



United States Department of the Interior

OFFICE OF THE SECRETARY

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FINANCIAL MANAGEMENT MEMORANDA 2014 - 022 (Vol. II.A)

To: Bureau Chief Financial Officers

From: Douglas A. Glenn *D. A. Glenn*
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Office of Financial Management

Subject: Accounting for Unusual and Non-Recurring Accounting Transactions

The Department of the Interior's (DOI) Agency Financial Report and Government-wide Financial Report System submissions are directly supported by the transactional detail recorded by the Bureaus in accordance with generally accepted accounting principles (GAAP). The consistent compilation and presentation of financial data among Federal entities is facilitated by the chart of accounts issued by the Department of the Treasury, *The United States Standard General Ledger* (USSGL). The USSGL Section III includes specific direction for the accounts used to recognize routine transactions. This memorandum provides requirements for the treatment of accounting transactions that are unusual and nonrecurring in nature. Please feel free to contact Jennifer DeNardo at (303) 236-0330, ext. 229 or via email at Jennifer_DeNardo@ios.doi.gov; or Diane Washington at (202) 208-6225 or via e-mail at Diane_Washington@ios.doi.gov, to discuss these requirements further.

Definition

The following definition has been adapted for use by the responsible DOI financial management community from Public Company Accounting Oversight Board Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*.

Unusual and nonrecurring transactions are those that occur outside the normal course of business for the Bureau or that otherwise appear to be unusual due to their timing, size, or nature.

Requirements

Unusual and nonrecurring transactions increase the risk of misstatements. The Office of Financial Management (PFM) is addressing this risk by implementing a requirement for the financial statement community to document peer discussion and concurrence over the USSGL posting and financial statement presentation of unusual and nonrecurring transactions. This requirement is effective as of June 30, 2014.

The Standard Account Classification Advisory Team (SACAT) is an existing financial working group that includes USSGL and GAAP subject matter expert representation from each Bureau. The SACAT is the designated forum for the approval of USSGL posting models prior to implementation in the Financial and Business Management System. The SACAT has not

historically played an active role in approving the posting models over transactional entries that are nonrecurring in nature as they are generally recorded with adjusting journal entries. This role is expanded for Fiscal Year (FY) 2014 in response to the material weakness control deficiency issued in FY 2013 over unusual and nonrecurring transactions.

Effective June 30, 2014, the SACAT is the designated forum for peer discussion and approval of the accounting treatment of unusual and nonrecurring transactions. The quarterly financial manager's checklist now includes a line that certifies Bureau compliance with this requirement (Attachment). The revised financial manager's checklist is for use in the third and fourth quarters.

The Bureau(s) is responsible for:

- Identification of unusual and nonrecurring transactions.
- Presentation of the identified transaction and recommended disposition to the SACAT using the attached SACAT request template. (Attachment)

The SACAT is responsible for:

- Peer review and discussion of the bureau proposed transactional treatment.
- Logging a vote by Bureau to document the final approved transactional posting/treatment.

The PFM, Financial Reporting Division is responsible for:

- Facilitation of SACAT discussions.
- Coordination with external groups or agencies as necessary to obtain additional guidance or request additions to or modifications of existing guidance. Examples include the Department of Treasury USSGL staff, the DOI Office of Budget, and/or the Office of Management and Budget to request budgetary posting guidance when necessary.
- Documentation of the coordination with outside offices as it occurs.
- Communication of SACAT decisions to the Finance Officers Partnership.
- Communication of SACAT decisions to the independent auditor.

Criteria

The Bureau should consider the following factors when identifying a transaction as unusual or nonrecurring.

- Is the transaction outside the standard, existing business practices for your entity?
- Is the transaction a larger amount than transactions routinely recorded by your entity?
- Does the transaction involve multiple entities?
- Does the transaction require analysis of substance over form?
- Was the transaction authorized by new legislation?
- Was the transaction authorized by a recent legal settlement?
- Was the transaction initiated by an unusual act of nature?
- Is the USSGL silent with regards to a posting model for the transaction?

If the Bureau response is "yes" to any of the above questions, the activity presents an increased risk for misstatement and should be evaluated as a potential unusual and nonrecurring

transaction. The final determination and submission of the SACAT form is dependent upon professional judgment applied by the responsible accountant(s). Professional judgment requires the analysis of GAAP relative to the transaction.

Please note that PFM has not established a specific materiality threshold for transactions subject to this requirement. The Bureau must make this determination using quantitative and qualitative factors acceptable under GAAP. Materiality is defined by the Financial Accounting Standards Board in Statements of Federal Financial Accounting Standards No. 1, paragraph 13 as:

“the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement”.

Attachments

cc: Financial Statement Guidance Team
Finance Officers Partnership

Cancelled FMMS: n/a