order is received for the same employee, the Solicitor will determine the order of precedence. DASC shall withhold from the employee's pay in compliance with the court order as prescribed below:

1) If the garnishment involves a one-time payment, the amount due is processed on the next regular payroll.

2) If the garnishment order involves more than one payment, an involuntary deduction for the amount(s) shown in such orders shall be established. The deduction will be stated in a fixed dollar amount or as a percentage to be deducted in each successive pay period. Payment will be made to the party named in the legal process.

3) Cancellations are automatic upon date of separation from the department, death of the employee, or notification to DASC by the court that the legal process is terminated.

4) Deductions are to be made each pay period as directed and are to have the highest priority after deduction of retirement, FICA, federal income taxes, state or local income taxes, health insurance premiums, life insurance premiums, and indebtedness to the United States, but before any voluntary deductions.

5) DASC will establish deduction data within the employee's payroll record based on legal process furnished by the Solicitor.

(Reference BOM 335.4.6c and BOR 486.5.15e)

12-20-20 Additions to Earnings of Employees

DASC will correct underpayments to employees resulting from errors in computing the federal withholding tax, retirement or social security deductions, rate of pay, or errors in reporting time by increasing the pay factors affected on the first payroll prepared after the error is discovered. If an underpayment is significant, an unscheduled paycheck may be submitted in accordance with payroll/personnel policy.

12-20-30 General Ledger Recording and Reporting

DOI policy is that personnel compensation and employee benefit expense for each fiscal year is reported or disclosed separately in the financial statements issued by the department.

In the case of working capital and revolving funds, at the end of the fiscal year the value of annual leave accrued by employees shall be posted as a liability for accrued annual leave. For working capital funds, revolving funds, and certain cost recovery programs the value of accrued leave is posted as above but also by 1) cost center, and 2) in each accounting period currently. In those instances where certain assets (such as software development by a bureau) are capitalized, the cost of labor consumed for software development purposes shall be treated as part of the capitalized cost.

12-30 Payroll/Personnel (PAY/PERS) System

DOI currently utilizes a department-wide integrated payroll and personnel system, PAY/PERS, developed and operated by DASC. 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.

12-30-10 Payroll System Objectives

The DOI payroll system must meet the following objectives to support accounting activities (reference JFMIP FFMSR-2, page 4). The payroll system must:

- Operate in accordance with laws, regulations, and judicial decisions.
- Provide complete, accurate, and prompt payment of pay and deductions to all persons entitled to be paid.
- Ensure complete, accurate, and prompt generation and maintenance of payroll/personnel records and transactions as a part of the regular accounting system needed for 1) management purposes, 2) preparation, support, and control of budget, 3) internal and external reporting requirements, and 4) support of valid payments.
- Establish timely and proper interaction with the DOI accounting system.

- Utilize sufficient internal controls to ensure that the payroll/personnel system is operating as intended.

12-30-20 Payroll System Integration with the DOI Accounting System

The integrated payroll and accounting systems must integrate common elements that are interdependent to both the payroll and accounting functions. The integration shall eliminate repetition of data entry and storage by achieving an interdependence and consistency between data used in payroll and accounting processing and reporting. The payroll system shall be designed to interact efficiently and effectively with the DOI accounting system. This integration and interface shall be used to aid in timely update of information and reconciliation of discrepancies noted between systems or between discrete components of a system. The Payroll Operations Division is responsible for reconciling payroll related accounts maintained in the payroll systems to the DOI accounting system. The integration must include the following transmission of information:

- Information must be transmitted from the payroll system to the accounting system which is needed to 1) record transactions in the general ledger accounts, 2) prepare monthly, quarterly, and year-end reports, and 3) analyze various bureau reports.

- Cost accounting information must be transmitted from the payroll system to the accounting system in order to 1) distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments, 2) help in properly evaluating operations and management, and 3) support budget development and formulation. **Chapter 6 Cost Accounting** covers the application of labor costs to specific appropriations, jobs, projects, programs, and departments.

The payroll function is responsible for the reconciliation of the general ledger and subsidiary ledgers.

12-30-30 Payroll Processing Outputs

The Payroll Operations Division is responsible for providing outputs in accordance with the Joint Financial Management Improvement Program (JFMIP), Federal Financial Management Systems Requirements (FFMSR-2) document titled "Personnel-Payroll System Requirements" (reference JFMIP FFMSR-2, page 23).

13 TRAVEL

Most travel policy is established in the Federal Travel Regulations (FTRs) and in department and bureau supplemental policy. This chapter addresses travel only in terms of accounting transactions and financial policy.

13-10 Obligation

An obligation is processed when a travel authorization is issued. The amount obligated is the amount authorized. For open, limited-open, and permanent change of station (PCS) authorizations, the maximum amount authorized is obligated.

The unexpended balance of obligations for open and limited-open authorizations must be reviewed at year end to determine what percentage of the balance should be carried forward into the next fiscal year. An adjustment to the general ledger should be recorded as one of the year-end adjusting transactions and reversed when the next fiscal year is opened.

A traveler may have more than one authorization open simultaneously of the same or different types. A separate obligation transaction is required for each authorization. However, a separate obligation transaction for each authorization is not required to be recorded in the DOI accounting system. For example, detailed supporting information is maintained in the travel function and system, and supporting detailed transactions may be recorded in the travel system as well. If detailed transactions are recorded in the travel system, summary transactions must be recorded in the DOI accounting system with an audit trail to the supporting transactions. All policies on internal controls and system integration must be met regardless of the system used to record detailed transactions.

13-20 Advance

In accordance with cash management policy presented in **Chapter 7 Cash and Other Assets**, cash travel advances from imprest funds are strongly discouraged. Travelers should instead use DOI issued credit cards and obtain cash advances on the credit cards when cash is necessary. Travelers should use the ATM feature of credit cards in favor of other methods of obtaining cash advances when these features exist.

Travelers who have a current DOI credit card may receive a maximum of the authorized amount of meals and incidental expenses. Travelers who do not have an active DOI credit card may receive a maximum of 80% of the authorized amount of per diem.

Open travel advances may be issued for a maximum of one month. All open travel advances must be liquidated at the end of one month.

The amount of advances for PCS travel is regulated by FTR and does not required additional policy.

13-30 Vouchers

All travelers must submit a travel voucher within five business days of returning from travel.

13-40 Rebates

Rebates may be received from carriers, credit card companies, and other vendors. All rebates are treated as a lump sum refund to the current operating appropriation. The amount of rebate does not justify assignment of rebate to the originating travel.

APPENDIX A
ACRONYMS

ADP	Automated Data Processing
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ASC	Administrative Service Center
ASCR	Accounting System Compliance Review
ATM	Automated Teller Machine
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CSRS	Civil Service Retirement System
DASC	Denver Administrative Service Center
DM	Departmental Manual
DOI	Department of the Interior
EEO	Equal Employment Opportunity
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FERS	Federal Employees Retirement System
FFS	Federal Financial System
FICA	Federal Insurance Contributions Act
FIFO	First-In, First-Out
FLSA	Fair Labor Standards Act
FOIA	Freedom of Information Act
FMFIA	Federal Manager's Financial Integrity Act
FTR	Federal Travel Regulation
GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GL	General Ledger
GPRA	Government Performance and Results Act
GSA	General Services Administration
IG	Inspector General
JFMIP	Joint Financial Management Improvement Program
NSF	Non Sufficient Funds
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAY/PERS	Payroll/Personnel System
PCS	Permanent Change of Station

PFM	Office of Financial Management
RFB	Request for Bid
RFP	Request for Proposal
SFFAS	Statement of Federal Financial Accounting Standards
SGL	Standard General Ledger
TFM	Treasury Financial Manual
TIA	Territorial and International Affairs
WASC	Washington Administrative Service Center