



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



SEP 18 2009

FINANCIAL MANAGEMENT MEMORANDA 2009-089 (Vol. II.E)

To: Bureau Assistant Directors for Administration
Bureau Chief Financial Officers

From: Daniel L. Fletcher 
Director, Office of Financial Management

Subject: Child Reporting Certification

Departmental Offices has revised the format for Child Reporting Certification. Please ensure that this format is used for all future reporting to the Departmental Offices related to Child Reporting. Also attached are the original Parent/Child Greenpaper issued in 2007 and the 2008 amendment.

If you have any questions or if you need additional information related to the Certification, please contact Ed King on 202-208-3425. If you have any questions or if you need additional information related to Parent/Child Reporting, contact Sherry Lee on 202-219-4096.

Attachment

cc: Financial Statement Guidance Team
Finance Officers Partnership

Cancelled FMMs: n/a

Additional FMMs on the Subject: n/a

Child Reporting Certification

	Element	Complete (Initials)	See attached comments or explanation
1	Provide Trial Balnces at the trading partner level for all assets, liabilities, revenue, expenses and budgetary accounts. Ensure unadjusted trial balance is reconciled to the general ledger.		
2	Ensure all allocations related to child activiity are accounted for properly.		
3	FACTS II data will be entered by the agency maintaining the detail (Child) unless otherwise agreed to by the parties involved. Unless otherwise requested, the Parent will obtain the appropriate SF-133, FMS-2108, and FACTS II trial balance from Treasury's FACTS II system.		
4	Ensure appropriate relationships exist between proprietary and budgetary accounts related to Parent/Child reporting. If applicable based on fund type a. 3100BB=3100EB b. 3310BB=3310EB c. 4201BB=4201EB d. Receivables e. Prepaid Amounts f. Advances g. Payables h. Funded Expenses i. Expended Authority j. Reimbursable Revenue k. Cash to Budget l. Appropriations Used m. Unexpended Appropriation Proof		
5	Ensure accruals are accurate and reasonable in relation to accrual methodology		
*Note: Element number 6 is only required to be completed for 4th quarter.			
6	The Child attests that the annual review on Internal controls over financial reporting, as required by OMB A-123, Appendix A, included the review of controls over child activity. Unless otherwise noted, the Child gives reasonable assurance that the objectives of FMFIA have been achieved through this review.		

Attach explanations for indicated items, if required.

Reporting Entity	
Finance Officer/Manager: _____	_____
Signature	Date
Agency: _____	Phone No. _____



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



SEP 25 2008

Memorandum

To: Bureau Finance Officers

From: Daniel Fletcher 
Office of Financial Management

Subject: Parent/Child Allocation of Liability Accounts – Addendum to Current
Parent/Child Reporting Policy

Federal accounting standards require allocation of all costs incurred by child activity to the child account. Office of Management and Budget Circular A-136 Section II.4.2 Number 5 states:

"Effective FY 2007, the parent must report all budgetary and proprietary activity in its financial statements, whether material to the child, or not. Therefore, the receiving department must not report any information relating to the transfer appropriation account on its financial statements."

Therefore, the Department must fully allocate to child accounts, regardless of materiality, all child related activity. On the liability side, this includes accounts payable, FECA actuarial, FECA liability, and all other liabilities. Any adjustment and allocation of imputed costs must be included. Those amounts must not be reported on any of the operating program's financial statements. The recognition and allocation of unfunded liabilities is not contingent upon the ultimate funding methodology when these amounts are paid. Any reasonable allocation methodology is permitted as long as it is consistent with the allocation of those costs by the bureaus for the Department's financial statements. Fiscal Year 2007 amounts should not be adjusted as comparative information is not required.

The parent and children are responsible for ensuring that its financial statements are fairly stated. This responsibility includes amounts accounted for and reported by the child to the parent for inclusion in the parent's financial statements. As a result, the Interior parent must require assurance that the information provided by the child is accurate and has undergone some type of management review. Conversely, the child must ensure that all amounts related to child activity are removed from their financial statements.

The Parent should request and receive from each Child (whether Interior or Non-Interior) a quarterly checklist and certification as to the validity of the information

submitted. The certification form required when the parent and child activity is internal to Interior is attached (Attachment 1). Non-Interior entities may have a similar form that would be required of Interior Child entities. This form should accompany the trial balance when possible but no later than twenty-four hours (24) after the trial balance is provided.

The parent should also obtain assurance regarding internal controls to support its assurances on OMB Circular A-123 and on internal controls in the management representation letter – the child is essentially a service provider.

When facts become known regarding specific control deficiencies or materiality warrants, bureaus should develop mitigating controls or tests to ensure that amounts are accurate. It may be necessary for transaction testing or other types of testing as deemed necessary by the parent.

When issues are identified on receipt of the Trial balance and checklist, Interior bureaus should make every effort to resolve/reconcile the problems as soon as possible (prior to receipt of the next report). Should problems arise that cannot be resolved between the Parent/Child, the issues will be brought to the attention of the Office of Financial Management, so that resolution can be achieved.

If you have questions regarding this memorandum, please contact David Horn at 202-208-5542 or david_hom@ios.doi.gov.

cc: FSGT

Attachment 1

	Element	Complete (Initials)	See attached Comments or Explanation (Initials)
1.	Provide trial balances at the trading partner Level for all assets, liabilities, revenue, expenses, and budgetary accounts. Ensure unadjusted trial balance is reconciled to the general ledger.		
2.	Ensure all allocations related to child activity are accounted for properly.		
3	FACTS II data will be entered by the agency maintaining the detail (Child) unless otherwise agreed to by the parties involved. Unless otherwise requested, the Parent will obtain the appropriate SF-133, FMS-2108, and FACTS II trial balance from Treasury's FACTS II system.		
4.	<p>Ensure appropriate relationships exist between proprietary and budgetary accounts related to Parent/Child reporting. <i>If applicable based on fund type</i></p> <ul style="list-style-type: none"> a. 3100BB = 3100EB b. 3310BB = 3310EB c. 4201BB = 4201EB d. Receivables e. Prepaid Amounts f. Advances g. Payables h. Funded Expenses i. Expended Authority j. Reimbursable Revenue k. Cash to Budget l. Appropriations Used m. Unexpended Appropriation Proof 		
5.	The Child attests that the annual review on internal controls over financial reporting, as required by OMB A-123, Appendix A, included the review of controls over child activity. Unless otherwise noted, the Child gives reasonable assurance that the objectives of FMFIA have been achieved through this review.		

Attach explanations for indicated items, if required.

Reporting Entity:		
Finance Officer/Manager:	_____	_____
	Signature	Date
Agency: _____	_____	Phone No.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



AUG - 2 2007

Memorandum

To: Bureau Finance Officers

From: Daniel L. Fletcher 
Director, Office of Financial Management

Subject: Parent/Child Reporting

In Fiscal Year (FY) 2007, Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, was revised to reflect changes in various reporting methodologies. As a result, the presentation of Parent/Child reporting was changed from each entity potentially reporting the information to only the Parent reporting information in the financial statements. Under this new policy, audit coordination between Parent and Child will be necessary, since the Child will retain all the details.

Trial Balance Data Submitted to the Parent: Interior Child bureaus will provide the Parent with trial balances complete with trading partner attributes.

Aging of Nongovernment Receivables: The Interior Parent may receive in the data from the Child nongovernment receivables. In order for the nongovernment receivables aging schedule to reconcile to the nongovernment receivables on the Balance Sheet, the aging schedule needs to be adjusted for the addition (Parent) or removal (Child) of the Child nongovernment receivables. To determine the proper category on the aging report to adjust, the Interior Parent must first determine whether the nongovernment receivable amounts from the Child are material to the Parent. If the amounts are material, then the Parent must request additional information from the child to determine aging schedule category placement. If the amount is immaterial, then the Interior Parent will add these nongovernment receivables to the current category in the aging schedule. The child will remove the nongovernment receivables from its data using the same category as the Parent.

Allocation to GPRA Mission Goals For Statement of Net Cost Presentation: The Child agency's revenues and expenses will now be included in the Parents Statement of Net Cost. The Statement of Net Cost is presented by GPRA Mission Goals.

Reconciliation of Child FACTS II Data to Parent Statement of Budgetary Resources (SBR): The Parent has the responsibility to ensure that the data the Child provided, agrees with the data submitted by the Child into the FACTS II system. The Parent will obtain the SF-133 data from the FACTS II system from OMB. The Parent will then compare the OMB FACTS II data to the budgetary data submitted by the Child. If differences are found, the Parent will contact the Child bureau for justification. The



UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.



AUG - 5 2001



The following information is being furnished to you for your information and is not to be used for any other purpose without the express written consent of the Bureau of Plant Industry.

Very truly yours,
Director

Enclosed for you are the following publications:

- 1. [Faint title]
- 2. [Faint title]
- 3. [Faint title]

Very truly yours,
Director

Very truly yours,
Director

Child may have to provide additional supporting documentation to the Parent upon request.

Trading Partner Issues related to Trading Partner on Transfers: There are transfers between the Parent and Child accounts. The Interior Elimination Reconciliation and the Governmentwide Reciprocal Categories reconciles these transfers between trading partners. The reporting of the Child data by the Parent will result in these reconciliations being out of balance. To resolve any reconciliation issues, the Interior Parent bureaus, in the Parent account, will reclassify the trading partner on the transfers-out (to the Child), to themselves. This reclassification will ensure that the transfers for both Interior and Non-Interior Parent/Child accounts will reconcile.

Trading Partner Issues on Revenue Amounts when Reimbursable Agreements are Entered Into with a Child Appropriation: The Child removes the expenses (and liabilities when applicable) from its books for reporting purposes and submits the data to the Parent. The Parent is now reporting the expenses. In order to avoid the large trading partner reclassification entries, Interior will establish and maintain a NON_CFO entity structure in Hyperion for the Child appropriations balances. The Elimination Reconciliation Workbook has been modified using the NON_CFO balances to adjust elimination reconciliation differences to account for these amounts. All accruals for Interior Elimination Reconciliation purposes must be completed and posted to the NON_CFO entity prior to the Child extracting the data for the Parent. Any additional adjusting entries (examples include, but are not limited to accruals, cash, FACTS II, etc.) that the Child may identify must be input into the Child's NON_CFO entity and communicated to the Parent to ensure that they are posted to the corresponding entry for Financial Statement Reporting.

Prior Year Restatement (restatement of FY2006 in FY2007 reporting): Per clarification from OMB, no prior year restatement will be required. The impact of the change will be reported as a current year Change in Accounting Principle on the Statement of Changes in Net Position.

Allocation of Departmentwide Items: There are imputed costs/unfunded liabilities for Interior that are allocated to the bureaus by use of Full Time Equivalents (FTEs), labor costs, or other allocation methodology. The bureaus may allocate these items (equal to the value of the amount received) based on FTE's/labor costs or other methodology to its funds and programs. If the bureaus include the FTE's/labor costs assigned to a Child account, then the bureau will subsequently allocate a portion of the imputed costs/unfunded liabilities to a Child account. By allocating these items to a Child account (which is subsequently removed and added to the Parent), the bureau may inadvertently be reducing its portion of the imputed costs/unfunded liability and increasing the Parent.

Any amounts that are identified as imputed costs, unfunded liabilities or fiduciary DOL/OPM labor derived amounts should be communicated to the Parent and PFM as explainable reconciling amounts.

Imputed costs and fiduciary amounts, whether for a specific bureau or Departmentwide will be allocated as appropriate to Child accounts to ensure that full costs are associated with the proper final cost objective, whether they are Parent or Child accounts. The Parent will have to make necessary adjustments as required.

Variance Analysis: If the Child data causes material variances to the Parent's financial statement amounts, then it will be the responsibility of the Child to research and provide reconciliation support to the Parent. However, it is up to the Parent to request the additional information from the Child. Due to changes in reporting requirements, the Child should prepare a variance analysis for FY 2006/2007.

Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing): Several Interior Bureaus allocate Unfunded Liabilities to the fund level, thus Child appropriations have unfunded liability balances in SGL's 2220, 2225, 2290, and 2650. The change in Parent/Child reporting is treated as a current year Change in Accounting Principles. The Child bureaus will have the beginning balances included in the Statement of Financing with no corresponding ending balances on line 19 (SGL 2220) and line 23 (SGL's 2225, 2290, & 2650). The Parent bureaus will have the ending balances and no corresponding beginning balances on the same lines. This may cause some material variances for FY2007 reporting for these two lines.

Management Assurance Responsibility of Child Data: The parent is responsible for ensuring that its financial statements are fairly stated. This responsibility includes amounts accounted for and reported by the child to the parent for inclusion in the parent's financial statements. As a result, the parent requires assurance that the information provided by the child is accurate and has undergone some type of management review.

The Parent should request and receive from each Child (whether Interior or Non-Interior) a quarterly checklist and certification as to the validity of the information submitted. A sample certification form is attached (Attachment 1). Non-Interior entities may have a similar form that would be required of Interior Child entities. This form should accompany the trial balance.

The parent should also obtain assurance regarding internal controls to support its assurances on OMB Circular A-123 and on internal controls in the management representation letter – the child is essentially a service provider

When facts become known regarding specific control deficiencies or materiality warrants, bureaus are to develop mitigating controls or tests to ensure that amounts are accurate. It may be necessary for transaction testing or other types of testing as deemed necessary by the parent.

When issues are identified on receipt of the Trial balance and checklist, Interior bureaus should make every effort to resolve/reconcile the problems as soon as

possible (prior to receipt of the next report). Should problems arise that cannot be resolved between the Parent/Child, the issues will be brought to the attention of the Focus Leader – Data Stewardship, Office of Financial Management, so that resolution can be achieved. The Focus Leader will work with both the Parent/Child (whether Interior or non-Interior) to resolve the issue and will provide a written decision.

Bureaus should prepare internal policies and procedures in conformance with the guidelines presented relative to Parent/Child reporting by no later than September 30, 2007. We understand that these dates are late in the fiscal year, but expect the procedures to be operating prior to the requested documentation requirements.

Self-certification from the Bureau Finance Officer to the Office of Financial Management (attention David Horn) is required by October 15, 2007. A sample certification memorandum (Attachment 2) is included at the end of this paper; the certification may either be provided by email or official memorandum signed by the Bureau Finance Officer.

If you have questions regarding this memorandum, please contact David Horn at 202-208-5542 or david_horn@ios.doi.gov.

cc: FSGT

Attachment 1A

Procedure for Interior Entities		Complete (Initials)	See attached Comments or Explanation (Initials)
1.	Provide trial balances at the trading partner Level for assets, liabilities, revenue, expenses, and budgetary accounts. Ensure unadjusted trial balance is reconciled to the general ledger. Within Interior this is a Hyperion extract file.		
2.	FACTS II data will be entered by the agency maintaining the detail (Child) unless otherwise agreed to by the parties involved. The Child will provide the appropriate SF-133 Report on Budget Execution, FMS-2108, Yearend Closing Statement, and the FACTS II trial balances.		
3.	Ensure appropriate relationships exist between proprietary and budgetary accounts related to Parent/Child reporting. <i>If applicable based on fund type</i> <ul style="list-style-type: none"> a. 3100BB = 3100EB b. 3310BB = 3310EB c. 4201BB = 4201EB d. Receivables e. Prepaids f. Advances g. Payables h. Funded Exp i. Expended Auth j. Reim Rev k. Cash to Budget l. Approp Used m. Unexp Approp Proof 		

Attach explanations for indicated items, if required.

Reporting Entity: _____		
Finance Officer/Manager: _____	Signature	Date
Agency: _____	Phone No.	

Attachment 1B

		Complete (Initials)	See attached Comments or Explanation (Initials)
1.	Provide trial balances at the trading partner Level for assets, liabilities, revenue, and expenses. Ensure unadjusted trial balance is reconciled to the general ledger. Within Interior this is a Hyperion extract file.		
2.	FACTS II data will be entered by the agency maintaining the detail (Child) unless otherwise agreed to by the parties involved. The Child will provide the appropriate SF-133 Report on Budget Execution, FMS-2108, Yearend Closing Statement, and the FACTS II trial balances.		
3.	<p>Ensure appropriate relationships exist between proprietary and budgetary accounts related to Parent/Child reporting. <i>If applicable</i></p> <ul style="list-style-type: none"> a. 3100BB = 3100EB b. 3310BB = 3310EB c. 4201BB = 4201EB d. Receivables e. Prepaids f. Advances g. Payables h. Funded Exp i. Expended Auth j. Reim Rev k. Cash to Budget l. Approp Used m. Unexp Approp Proof 		

Attach explanations for indicated items, if required.

Reporting Entity: _____			
Finance Officer/Manager:	_____	_____	_____
	Signature		Date
Agency: _____	_____ Phone No.		

Attachment 2

Memorandum

To: David Horn, Focus Leader – Data Stewardship
Office of Financial Management

From: Bureau Finance Officer

Subject: Parent/Child Reporting Policies and Procedures

Policies and procedures have been developed for financial reporting purposes by the bureau and all external/internal entities. Included in this documentation are:

- Documentation to support decisions made between entities to resolve discrepancies;
- Copies of Trial balances at the Trading Partner Level for assets, liabilities, revenue, and expenses were provided and unadjusted Trial balances were reconciled to the general ledger;
- Copies of the appropriate SF 133 Report on Budget Execution, FMS 2108 Year End Closing Statement and the FACTS II trial balances;
- Checklists to document completion of all required steps/processes;
- Documentation to support the existence between proprietary and budgetary accounts related to Parent/Child reporting; and,
- Resolution documentation for all issues referred to the Office of Financial Management for assistance.

Documentation is available for review by the auditors if requested.