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## Chapter 1 General Guidance

### A. Introduction

Interior is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of Interior as a whole as well as the individual bureaus, offices, and programs, which comprise Interior. The Chief Financial Officers' Act (CFO Act), as amended by the Government Management Reform Act (GMRA), requires that the 24 major agencies of the Federal Government prepare and submit audited financial statements.

Interior's financial reporting goals are to achieve and maintain unqualified audit opinions for Departmental and bureau financial statements, to strengthen financial controls, and to ensure that financial data produced for management decisionmaking is reliable, verifiable, and consistent with the annual audited financial statements.

Beginning in FY 2007, due to the implementation of the Financial and Business Management System (FBMS), individual bureaus began to participate in the Consolidated Financial Statement Report and not prepare individual reports. As components of Interior, individual bureaus are not required by law to publish separate financial statements. As of FY 2009, only one bureau continued to prepare a separate report, Office of the Secretary/Departmental Offices. To participate in the Consolidated Only report, bureaus not yet converted to FBMS must meet specific requirements relative to material weaknesses, significant deficiencies, and timeliness. It is anticipated that all bureaus will eventually participate in the Consolidated Financial Statements.

Effective FY 2007, the "parent" must report all budgetary and proprietary activity in its financial statements, whether material to the child or not. This change impacted Interior's financial statements and information presented regarding Investment in Human Capital reported in the Required Supplementary Stewardship Information section of the report.

### B. History

In FY 2002, Interior began preparing a combined Accountability and Performance Report to provide the Office of Management and Budget, Congress, and the public with consolidated financial statement data and information on operating performance and management integrity that demonstrated Interior's stewardship over the assets, missions, and responsibilities entrusted to it. The report integrated the multiple financial management and performance measurement requirements of the CFO Act, the Government Performance and Results Act (GPRA), the GMRA, and the Federal Managers' Financial Integrity Act (FMFIA) into a comprehensive process.

All bureau and Departmental performance measures are included in Interior's Annual Financial Report (AFR). Information on all performance measures is presented in the Performance Data and Analysis section of the AFR. In addition,



information on selected measures is presented in the Management Discussion and Analysis section. The Bureaus must ensure that performance data is made available for the AFR by submitting this data in a timely manner through the Office of Planning and Performance Management (PPP). PPP issues specific guidance related to the collection of performance information.

OMB Circular A-136 established a permanent requirement that agency AFRs are due to OMB and Congress no later than 45 calendar days after the end of the fiscal year end. Agencies are required to provide a draft AFR to OMB's Office of Federal Financial Management and the appropriate Resource Management Office ten working days before agencies issue the final AFR. Unaudited quarterly financial statements are due 21 days after the end of each of the 1<sup>st</sup> three quarters, and audited financial reports are due 45 calendar days after the end of the fiscal year end.

Reports must be provided to the Speaker of the House of Representatives, the President, and the President pro tempore of the Senate, the Chairmen and ranking minority member of the Senate Committee on Homeland Security and Government Affairs, and the House Committee on Government Reform, and the chairmen and ranking minority member of the budget committees, relevant authorization and oversight committees, and appropriation subcommittees. Agencies have been encouraged to transmit electronic files.

In addition to OMB via the MAX page and the above entities, a copy of the final report is to be provided to Treasury (main), Financial Management Service (FMS), and the Government Accountability Office. To be considered final, all required signatures must be included in the submission.

### **C. Timelines**

Interior's goal is to prepare timely and accurate financial statements and to make financial management information accessible throughout the year.

In order to complete the Consolidated Financial Statements by the due date, audit fieldwork on the bureau financial statements and footnotes must be performed primarily on interim data prior to year end. This necessitates that the year-end close take place by early October and that draft financial reports be provided to the auditors by mid-October (See Appendix A). Each bureau should prepare a summarized timetable of major milestones in consultation with their auditors. Each year Interior strives to complete and submit Consolidated Financial Statements prior to the 45 day requirement.

Adherence to milestones and planned completion dates is critical to complete the AFR in a timely manner. Bureaus are expected to work with the auditors prior to year end to identify any issues that might delay the audit and to proactively discuss data issues with the auditors. Financial statements, footnotes, overview material, and supplemental data will be prepared on a quarterly basis to facilitate the



identification of problem areas as early in the audit process as possible.

#### **D. Financial Statements**

Office of Management and Budget (OMB) Circular A-136, “*Financial Reporting Requirements*”, requires the presentation of the statements listed below. Comparative data for prior year information is required for all statements and related footnotes, unless OMB Circular A-136 states otherwise.

Both entity and non-entity assets under an entity’s custody or management should be reported in the entity’s financial statements, except for non-entity assets meeting the definition of fiduciary assets, which should not be recognized on the balance sheet, but should be disclosed in accordance with provisions of SFFAS 31, *Accounting for Fiduciary Activities*.

The following statements are presented in the Principal Financial Statements section of the AFR.

1. Balance Sheet: Presents, as of a specific point in time, amounts of future economic benefits owned or managed by the reporting entity (assets) exclusive of items subject to stewardship and fiduciary reporting, amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).
2. Statement of Net Cost: Shows the gross cost incurred by the reporting entity less any exchange revenue earned from its activities.
3. Statement of Changes in Net Position: Reports the change in net position during the reporting period.
4. Statement of Budgetary Resources: Provides information about how budgetary resources were made available as well as their status at the end of the period.
5. Statement of Custodial Activity: Presents the sources and disposition of custodial revenues. At this time, this is only applicable to Minerals Management Service (MMS), Bureau of Land Management, and Bureau of Reclamation.

The Combining Statement of Budgetary Resources, which provides information about how budgetary resources were made available by appropriation are presented in the Required Supplementary Information section of the AFR.

The following statements are presented in the Other Supplementary Information section of the AFR.

1. Consolidating Balance Sheet: Presents by individual bureau, at a specific point in time, amounts of future economic benefits owned or managed by the reporting entity (assets) exclusive of items subject to stewardship and fiduciary



reporting, amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

2. Consolidating Statement of Changes in Net Position: Presents by individual bureau the change in net position during the reporting period.

Interim financial statements (unaudited) are provided to OMB 21 calendar days after the end of each of the first three quarters of the fiscal year.

Effective the 3<sup>rd</sup> quarter of FY 2008, the MAX Federal Community page has been utilized to submit interim financial statements, draft reports, and final reports to OMB.

### **E. Footnotes:**

Each bureau is responsible for communicating to the bureau audit team expected changes in the types of financial and non-financial data presented in the overview, footnotes, and supplemental data to be prepared. Quarterly reports should illustrate the intended year-end presentation.

- ▶ The Chart of Accounts and financial crosswalks can be obtained by referring to the appropriate reports.
- ▶ Standard formats for each one of the statements and footnotes have been drafted and must be used by the bureaus.
- ▶ Bureaus are not expected to recreate these crosswalks, as the data is available in Hyperion.
- ▶ Hyperion Retrieve reports should have an identifiable name and should be saved in a place that the Auditors can locate. The file name should include the fiscal year, bureau acronym, and statement name.

### **F. Monthly Processes (excluding the month of October)**

- ▶ Load trial balance data into the Hyperion Enterprise Application. (monthly and quarterly)
- ▶ Reconcile monthly intra-departmental activity
- ▶ Complete monthly reconciliations, including property, suspense, fund balance, etc.

### **G. Quarterly Processes**

- ▶ Post quarterly accruals, including accounts payable, accounts receivable, undelivered orders, etc.
- ▶ Post quarterly entries related to settled litigation, claims, and assessments
- ▶ Post routine entries for depreciation, bad debts, allowances for accounts receivable, etc.
- ▶ Prepare a complete set of adjusted financial statements. (monthly and quarterly)
- ▶ Prepare analysis and reconciliation results (quarterly)
- ▶ Prepare footnote language (2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> quarter) as required for incorporation into the Consolidated Financial Statements. The information



required is provided to the bureaus participating in the Consolidated Only process during the 1<sup>st</sup> quarter each Fiscal Year.

## H. Authoritative Hierarchy

In April 2000, the American Institute of Certified Public Accountants (AICPA) through Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles (GAAP) in the Independent Auditor's Report*, as amended by SAS 91, *Federal GAAP Hierarchy*, established the following hierarchy of accounting principles for Federal governmental entities:

1. Federal Accounting Standards Advisory Board -- Statements of Federal Financial Accounting Standards (SFFAS) and Interpretations plus AICPA and Financial Accounting Standards Board (FASB) pronouncements if made applicable to Federal governmental entities by a FASAB SFFAS or Interpretation
2. FASAB Technical Bulletins and the following pronouncements if specifically made applicable to Federal governmental entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position
3. AICPA Accounting Standards Executive Committee (ACSEC) Practice Bulletins if specifically made applicable to Federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB;
4. Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the Federal government.

The following Statements of Federal Financial Accounting Standards (SFFAS) are currently effective. The provisions of these standards must be applied in the preparation of all financial statements. For complete view of standards, see web site: <http://www.fasab.gov>.

Standards  
Technical Releases  
Technical Bulletins  
Interpretation  
SFFAC  
Implementation Guides

The published standards, along with other elements of the financial reporting hierarchy, constitute Generally Accepted Accounting Principles (GAAP) of the Federal Government.



5. OMB Financial Reporting Requirements. OMB Circular A-136, "*Financial Reporting Requirements*," can be found on OMB's web site. Note that the provisions of published SFFAS and interpretations take precedence over OMB Financial Reporting Requirements.
6. Other Authoritative Guidance. If questions arise regarding issues that are not addressed by SFFAS or OMB Financial Reporting Requirements, the agency should look to authoritative guidance issued by other standard setting bodies, such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

#### **I. Office of Financial Management Guidance and Instructions**

In addition to the information provided in the Financial Statement Preparation Guidance, PFM will provide information to the bureaus/offices of Interior via the issuance of Financial Management Memoranda. These Memoranda will supplement information in the Guidance and provide yearly instructions on specific reporting requirements (i.e., Contingent Liabilities, Stewardship Reporting, etc.).

Bureaus/Offices should feel free to discuss any issues/concerns during the Financial Statement Guidance Team meetings or with individual staff members.



## Chapter 2 Management's Discussion and Analysis

The Annual Financial Report (AFR) must contain a section entitled Management's Discussion and Analysis (MD&A). The MD&A should provide a clear and concise description of the reporting entity's performance measures, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. To be useful, the MD&A must be concise and readable to a non-technical audience, focus on the most important matters, and provide a balanced analytical assessment of program and financial performance that includes both positive and negative information. The standards require that the MD&A be included as required supplemental information as defined in the standards.

The MD&A should serve as a brief overview of the entire AFR.

The content of MD&A is the responsibility of bureau management. The preparation of the MD&A should be a joint effort between the bureau's Office of the Chief Financial Officer, program offices, and offices responsible for performance reporting. The MD&A provides management with a vehicle for communicating insights about the entity, increasing the understandability of financial information, and providing information about the entity, its operations, service levels, successes, challenges, and the future.

Only summary level performance information should be discussed in the MD&A; detailed performance information should be reported in the Performance Data and Analysis section of the Performance and Accountability Report.

At a minimum, the MD&A should address:

- ▶ Mission and organizational structure;
- ▶ Performance goals, objectives, and results;
- ▶ Financial Statements;
- ▶ Systems, controls and legal compliance; and,
- ▶ The future effects in the entity of existing, currently-known demands, risks, uncertainties, events, conditions, and trends. *(This may be separate or included within the above requirements. This information is required by SFFAS No. 15, but does not have to be a separate section)*

Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements - Revised (2009), should be consulted for a detailed description of the requirements for the Performance and Accountability Report.

### References:

SFFAS No. 15 <[www.fasab.gov/pdffiles/sffas-15.pdf](http://www.fasab.gov/pdffiles/sffas-15.pdf)>

SFFAC 3 Executive Summary <[www.fasab.gov/pdffiles/sffac-3.pdf](http://www.fasab.gov/pdffiles/sffac-3.pdf)>

OMB Circular A-136 <[www.whitehouse.gov/omb/circulars/a136/a136\\_revised\\_2008.pdf](http://www.whitehouse.gov/omb/circulars/a136/a136_revised_2008.pdf)>



## Chapter 3 Other Accompanying Information

### Management Challenges

The Performance and Accountability Report shall include a statement prepared by the agency's Inspector General (OIG) summarizing what the OIG considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the Performance and Accountability Report due date. Comments by the agency head should follow the OIG's statement and address each OIG challenge. The agency head may not modify the OIG statement.

### Summary of Financial Statement Audit and Management Assurances

All agencies are required to prepare Table 1 and Table 2. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in Federal Managers' Financial Integrity Act (FMFIA) sections or by the auditor has the same name throughout the two tables. To the extent possible, weakness names should also be kept constant from year to year, and the same names should be used when the weaknesses are entered into the Financial Information Progress System (FIPS).

**Table 1.**  
Summary of Financial Statement Audit

Audit Opinion	Unqualified, qualified, disclaimer, or adverse				
Restatement	Yes or No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
[Name of weakness]					
[Name of weakness]					
[Name of weakness]					
<i>Total Material Weaknesses</i>	##	##	##	##	##

Significant deficiencies are not required to be reported. Beginning balances should be included in the table when the draft Performance and Accountability Report is submitted to the Office of Management and Budget for review, even if auditor-reported weaknesses have not yet been identified. Beginning balances should agree with agency prior year ending balances as shown in FIPS.

For each weakness, a check (✓) should be placed in the appropriate category, with the numeric total listed on the total line.



**Table 2.**  
Summary of Management Assurances

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
Statement of Assurance	Unqualified, qualified, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
<i>Total Material Weaknesses</i>	##	##	##	##	##	##
<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>						
Statement of Assurance	Unqualified, qualified, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
<i>Total Material Weaknesses</i>	##	##	##	##	##	##
<b>Conformance with financial management system requirements (FMFIA § 4)</b>						
Statement of Assurance	Systems conform, conform except for the below non-conformance(s), or do not conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of non-conformance]						
[Name of non-conformance]						
[Name of non-conformance]						
<i>Total non-conformances</i>	##	##	##	##	##	##
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
	Agency			Auditor		
Overall Substantial Compliance	Yes or No			Yes or No		
1. System Requirements	Yes or No					
2. Accounting Standards	Yes or No					
3. USSGL at Transaction Level	Yes or No					



### Definition of Terms

**Beginning Balance:** The beginning balance shall agree with the ending balance of material weaknesses from the prior year.

**New:** The total number of material weaknesses that have been identified during the current year.

**Resolved:** The total number of material weaknesses that have dropped below the level of materiality in the current year.

**Consolidated:** The combining of two or more findings.

**Reassessed:** The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined a material weakness does not meet the criteria for materiality or is redefined as more correctly classified under another heading (e.g., section 2 to a section 4 and vice versa).

**Ending Balance:** The agency's year-end balance.

### Improper Payments Information Act Reporting Details

An Agency should:

- Briefly describe the risk assessment(s), performed subsequent to completing its full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11 (now located in Circular A-123, Appendix C). Please highlight any changes to its risk assessment or its risk assessment results that occurred since its last report.
- Briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified. Please highlight any changes to its statistical sampling process that have occurred since the last report in this section.

For Sections 1 and 2, OMB encourages agencies to *briefly* highlight changes from the last report and to limit the repetition of information on the risk assessment or statistical sampling process that was included in previous reports.

- Describe the Corrective Action Plans for:
  - Reducing the estimated rate and amount of improper payments for *each* type of root cause of error (for instance, OMB recommends using categories like Administrative and Documentation errors, Authentication and Medical Necessity errors, and Verification and Local Administration errors). This discussion must include the corrective action(s) most likely to significantly reduce future improper payments due to each type of error an agency



identifies. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.

- Grant-making agencies with risk susceptible grant programs, briefly discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

**Improper Payment Reduction Outlook**

Program	PY Outlays	PY %	PY \$	CY Outlays	CY IP %	CY IP \$	CY+1 Est. Outlays	CY+1 IP %	CY+1 IP \$	CY+2 Est. Outlays	CY+2 IP %	CY+2 IP \$	CY+3 Est. Outlays	CY+3 IP %	CY+3 IP \$

NOTE: Over- and under-payments should be indicated if this information is available. The absolute value of the dollars and the rates should be shown—do not net the figures.

- Program improper payment reporting
  - The table below is required for each reporting agency. Agencies must include the following information:
    - ❖ all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported;
    - ❖ where no measurement is provided, agency should indicate the date by which a measurement is expected;
    - ❖ if the Current Year (CY) is the baseline measurement year, indicate by either note or by “n/a” in the Prior Year (PY) column;
    - ❖ if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;
    - ❖ include outlay estimates for CY +1, +2, and +3; and
    - ❖ agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable. (Future year outlay estimates (CY+1, +2 and +3) should match the outlay estimates for those years as reported in the most recent President’s Budget.)



- Discuss your agency’s recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.
- Recovery auditing reporting
  - Discuss recovery auditing effort, **if applicable, including any contract types excluded from review and the justification for doing so**; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.
  - Complete the table below.
- Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.
- Agency information systems and other infrastructure.
  - Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.
  - If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.
- Describe any statutory or regulatory barriers which may limit the agencies’ corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers’ effects.
- Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of Improper Payment Information Act implementation.

Agency Component	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)



**References:**

- OMB Circular A-11, Preparation, Submission and Execution of the Budget (6/26/08) <http://www.omb.gov/circulars>
- OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments (08/10/2006) <http://www.omb.gov/circulars>
- Federal Managers' Financial Integrity Act, <http://www.whitehouse.gov/omb/financial/fmfia1982.html>
- OMB Circular A-136, Financial Reporting Requirements - Revised (06/10/09) <http://www.whitehouse.gov/omb/circulars/>



## **Chapter 4**

### **Role of the Financial Statement Guidance Team**

The Financial Statement Guidance Team (FSGT) was formed under the authority of the Department's Finance Officers' Partnership. The FSGT meets by teleconference on a periodic schedule agreed to by the membership, generally bi-weekly.

The membership of the FSGT is comprised of Office of Financial Management staff involved in the financial statement preparation process, bureau finance office staff, and bureau headquarters personnel. Audit personnel from the outside audit firm and the OIG are generally not invited to meetings.

Departmental Manual Chapter 330 DM 3.6 states that: The FSGT coordinates financial statement issues among the bureaus and the Department. The FSGT implements new Financial Accounting Standard Advisory Board, Office of Management and Budget, and U.S. Treasury guidance, as well as correcting audit findings for the Department.

Consequently, the general purpose of the FSGT is to identify and resolve issues related to the preparation and audit of the Department and Bureau financial reports. Whenever possible, proposed policies and guidance are discussed during FSGT meetings to ensure that bureau as well as Departmental concerns are addressed and consensus reached prior to finalization of the guidance.

Bureau staff is encouraged to become involved in developing processes to implement new or changing reporting requirements in the financial statements, both at the bureau and Departmental levels. At times a bureau staff member may be the only Interior representative on an interagency group working on the implementation of changing accounting reporting requirements. The individual will report back to the FSGT on issues being discussed in the interagency group to ensure that Department and all bureau perspectives are presented.



## Chapter 5 References

Accounting and Auditing Policy Committee (AAPC): <[www.fasab.gov/aapc](http://www.fasab.gov/aapc)>

AAPC Implementation Guidance for SFFAS 29: Heritage Assets and Stewardship  
<[www.fasab.gov/aapc/aapc.html](http://www.fasab.gov/aapc/aapc.html)>

Association of Government Accountants (AGA): <[www.agacgfm.org](http://www.agacgfm.org)>

Federal Accounting Standards Advisory Board (FASAB): <[www.fasab.gov](http://www.fasab.gov)>

Financial Systems Integration Office (FSIO): <[www.fsio.gov](http://www.fsio.gov)> (formerly JFMIP)

Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements: <[www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)>

Office of Management and Budget (OMB) Circular A-134, Financial Accounting Principles and Standards: <[www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)>

Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control (Effective beginning with FY 2006)  
<[http://www.whitehouse.gov/omb/circulars/a123/a123\\_rev.html](http://www.whitehouse.gov/omb/circulars/a123/a123_rev.html)>

Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget (June 26, 2008)  
<[www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)>

Treasury Manual: <[www.fms.treas.gov/tfm/index.html](http://www.fms.treas.gov/tfm/index.html)>

U.S. Standard General Ledger: <[www.fms.treas.gov/USSGL](http://www.fms.treas.gov/USSGL)>

Statements of Federal Financial Accounting Standards (available on FASAB website: <http://www.fasab.gov>):

- SFFAS 1: Accounting for Selected Assets and Liabilities
- SFFAS 2: Accounting for Direct Loans and Loan Guarantees
- SFFAS 3: Accounting for Inventory and Related Property
- SFFAS 4: Managerial Cost Accounting Standards and Concepts
- SFFAS 5: Accounting for Liabilities of The Federal Government
- SFFAS 6: Accounting for Property, Plant, and Equipment
- SFFAS 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting
- SFFAS 8: Supplementary Stewardship Reporting
- SFFAS 9: Deferral of the Effective Date of Managerial Cost Accounting Standards for the Federal Government in SFFAS No. 4
- SFFAS 10: Accounting for Internal Use Software
- SFFAS 11: Amendments to Accounting for Property, Plant, and Equipment -



- Definitional Changes - Amending SFFAS 6 and SFFAS 8 Accounting for Property, Plant, and Equipment and Supplementary Stewardship Reporting
- SFFAS 12: Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government
- SFFAS 13: Deferral of Paragraph 65.2—Material Revenue-Related Transactions Disclosures
- SFFAS 14: Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting
- SFFAS 15: Management's Discussions and Analysis
- SFFAS 16: Amendments to Accounting For Property, Plant, and Equipment— Measurement and Reporting for Multi-Use Heritage Assets: Amending SFFAS 6 and SFFAS 8 Accounting for Property, Plant, and Equipment and Supplementary Stewardship Reporting
- SFFAS 17: Accounting for Social Insurance
- SFFAS 18: Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2
- SFFAS 19: Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2
- SFFAS 20: Elimination of Certain Disclosures Related to Tax Revenue Transactions by the Internal Revenue Service, Customs, and Others, Amending SFFAS 7, Accounting for Revenue and Other Financing Sources
- SFFAS 21: Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources
- SFFAS 22: Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources
- SFFAS 23: Eliminating the Category National Defense Property, Plant, and Equipment
- SFFAS 24: Selected Standards for the Consolidated Financial Report of the United States Government
- SFFAS 25: Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment
- SFFAS 26: Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25
- SFFAS 27: Identifying and Reporting Earmarked Funds
- SFFAS 28: Deferral of the Effective Date of Reclassification of the Statement of Social Insurance: Amending SFFAS 25 and 26
- SFFAS 29: Heritage Assets and Stewardship Land
- SFFAS 30: Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts
- SFFAS 31: Accounting for Fiduciary Activities
- SFFAS 32: CFR of the U.S. Government Requirements
- SFFAS 33: Pensions, Other Retirement Benefits, and Other Post-employment benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates

Financial Management Memorandum: <[www.doi.gov/pfm](http://www.doi.gov/pfm)>

Cash Management Handbook: <[www.doi.gov/pfm](http://www.doi.gov/pfm)>



Credit and Debt Management Handbook: <[www.doi.gov/pfm](http://www.doi.gov/pfm)>

Inter Intra-Agency Acquisition Handbook: <[www.doi.gov/pfm](http://www.doi.gov/pfm)>

411 DM: <[http://elips.doi.gov/app\\_dm/index.cfm?fuseaction=home](http://elips.doi.gov/app_dm/index.cfm?fuseaction=home)>

Asset Management Information: <<http://www.doi.gov/pam/assetmanage.html>>



## Chapter 6 Balance Sheet

The balance sheet presents, as of a specific date, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). Presentation of segment data is optional (but preferred) and is presented as Other Supplementary Information.

- ▶ Combine entity and non-entity assets on the face of the balance sheet and disclose non-entity assets in the footnotes.
- ▶ Combine liabilities covered by budgetary resources and liabilities not covered by budgetary resources on the face of the balance sheet.
- ▶ Disclose liabilities not covered by budgetary resources in the footnotes.
- ▶ See Statements of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*, for more details on earmarked funds.
- ▶ Disclose cumulative results of operations and unexpended appropriations for earmarked funds separately from all other funds on the face of the balance sheet.
- ▶ The provisions of SFFAS 27 need not be applied to immaterial items.
- ▶ See SFFAS 31, *Accounting for Fiduciary Activities*, for more details on fiduciary activities. Activities meeting the definition of “Fiduciary” are no longer reported on the Balance Sheet, but reported as a footnote.

Specific balance sheet line items and disclosures requiring special emphasis are presented below.

### A. ASSETS

Assets are tangible or intangible items owned by the Federal government which have probable economic benefits that can be obtained or controlled by a Federal government entity. The intragovernmental assets of an agency are separately reported on the face of the balance sheet. Non-entity assets, which may be intragovernmental or governmental (i.e., non-Federal), are separately disclosed in the footnotes. Entity, non-entity, and intragovernmental assets are defined below in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*.

#### 1. Asset Classifications.

- a. Entity Assets:** These are assets that the reporting entity has authority to use in its operations. The authority to use funds in an entity’s operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations, e.g., repay loans from Treasury.
- b. Non-Entity Assets:** These are assets that are held by an entity but are not available to the entity. An example of non-entity assets is income tax



receivables, which the Internal Revenue Service collects for the U.S. Government but has no authority to spend.

Note that an amount or amounts equal to non-entity assets should be recognized as a liability (due to Treasury or other entities) in the financial statements.

Combine entity and non-entity assets on the face of the balance sheet (e.g., entity intragovernmental accounts receivable and non-entity intragovernmental accounts receivable shall be combined and reported as a single intragovernmental accounts receivable line item on the face of the balance sheet). Disclose both entity and non-entity assets in the footnotes. *Due to Custodial Activity, the Minerals Management Service (MMS) may continue to report these separately on the face of the statements.*

**c. *Restricted Assets:*** Restricted Assets is a disclosure used within Interior beyond the scope of SFFAS 1 requirements to disclose large amounts of total assets (primarily consisting of Fund Balance and Investments) which technically meet the definition of an “entity asset” but which are not currently available for Interior to use. These assets are essentially a subset of entity assets (entity-restricted). There are five types of Restricted Assets within Interior:

- Land and Water Conservation Fund
- Historic Preservation Fund
- Receivables from the Sport Fish Restoration and Boating Trust Fund, recorded in FWS Sport Fish Restoration Account, that are due to the U.S. Coast Guard and the U.S. Army Corp of Engineers
- Reclamation Fund
- Environmental Improvement and Restoration Fund
- Other unavailable receipt funds

*Ensure that appropriate subtotals exist in Hyperion to properly accumulate this data.*

**d. *Intra-governmental Assets:*** These assets arise from transactions among Federal entities and are claims of one Federal entity against another. Intra-governmental assets include:

- Fund balance with Treasury
- Investments in Treasury securities



- Accounts and interest receivable from federal entities
- Loans and interest receivable from federal entities
- Advances and prepayments to federal entities

Report intra-governmental assets separately from transactions with non-Federal entities, the Federal Reserve, and government-sponsored enterprises (i.e., federally chartered but privately owned and operated entities).

*Ensure federal versus public breakouts do not present negative balances.*

- e. Non-Governmental Assets:** These assets arise from transactions with non-federal entities (persons, governments and organizations that are not part of the U.S. Government). The term public is also used to refer to non-federal entities. Non-Government assets include cash, investments, accounts and interest receivable from non-federal entities, loans and interest receivable from non-federal entities, and advances and prepayments made to non-federal entities.

## 2. Footnotes Associated with the Balance Sheet Assets:

### a. Intragovernmental Assets:

- Fund Balance with Treasury
- Investments, Net
- Accounts and Interest Receivable, Net
- Intragovernmental Loans and Interest Receivable, Net
- Other Governmental Assets

### b. Other Assets:

- Cash
- Investments, Net
- Accounts and Interest Receivable, Net
- Loans and Interest Receivable, Net
- Inventory and Related Property



- General Property, Plant, and Equipment, Net
- Other

Additional information about each of the above categories is available in Chapter 5, Notes to Financial Statements.

## B. LIABILITIES

A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Financial statements shall recognize probable and measurable future outflows or other sacrifices of resources arising from: (1) past exchange transactions; (2) government-related events; (3) government-acknowledged events; or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. SFFAS No. 5 describes the general principles governing the recognition of a liability.

**1. Liability Classifications.** Liabilities are recognized when they are incurred regardless of whether they are covered by available budgetary resources. This includes liabilities related to appropriations canceled under “M” account legislation (P.L. 101-510, Sec.1405).

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. The intra-governmental liabilities of an agency are separately classified on the face of the Balance Sheet. These terms are defined below in accordance with SFFAS 1.

**a. Liabilities Covered by Budgetary Resources:** Liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: new budget authority; unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; spending authority from offsetting collections (credited to an appropriation or fund account); and/or recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by the Office of Management and Budget without further action by the Congress or without a contingency having to be met first.

**b. Liabilities Not Covered by Budgetary Resources:** These are liabilities not considered to be covered by budgetary resources, as described above.



Combine liabilities covered by budgetary resources with liabilities not covered by budgetary resources on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in the footnotes.

**2. Intra-governmental Liabilities:** These liabilities are claims against the entity by other Federal entities. Report intragovernmental liabilities separately from claims against the reporting entity by non-Federal entities, including government-sponsored enterprises and the Federal Reserve System.

- **Footnotes Associated with Intragovernmental Liabilities:**

- Accounts Payable
- Debt
- Other
  - ❖ Liability for Capital Transfer to the General Fund of the Treasury
  - ❖ Advances and Deferred Revenue
  - ❖ Custodial Liability
  - ❖ Other Liabilities

**3. Non-Governmental Liabilities:** These liabilities are claims against the entity by other non-federal entities, e.g. persons, governments, and organizations outside that are not parts of the U.S. Government. Non-Governmental liabilities include accounts and interest payable to non-federal entities, other liabilities due to non-federal entities, and advances/prepayments received from non-federal entities.

**a. Funded and Unfunded Liabilities.** The amount of Funded and Unfunded Liabilities must be disclosed in the notes to the financial statements. Liabilities are recognized when they are incurred regardless of whether they are covered by available budgetary resources. This includes liabilities related to appropriations canceled under “M” account legislation (P.L. 101-510, Sec.1405).

- Funded Liabilities: These are liabilities that are covered by budgetary resources as of the balance sheet date.
- Unfunded Liabilities: These are liabilities that are not covered by budgetary resources as of the balance sheet date.

**b. Current and Non-Current Liabilities.**

- Current Liabilities: Probable future outflow or other sacrifice of resources as a result of past transactions or events whose liquidation is reasonably



expected to occur within a relatively short period of time, usually 12 months.

- ***Non-Current Liabilities:*** Probable future outflow or other sacrifice of resources as a result of past transactions or events whose liquidation is reasonably expected to occur beyond one year.

### **c. Footnotes Associated with Non-Governmental Liabilities**

- Accounts Payable
- Loan Guarantee Liability
- Federal Employee and Veteran Benefits Payable
- Environmental and Disposal Liabilities
- Other
  - Contingent Liabilities
  - Advances and Deferred Revenue
  - Payments Due to States
  - Grants Payable
  - Other Liabilities

## **C. NET POSITION**

The components of net position are classified as follows:

- 1. Unexpended Appropriations.** This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. The amount of unexpended appropriations reported on the balance sheet should equal the amount of unexpended appropriations reported on the Statement of Changes in Net Position (SCNP). Unexpended Appropriations or Cumulative Results of Operations attributable to earmarked funds, if material, should be shown separately on the face of the Balance Sheet and the Statement of Changes in Net Position, and should equal the Unexpended Appropriations or Cumulative Results of Operations shown in the Statement of Changes in Net Position and the earmarked funds note disclosure, in accordance with the provisions of SFFAS 27, *Identifying and Reporting Earmarked Funds*.
- 2. Cumulative Results of Operations.** The net results of operations since the inception plus the cumulative amount of prior period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. The amount of Cumulative Results of Operations reported on the Balance Sheet should equal the amount of Cumulative Results of Operations



reported on the Statement of Changes in Net Position (SCNP). Unexpended Appropriations or Cumulative Results of Operations attributable to earmarked funds, if material, should be shown separately on the face of the Balance Sheet and the Statement of Changes in Net Position, and should equal the Unexpended Appropriations or Cumulative Results of Operations shown in the Statement of Changes in Net Position and the earmarked funds note disclosure, in accordance with the provisions of SFFAS 27, *Identifying and Reporting Earmarked Funds*.

### **3. Lines included in Net Position**

- Unexpended Appropriations – Earmarked Funds
- Unexpended Appropriations – Other Funds
- Cumulative Results of Operations – Earmarked Funds
- Cumulative Results of Operations – Other Funds



**Sample Consolidating Balance Sheet  
As of September 30, 200x and 200X**  
(dollars in thousands)

<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 49,089,182	\$ 47,900,162
Investments, Net (Note 4)	7,547,720	8,560,801
Accounts and Interest Receivable (Note 5)	1,792,307	1,861,426
Loans and Interest Receivable, Net (Note 6)	3,333,388	3,097,309
Other	3,602	711
<b>Total Intragovernmental Assets</b>	<b>61,766,199</b>	<b>61,220,409</b>
Cash (Note 3)	455	542
Investments, Net (Note 4)	184,788	193,853
Accounts and Interest Receivable, Net (Note 5)	1,804,135	1,827,442
Loans and Interest Receivable, Net (Note 7)	115,197	119,194
Inventory and Related Property, Net (Note 8)	229,862	248,973
General Property, Plant and Equipment, Net (Note 9)	18,527,516	18,053,117
Other	198,233	231,997
<b>TOTAL ASSETS (Note 11)</b>	<b>82,816,365</b>	<b>81,895,517</b>
Stewardship Assets (Note 10)		
<b>LIABILITIES</b>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 749,469	\$ 720,738
Debt (Note 12)	716,702	860,977
Other	2,048,558	2,022,013
Liability for Capital Transfers to the General Fund of the Treasury		
Advances and Deferred Revenue	484,272	592,672
Custodial Liability	2,566,900	7,802,389
Other Liabilities	628,480	510,455
<b>Total Intragovernmental Liabilities</b>	<b>7,172,361</b>	<b>12,509,244</b>
Accounts Payable	792,892	\$ 963,834
Loan Guarantee Liability (Note 7)	42,793	98,631
Federal Employee and Veteran Benefits (Note 13)	1,367,204	1,340,911
Environmental and Disposal Liabilities (Note 14)	156,262	147,499
Other		
Contingent Liabilities (Note 14)	1,146,028	352,974
Advances and Deferred Revenue	1,207,347	1,755,694
Payments Due to States	646,379	642,908
Grants Payable	276,391	-
Other Liabilities	792,635	744,538
<b>TOTAL LIABILITIES (Note 15)</b>	<b>13,600,312</b>	<b>18,556,233</b>
Commitments and Contingencies (Note 14 and 17)		
Net Position		
Unexpended Appropriations - Earmarked Funds (Note 24)	1,367,614	522,003
Unexpended Appropriations - Other Funds	12,244,003	9,483,637
Cumulative Results of Operations - Earmarked Funds (Note 24)	53,256,867	50,264,174
Cumulative Results of Operations - Other Funds	2,347,589	2,869,470
<b>Total Net Position</b>	<b>69,216,053</b>	<b>63,139,284</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 82,816,365</b>	<b>\$ 81,895,517</b>



## Chapter 7

### Statements of Net Cost

#### Statement of Net Cost

The Statement of Net Cost should show the net cost of operations for the reporting entity, as a whole, by major program, which should relate to the major goal(s) and output(s) described in the entity's strategic and performance plans. In order to be meaningful, the grouping must be an organized set of activities, directed toward a common purpose or goal, which an entity undertakes, or proposes to undertake, in order to carry out its responsibilities. It is at the entity's discretion to define the program structure.

The organizational structure and operations of some entities may require supporting schedules to supplement the information in the Statement. If needed, those schedules should be reported in the Notes to the Financial Statements and should be displayed by suborganizations and their corresponding program. The program structure should report full cost and related exchange revenue for each program as defined by the entity.

The reporting entity may also incur general management and administrative support costs and exchange revenues that cannot be traced, assigned, or directly associated to segments and their outputs. These support costs and exchange revenues may be reported as costs not assigned to programs and other exchange revenues or may be allocated to the reported programs.

#### Components of Net Cost of Operations

The Statement of Net Cost is also designed to show separately the components of the net cost of the reporting entity's operations for the period. Net cost of operations is the cost incurred by the reporting entity less any exchange revenue earned. The statement should include a presentation of:

- Program costs
- Related exchange revenues
- Excess of costs over exchange revenues (net program costs)
- Costs that cannot be assigned to specific programs/outputs
- Exchange revenues that cannot be attributed to specific programs/outputs

Intragovernmental costs exchange revenues and public costs and exchange revenues should be included and separately disclosed in the supporting schedules.

According to Office of Management and Budget (OMB) Circular A-136, "*Financial Reporting Requirements*", the Statement of Net Cost should present responsibility segments that align directly with the major goals and outputs described in the entity's strategic and performance plans, required by the Government Performance and Results



Act (GPRA). However, the document states that the organizational structure and operations of some entities are so complex that supporting schedule(s) may be required to fully display the sub-organizations, major programs, and activities.

The supporting schedule(s) should be included in the notes to the financial statements. The Statement of Net Cost and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its programs and sub-organizations. This can be accomplished by reporting by program:

1. Expense costs;
2. Related exchange revenues;
3. Excess of costs over exchange revenues (net program costs);
4. Costs that cannot be assigned to specific programs or outputs; and,
5. Exchange revenues that cannot be attributed to specific programs and outputs

Intra-governmental gross costs and earned revenues, and public costs and earned revenues shall be disclosed in notes to the financial statements.

Preparers are encouraged to consult the Implementation Guide to Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, for illustrations and explanations designed to assist in understanding and applying the standards for classifying, recognizing, and measuring inflows of resources to the Federal Government and its component reporting entities.

The costs of stewardship Property, Plant, and Equipment should be separately reported in the notes to the financial statements, including:

- The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets); and
- The cost of acquiring stewardship land.

### **Program Costs**

The reporting entity should report the full cost of each program's output, which consists of: (a) both direct and indirect costs of the output; and, (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in



accordance with the costing methodology in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*.

Program costs should also include any non-production costs that can be assigned to the program but not to its outputs.

In accordance with SFFAS 4, as amended by SFFAS 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the costs of program outputs shall include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. SFFAS 30 requires full implementation of the inter-entity cost provision in SFFAS 4. The standard is effective for reporting periods beginning after September 30, 2008, with earlier implementation encouraged.

Examples of unreimbursed costs that reporting entities are required to recognize include (but are not limited to): (1) employees' pension, post-retirement health and life insurance benefits; (2) other post-employment benefits for retired, terminated, and inactive employees, which includes unemployment and workers compensation under the Federal Employees' Compensation Act (Public Law No. 103-3); and, (3) losses in litigation proceedings not related to the Contract Dispute Act and No Fear Act (see Federal Accounting Standards Advisory Board (FASAB) Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*). In the case of employee benefits, the imputed amount is the difference between employer/employee contributions and the total cost of the benefit.

In accounting for unreimbursed costs, reporting entities should refer to relevant SFFAS and Interpretations, such as SFFAS 4, 5 (*Accounting for Liabilities of the Federal Government*) and 30; Interpretation Nos. 2 and 6, the U.S. Standard General Ledger (USSGL), and Treasury Financial Management Service (FMS) *Federal Intragovernmental Transactions Accounting Policies Guide* for guidance. Reporting entities should also consult with the funding and administering agencies, such as the Office of Personnel Management (OPM), for information needed to properly record inter-entity costs. For further guidance on the recognition of inter, and intra-entity costs partially or completely unreimbursed, the reporting entity should consult the inter-entity cost standard in SFFAS 4 and 30.

Costs related to the production of outputs shall be reported separately from costs not related to the production of outputs (e.g., non-production costs).

## **Earned Revenues**

Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price. The full amount of exchange revenue is to be reported on the Statement of Net Costs or a supplementary schedule, regardless of whether the entity is permitted to retain the revenues in whole or in part. Any portion of exchange revenue that cannot be retained



by the entity is reported as a transfer-out on the Statement of Changes in Net Position. (See SFFAS 7 for information on exchange revenues)

Earned revenues should be deducted from the full cost of outputs or outcomes to determine the net cost unless it is not practical or reasonably possible to do so. However, there are no precise guidelines to determine the degree to which earned revenue can reasonably be attributed to outputs, outcomes, programs, or sub-organizations. The attribution of earned revenues requires the exercise of managerial judgment. In exercising this judgment, it is important to provide users of the Statement of Net Costs with the ability to ascertain whether exchange revenues are sufficient to cover the costs incurred to produce the goods or services involved. Earned revenue shall be deducted from the gross cost of programs to determine the net program costs.

### **Net Program Costs**

This is the difference between a program's gross costs and the related exchange revenue. If a program does not earn any exchange revenue, there is no netting. The term to be used is "total program costs."

### **Costs Not Assigned to Programs**

Organizations may incur:

- High level general management and administrative support costs that cannot be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to segments and their outputs
- Non-production costs that cannot be assigned to a particular program.

### **Earned Revenues Not Attributed to Programs**

Earned revenue that is insignificant or cannot be attributed to particular outputs or programs should be reported separately as a deduction in arriving at net cost of operations of the reporting entity.

### **Net Cost of Operations**

This is the gross cost incurred by the reporting entity less any exchange revenue earned from activities. This amount represents the net cost of an entity funded by sources other than exchange revenue.

The financial sources for the net cost of operations are reported on the Statement of Changes in Net Position.

**Illustrative Statement - Statement of Net Cost**

	FY xxxx	FY xxxx
<b>STATEMENT OF NET COST</b>		
For the years ended September 30, 2xxx (CY) and 2xxx (PY)		
(dollars in thousands)		
	FY xxxx	FY xxxx
<b>RESOURCE PROTECTION</b>		
Costs	\$ xxx	\$ xxx
Less: Earned Revenue	xxx	xxx
Net Cost	x, xxx	x,xxx
<b>RESOURCE USE</b>		
Costs	xxx	xxx
Less: Earned Revenue	xxx	xxx
Net Cost	x, xxx	x,xxx
<b>RECREATION</b>		
Costs	xxx	xxx
Less: Earned Revenue	xxx	xxx
Net Cost	x, xxx	x,xxx
<b>SERVING COMMUNITIES</b>		
Costs	xxx	xxx
Less: Earned Revenue	xxx	xxx
Net Cost	x, xxx	x,xxx
<b>REIMBURSABLE ACTIVITY AND OTHER</b>		
Costs	xxx	xxx
Less: Earned Revenue	xxx	xxx
Net Cost	x, xxx	x,xxx
<b>TOTAL</b>		
Costs	xxx	xxx
Less: Earned Revenue	xxx	xxx



## Chapter 8 Statement of Budgetary Resources

### Combined Statement of Budgetary Resources

The Statement of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement predominantly derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into Generally Accepted Accounting Principles (GAAP) for the Federal Government.

Information on the Statement of Budgetary Resources should be reconcilable to the budget execution information reported on the *Report on Budget Execution and Budgetary Resources* (SF-133) and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented. The Statement of Budgetary Resources is an agencywide report, which aggregates account-level information reported in the SF-133.

For FY 2010 the SF-133 presentation will be changed to create a single format to present like information (e.g. budgetary resources) in the SF 132, SF 133, and the P&F schedule, and further integrate budget formulation and execution. In FY 2011, the Statement of Budgetary Resources presentation will be changed to better align with the new SF-133 format.

### FACTS II Reporting

Consistency between budgetary information presented in the financial statements and the Budget of the United States Government is critical to ensure the integrity of the numbers presented. The FACTS II helps to ensure the consistency of data. The FACTS II data submitted by agencies are U.S. Standard General Ledger (SGL)-based trial balances, which are used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget. The SGL-based trial balance is also used to prepare the Statement of Budgetary Resources.

*FACTS II revision period:* The primary purpose of the FACTS II revision period is to make FACTS II consistent with the amounts in the prior-year column of the Budget. Due to timing differences, subsequent changes whether material or non-material may be made to the budgetary information included in the Budget after the Statement of Budgetary Resources has been published. All subsequent changes whether material or non-material must be made in FACTS II during the revision period.

Any changes to budgetary information subsequent to the publication of the audited Statement of Budgetary Resources, that are material to the Statement of Budgetary Resources, should be discussed between the agencies and their auditors to determine if restatement or note disclosure is necessary. Any material differences between



comparable information contained in the Statement of Budgetary Resources and the Budget, at a minimum must be disclosed in the notes to this statement. A comparison should be made between the Statement of Budgetary Resources and the President's Budget (reference Footnotes chapter).

Budgetary information aggregated for purposes of the Statement of Budgetary Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information. In addition, Recovery Act funds are being reported in a separate column on the Statement of Budgetary Resources.

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. Circular A-11 provides definitions and instructions for each line item reported in this statement ([www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)).

### **Combined vs. Consolidated Statement**

The budgetary information presented in this statement shall be presented on a combined basis and not a consolidated basis. Preparation of consolidated financial statements involves line-by-line elimination of inter-entity balances. In order to remain consistent with the aggregate of the account-level information presented on the SF 133, consolidation of this statement is not appropriate. Accordingly, line-by-line consolidation of this statement is not permitted.

### **Format of the Statement of Budgetary Resources**

The format of the Statement of Budgetary Resources is based on the SF 133.

To facilitate the reconciliation of information between the Statement of Budgetary Resources, and actual information reported in the Budget of the United States Government, the Statement of Budgetary Resources should include a:

- *Separate Column for Non-budgetary Credit Reform Financing Accounts:* These are non-budgetary accounts that record all the cash flows activity resulting from post-1991 direct loans and loan guarantees. This activity in the financing account is reported separately in the Budget of the United States Government and is excluded from the budget surplus/deficit totals. The separate presentation in the SBR allows for a clear distinction between budgetary accounts and non-budgetary credit reform accounts.

### **Budgetary Resources**

This section of the statement is designed to present the total budgetary resources available to the reporting entity. Budgetary resources include new budget authority,



unobligated balances at the beginning of the period and transferred in and out during the period, spending authority from offsetting collections, recoveries of prior year unpaid obligations, and any adjustments to these resources. The resources reported on this statement shall agree with, and be reconciled to, the total budgetary resources reported for the aggregate of all budget accounts on the SF 133.

Expired obligated and unobligated balances that cancel at the end of the fiscal year must be reported as canceled on the year-end Statement of Budgetary Resources. Authority canceled in previous years should not be included on the current Statement of Budgetary Resources.

Budgetary resources transferred or exchanged between components within a reporting entity should not be eliminated. For example, expenditure transfers between trust funds and federal funds should be reported on a combined basis and not netted/eliminated against each other. Other examples would include non-expenditure transfers, receivables and payables, and offsetting collections and disbursements.

### **Status of Budgetary Resources**

This section of the statement is designed to display information about the status of budgetary resources at the end of the period. It consists of the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. The total amount displayed for the status of budgetary resources shall equal the total budgetary resources available to the reporting entity as of the reporting date. The status of budgetary resources reported on this statement shall agree with, and be reconciled to, the total status reported for the aggregate of all budget accounts on the SF 133.

### **Change in Obligated Balance**

This section of the statement displays the change in obligated balances during the reporting period.

### **Net Outlays**

Outlays consist of disbursements net of offsetting collections (There are however, rare exceptions in which outlays reported in the Budget do not correspond to disbursements reported on the Statement of Transactions.). The outlays shall agree with, and be reconciled to, the agency outlay totals reported in the Budget of the United States Government (i.e., with the aggregate of the outlays for accounts within the budget). The outlays shall also agree with, and be reconciled to, the aggregate of outlays reported on the SF 133 for the aggregate of all budget accounts, including non-budgetary financing accounts and the disbursements and collections reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220 *Statement of Transactions*) per Circular No. A-11.



## Offsetting Receipts

Offsetting receipts are collections that are credited to general fund, special fund or trust fund receipt accounts and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the agency or government-wide level.

Offsetting receipts may be distributed to agencies or undistributed. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. This line item on the SBR should include all distributed offsetting receipts for the agency.

The Receipts by Department Listing is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the United States Government, issued by the Department of the Treasury. Agencies should include in the Statement of Budgetary Resources, the receipt accounts classified as:

- Proprietary Receipts from the Public;
- Intragovernmental Receipts Deducted by Agencies; and
- Offsetting Governmental Receipts.

The amount of distributed offsetting receipts reported in this statement should be the aggregate of cash collected in these receipt accounts and reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability*; and SF 1220, *Statement of Transactions*). The amount of offsetting receipts distributed to agencies and reported in this statement shall also agree with, and be reconciled to the deductions for offsetting receipts as reported in the Budget of the United States Government.

Undistributed offsetting receipts credited to government-wide outlay totals should not be included in the Statement of Budgetary Resources.

**Net Outlays.** Line 19D is calculated. It is computed as Line 19A less Line 19B less Line 19C. This amount shall agree with, and be reconciled to the net outlays (gross outlays less offsetting collections and receipts) as reported in the Budget of the United States Government.

### Required Supplementary Information:

It is important to monitor budget execution at the individual account level. Accordingly, budgetary information aggregated for purposes of the Statement of Budgetary



Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information. For purposes of this presentation, small budget accounts may be aggregated. The major accounts and the aggregate of small budget accounts should, in total, agree with the amounts reported on the face of the Statement of Budgetary Resources.

### **Notes included in the Statement**

Note 21: Statement of Budgetary Resources

### **References:**

- Office of Management and Budget Circular No. A-11, *Preparation, Submission, and Execution of the Budget* [www.omb.gov/circulars](http://www.omb.gov/circulars)
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements (revised June 2009)* [www.omb.gov/circulars](http://www.omb.gov/circulars)



	Total Budgetary Accounts		Non-Budgetary Credit Program Financing Accounts	
	2009	2008	2009	2008
<b>Budgetary Resources:</b>				
Unobligated Balance, Beginning of Fiscal Year:	\$ 7,080,633	\$ 5,724,423	\$ 43,220	\$ 111,466
Recoveries of Prior Year Unpaid Obligations	325,822	488,802	-	-
<b>Budget Authority</b>				
Appropriation	18,698,982	17,659,886	-	1,113
Borrowing Authority	-	-	-	2,426
Spending Authority from Offsetting Collections	-	-	-	-
<b>Earned</b>				
Collected	\$ 1,836,057	\$ 4,674,107	12,110	44,562
Change in Receivables from Federal Sources	(53,061)	71,067	941	61
Change in Unfilled Customer Orders	-	-	-	-
Advance Received	(85,599)	(69,227)	-	-
Without Advance from Federal Sources	499,970	588,231	-	-
Anticipated for Rest of Year, Without Advances	3,262,919	-	5,373	-
<b>Total Budget Authority</b>	<b>24,159,266</b>	<b>22,924,064</b>	<b>18,424</b>	<b>48,162</b>
Nonexpenditure Transfers, Net, Anticipated and Actual	(218,359)	(25,528)	-	-
Temporarily Not Available Pursuant to Public Law	-	(2,643)	-	-
Permanently Not Available	(3,168)	(200,324)	(665)	(24,434)
<b>Total Budgetary Resources (Note 21)</b>	<b>\$ 31,344,196</b>	<b>\$ 28,908,794</b>	<b>\$ 60,979</b>	<b>\$ 135,214</b>
<b>Status of Budgetary Resources:</b>				
<b>Obligations Incurred (Note 21):</b>				
Direct	\$ 6,941,038	\$ 17,088,920	\$ 8,738	\$ 91,994
Reimbursable	2,028,561	4,739,241	-	-
<b>Total Obligations Incurred</b>	<b>8,969,599</b>	<b>21,828,161</b>	<b>8,738</b>	<b>91,994</b>
<b>Unobligated Balance Available (Note 21):</b>				
Apportioned	20,484,931	6,851,102	50,422	5,731
Exempt from Apportionment	99,012	40,662	-	-
<b>Total Unobligated Balance Available</b>	<b>20,583,943</b>	<b>6,891,764</b>	<b>50,422</b>	<b>5,731</b>
Unobligated Balance Not Available (Note 21)	1,790,678	188,849	1,819	37,489
<b>Total Status of Budgetary Resources</b>	<b>\$ 31,344,220</b>	<b>\$ 28,908,794</b>	<b>\$ 60,979</b>	<b>\$ 135,214</b>
<b>Obligated Balance:</b>				
<b>Obligated Balance, Net</b>				
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	\$ 9,223,469	\$ 9,093,349	\$ 61	\$ 3
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(1,746,775)	(1,087,477)	(61)	-
<b>Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year</b>	<b>7,476,694</b>	<b>8,005,872</b>	<b>-</b>	<b>3</b>
Obligations Incurred, Net	8,969,599	21,828,161	8,738	91,994
Less: Gross Outlays	(9,731,930)	(21,209,239)	(8,533)	(91,936)
<b>Total Unpaid Obligated Balances Transferred, Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(234,726)	(488,802)	-	-
Change in Uncollected Customer Payments From Federal Sources	(446,909)	(659,298)	(941)	(61)
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 6,032,728</b>	<b>\$ 7,476,694</b>	<b>\$ (736)</b>	<b>\$ -</b>
<b>Obligated Balance, Net, End of Period - By Component:</b>				
Unpaid Obligations	8,226,411	9,223,469	266	61



## Chapter 9

### Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

#### Earmarked Funds

Agencies should report earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations separately on the face of the Statement of Changes in Net Position to implement Statements of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*. Report the portions of cumulative results of operations and unexpended appropriations attributable to earmarked funds separately on the face of the Statement of Changes in Net Position.

SFFAS 27 contains certain categories of funds that are excluded from the reporting requirements and specific guidance if more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources.

The provisions of SFFAS 27 need not be applied to immaterial items. Eliminations between earmarked funds and other funds within the reporting entity, where applicable, should be disclosed in the notes to the financial statement.

#### Mixed or Commingled Funds

Resources from earmarked funds derived from trust or special fund receipts are often "commingled" or "mixed" with resources from the U.S. Treasury general fund. In situations of "mixed" funding, earmarked and general fund resources should be returned to their original source in the event such funds are reduced, e.g., rescinded or cancelled. For further guidance on "mixed" funds see OMB Circular A-11 and the Financial Management Systems Standard Business Process for U.S. Government Agencies, located at [www.fsio.gov](http://www.fsio.gov).

Circular A-11, Section 130, *SF 133, Report on Budget Execution and Budgetary Resources*, will provide guidance on the hierarchy of spending for "mixed" funds. The Financial Management Systems Standard Business Process for U.S. Government Agencies (Funds Control VO. 5) also provides specific reporting requirements to ensure that "mixed" funding is tracked at the appropriate level of detail in order that any unexpended balances are properly returned to the funding source during the cancelled phase or when the expenditure fund has fulfilled its purpose.



If the predominant source of a “mixed” fund is earmarked, the entire fund may be reported in the financial statements as earmarked. Whether or not a “mixed” fund is included in the earmarked funds category and reported as an earmarked fund depends upon the predominant use of the fund and whether the fund as a whole meets the definition of an earmarked fund in paragraph 11 of SFFAS 27. Paragraph 13 of SFFAS 27 explains that “‘Fund’ in this statement’s definition of earmarked funds refers to a ‘fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.’”

### **Net Position – Beginning Balances**

If material, the net position balances attributable to earmarked funds are reported separately from all other funds. Beginning balances shall agree with the amounts reported as net position on the prior year’s balance sheet. Adjustments for corrections of errors and changes in accounting principles should be reported in accordance with SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, *Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*.

### **Correction of Errors**

Once it has been determined an error has occurred and restatement is required, the following provides guidance from SFFAS 21 on how management should correct an error in the financial statements.

When errors are discovered after the issuance of financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

- If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the Statement of Changes in Net Position.
- If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the Statement of Changes in Net Position for the earliest period presented.



- The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated. The Statement of Changes in Net Position's current year's unadjusted beginning balances shall agree with the restated ending balances on the agency's prior year's Statement of Changes in Net Position.

### **Management Actions Related to Correction of Errors -- Communications Requirements**

The following policy relates to actions required by management concerning material errors that escaped detection until after they were included in the published audited financial statements. Management is responsible for any false or misleading information in the financial statements or omissions rendering information made in the financial statements misleading. As such, as soon as possible after errors are detected, management shall notify the auditors and inform the primary users of the financial statements of the error and plans for correcting it in the financial statements. Agency's management shall communicate to those relying on the financial information:

- the nature and cause(s) of the known or likely material misstatement(s);
- the amount(s) of known or likely material misstatement(s) and the related effect(s) on the previously issued financial statement(s); and,
- a notice that a previously issued financial statement(s) will or may be restated.

The notification shall be given to the:

- Congress, Office of Management and Budget (OMB), Treasury, and the Government Accountability Office in writing;
- Public on Internet pages where previously issued financial statements were published; and,
- OMB in the next quarterly and subsequent financial statements until related effects are known and reported.



## Financial Reporting Requirements

II. Financial Reporting Requirements		
Promptly determine the financial statement effects of the known or potential material misstatement(s) on previously issued financial statement(s)		
A. Correct the Error and Republish	B. Correct the Error With Next Issuance	C. Effects Unknown, or Later Determined
Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) <u>are known</u> and issuance of the subsequent period audited financial statements is <u>not imminent</u> <sup>1</sup>	Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) <u>are known</u> and issuance of the subsequent period audited financial statements <u>is imminent</u> <sup>1</sup>	Specific amount(s) of the misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) <u>remain unknown</u> when the current year's financial statements are issued
Reissue the most recently issued fiscal year financial statements before issuing the current fiscal year's financial statements. Communicate the reissuance to those charged with governance, oversight bodies, funding agencies, and others who are relying on or are likely to rely on the financial statement(s)	Restate <sup>2</sup> financial statement(s) as part of the current year's comparative financial statements.	Make the required notifications, including an estimate of the magnitude of the misstatement or potential misstatement, and the estimated effects on the related financial statements. This should include recognition that the specific amounts are not known and cannot be determined without further investigation. Once effects <i>are</i> known, follow the guidance provided in A. or B. as applicable.
Refer to the Restatements footnote for disclosure requirements	Refer to Restatements footnote for disclosure requirements	Refer to Restatements footnote for disclosure requirements

<sup>1</sup> OMB Bulletin No. 07-04 provides a definition for what is considered "imminent." Specifically, OMB defines imminent as being "within 90 calendar days of the subsequent period financial statements planned issue date."

<sup>2</sup> Label the prior year comparative column as "Restated" for each statement and note impacted by the correction of the material error.

## Changes in Accounting Principles

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. For the purposes of this standard, changes in accounting principles also include those occasioned by the adoption of new FASAB standards.

Unless otherwise specified in transitioning instructions of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior period financial statements:

- The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning



balance of cumulative results of operations in the Statement of Changes in Net Position for the period that the change is made;

- Prior period financial statements presented for comparative purposes should be presented as previously reported; and
- The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

Beginning balances, as adjusted, are the sum of the beginning balances of net position as reported on the prior year's Balance Sheet and prior period adjustments.

### **Budgetary Financing Sources**

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the Statement of Budgetary Resources and defined as such by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*.

- **Appropriations received.** This amount includes “appropriations received” during the current reporting period. These are amounts appropriated from Treasury General Fund receipts, such as income taxes, that are not earmarked by law for a specific purpose. This amount will not necessarily agree with the “appropriations received” amount reported on the Statement of Budgetary Resources because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated and earmarked receipts are recorded as “appropriations received” on the Statement of Budgetary Resources, but are recognized as exchange or non-exchange revenue (i.e., typically in special and non-revolving trust funds) and reported on the Statement of Changes in Net Position in accordance with SFFAS No.7. Another example is with certain parent/child reporting. The above examples are not all inclusive.
- **Appropriations transferred-in/out.** This is the amount of appropriations received in the current or prior year(s) that have been transferred in or out during the current reporting year.
- **Other adjustments.** This amount includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include reductions of appropriations and cancellations of expired appropriation/expenditure accounts, which would also be included in Line 6, *Permanently not available*, on the Statement of Budgetary Resources. In addition, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds shall be reported on this line item rather than as an *Appropriations Used*.



- **Appropriations used.** Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations Used does not include undelivered orders or unobligated appropriations. Appropriations Used does not increase net position; it is subtracted from Unexpended Appropriations but added to Cumulative Results of Operations for a net zero effect on net position as a whole.
- **Nonexchange revenue.** This amount includes revenues the Federal Government is able to demand or receive due to its sovereign powers. See SFFAS No. 7 for a discussion of the recognition and measurement criteria for taxes and other nonexchange revenues. If Federal securities investment revenue is material, report as a separate line item on the Statement of Changes in Net Position.
- **Donations and forfeitures of cash and cash equivalents.** This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. Donations of financial resources may be in the form of cash or securities. This amount also includes the forfeiture of seized cash and cash equivalents.
- **Transfers-in/out without reimbursement.** This amount includes intragovernmental non-appropriated balance transfers in or out during the current reporting year. Non-appropriated balances include financing sources and revenue not reported as unexpended appropriations. Exchange revenue (included in calculating an entity's net cost of operations) required to be transferred to the Treasury or another Federal entity shall be recognized as a transfer-out.
- **Other budgetary financing sources.** This amount includes other financing sources that affect budgetary resources and are not otherwise classified above.

**Other Financing Sources** displays financing sources and nonexchange revenue that do not represent budgetary resources as reported on the Statement of Budgetary Resources and defined as such by OMB Circular A-11.

- **Donations and forfeitures of property.** This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. These resources may be in the form of land or buildings. The amount of revenue arising from donations/involuntary forfeitures of non-financial resources shall be recognized in accordance with criteria in SFFAS 6.
- **Transfers-in/out without reimbursement.** This amount includes intragovernmental transfers in or out of capitalized assets during the current reporting year. The amount of the transfer shall be recorded at the book value of the transferring entity.



If the book value is not known, the amount recognized should be the asset's estimated fair value at the date of the transfer.

- **Imputed financing from costs absorbed by others.** This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management for employees of other Federal agencies). Imputed financing shall equal the amount of imputed costs as reported on the Statement of Net Cost.
- **Other.** This amount includes other financing sources that do not represent budgetary resources and are not otherwise classified above.

### Net Cost of Operations

This amount shall agree with the net cost of operations as reported on the Statement of Net Cost. The Net Cost of Operations is subtracted from the total financing sources and beginning balance, as adjusted, to yield the ending balance of net position as it relates to the Cumulative Results of Operations.

### Net Change

Report the net change of cumulative results of operations from beginning balance, as adjusted, to ending balance.

### Net Position - Ending Balances

Ending balances shall agree with the amounts reported as net position on the current year's balance sheet.

### References:

- Statement of Federal Financial Accounting Standards (SFFAS) 6, Accounting for Property, Plant, and Equipment [http://www.fasab.gov/pdffiles/sffas\\_6.pdf](http://www.fasab.gov/pdffiles/sffas_6.pdf)
- SFFAS 7, *Accounting for Revenue and Other Financing Sources* [http://www.fasab.gov/pdffiles/sffas\\_7.pdf](http://www.fasab.gov/pdffiles/sffas_7.pdf)
- SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.* [http://www.fasab.gov/pdffiles/sffas\\_21.pdf](http://www.fasab.gov/pdffiles/sffas_21.pdf)
- SFFAS 27, *Identifying and Reporting Earmarked Funds.* [http://www.fasab.gov/pdffiles/sffas\\_27.pdf](http://www.fasab.gov/pdffiles/sffas_27.pdf)
- Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget (6/26/08) <http://www.whitehouse.gov/omb/circulars/>
- OMB Circular A-136, Financial Reporting Requirements - Revised (06/10/09) <http://www.whitehouse.gov/omb/circulars/>



- OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements (September 2007) <http://www.whitehouse.gov/omb/bulletins>
- Financial Management Systems Standard Business Process for U.S. Government Agencies <http://www.fsio.gov>.



**Statement of Changes in Net Position  
For the years ended September 30, 2xxx and 2xxx**

	FY 2xxx (CY)			FY 2xxx (PY)		
	Earmarked	All Other	Consolidated	Earmarked	All Other	Consolidated
<b>UNEXPENDED APPROPRIATIONS</b>						
<b>Beginning Balance</b>	\$ xxx					
<b>Budgetary Financing Sources</b>						
Appropriations Received, General Funds	xxx	xxx	xxx	xxx	xxx	xxx
Appropriations Transferred In/(Out)	xxx	xxx	xxx	xxx	xxx	xxx
Appropriations Used	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Other Adjustments	<u>(xxx)</u>	<u>(xxx)</u>	<u>(xxx)</u>	<u>(xxx)</u>	<u>(xxx)</u>	<u>(xxx)</u>
<b>Net Change</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Ending Balance – Unexpended Appropriations</b>	<u>\$ xxx</u>					
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
<b>Beginning Balances</b>	\$ xxx					
<b>Budgetary Financing Sources</b>						
Appropriations used	xxx	xxx	xxx	xxx	xxx	xxx
Royalties Retained	xxx	xxx	xxx	xxx	xxx	xxx
Non-exchange revenue	xxx	xxx	xxx	xxx	xxx	xxx
Transfers In/(Out) without Reimbursement	xxx	xxx	xxx	xxx	xxx	xxx
Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx	xxx	xxx
Other Budgetary Financing Sources (Uses)	xxx	xxx	xxx	xxx	xxx	xxx
Other Adjustments	xxx	xxx	xxx	xxx	xxx	xxx
<b>Other Financing Sources</b>						
Donations and forfeitures of property	xxx	xxx	xxx	xxx	xxx	xxx
Transfers in/out reimbursement	xxx	xxx	xxx	xxx	xxx	xxx
Imputed financing from Costs Absorbed by Others	xxx	xxx	xxx	xxx	xxx	xxx
Other Non-Budgetary Financing Sources (Uses)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Total Financing Sources</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Net Cost of Operations</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Net Change</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>Ending Balance - Cumulative Results of Operations</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>TOTAL NET POSITION</b>	\$ xxx	\$ xxx	\$ xxx	\$ xxx		\$ xxx



## Chapter 10

### Statement of Custodial Activity

The Statement of Custodial Activity is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. In addition, the Statement of Custodial Activity is required for selected exchange revenues specified in Statement of Federal Financial Accounting Standard (SFFAS) 7, including oil and gas revenues. The collecting entities do not recognize as revenue those collections that have been or should be transferred to others as revenues. Rather, they shall account for sources and disposition of the collections as custodial activities on the Statement of Custodial Activity.

An exception to requiring preparation of the Statement of Custodial Activity is made when collecting entities have custodial collections that are immaterial and incidental to their primary mission. In these cases, the sources and disposition of the collections may be disclosed in accompanying notes.

The implementation of SFFAS 31, *Accounting for Fiduciary Activities*, will impact this statement, particularly to the Minerals Management Service.

Custodial collections are normally nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs and Border Protection. Exchange revenue is normally reported on the Statement of Net Changes. However, SFFAS 7 identified certain exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects (see paragraph 45 of SFFAS No. 7). In these identified situations, the exchange revenue is reported in the Statement of Custodial Activity rather than on the Statement of Net Changes.

Note: Starting in FY 2005, the Bureau of Land Management reported custodial activity for 14X5003, a *shared* appropriation with MMS.

### Sources of Collections

Report in this section of the statement the components of collections such as, by type of tax and duty, collection of past-due receivables for others, or other appropriate identifier to describe the source and nature of the collections. If refunds of taxes or other non-exchange revenues are material in relation to the gross collections made, consider reporting them by component separately in a note.

This section of the report also includes the nonexchange revenue accrual adjustment, which shall be shown separately and added or subtracted from the net collections to determine the total custodial nonexchange revenue. Guidance for calculating the accrual adjustment can be found in SFFAS No. 7 and the related implementation guide. If the accrual adjustments are material in relation to the gross collections, consider



reporting them separately in a note. The accrual adjustment is not applicable to exchange revenue.

Exchange revenues are reported on an accrual basis.

### **Disposition of Collections**

This section of the statement accounts for the disposition of the revenue reported in the preceding section.

- **Amounts Transferred to Others.** Identify the specific agencies to which collections were transferred and the amounts transferred.
- **Amounts Yet to be Transferred.** Report the change in liability for revenue yet to be transferred. The liability may exist because the revenue has been accrued and is a receivable that has not yet been collected, or because collections already made have not yet been transferred to the entity for which they were collected as of the end of the reporting period.
- **Amounts of Refunds and Other Payments.** Report the amounts of refunds and other payments made. This line is normally not applicable to exchange revenue.
- **Amounts Retained by the Collecting Entity.** In some cases, collecting entities are permitted to retain a portion of amounts collected. Amounts retained shall be separately reported by the collecting entity as a disposition of collections.

### **Net Custodial Activity**

The total of the Sources of Collections section (total revenue) shall equal the total of the Disposition of Collections section (total disposition of revenue). The net custodial activity shall always equal zero.

### **References:**

- Statement of Federal Financial Accounting Standard (SFFAS) 7, *Accounting for Revenue and Other Financing Sources* [http://www.fasab.gov/pdffiles/sffas\\_7.pdf](http://www.fasab.gov/pdffiles/sffas_7.pdf)
- SFFAS 31, *Accounting for Fiduciary Activities* <http://www.fasab.gov/pdffiles/>
- OMB Circular A-136, *Financial Reporting Requirements* - Revised (06/10/09) <http://www.whitehouse.gov/omb/circulars/>



Department/Agency/Reporting Entity STATEMENT OF CUSTODIAL ACTIVITY For the Years ended September 30, 2xxx (CY) and 2xxx (PY) (in dollars/thousands/millions)	2xxx (CY)	2xxx (PY)
<b>Revenue Activity:</b>		
<b>Sources of Cash Collections:</b>		
1. Individual Income and FICA/SECA Taxes	\$ xxx	\$ xxx
2. Corporate Income Taxes	xxx	xxx
3. Excise Taxes	xxx	xxx
4. Estate and Gift Taxes	xxx	xxx
5. Federal Unemployment Taxes	xxx	xxx
6. Customs Duties	xxx	xxx
7. Miscellaneous	<u>xxx</u>	xxx
8. Total Cash Collections	x,xxx	x,xxx
9. Accrual Adjustments (+/-)	<u>xxx</u>	xxx
10. Total Custodial Revenue	x,xxx	x,xxx
<b>Disposition of Collections:</b>		
11. Transferred to Others (by Recipient):		
Recipient A	xxx	xxx
Recipient B	xxx	xxx
Recipient C	xxx	xxx
12. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	xxx	xxx
13. Refunds and Other Payments	xxx	xxx
14. Retained by the Reporting Entity	<u>xxx</u>	<u>xxx</u>
15. Net Custodial Activity	\$ <u>0</u>	\$ <u>0</u>



## Chapter 11

### Quarterly and Interim Financial Statements

Interim unaudited financial statements, without notes, are required on a quarterly basis. Office of Management and Budget (OMB) Bulletin 07-04 *Audit Requirements for Federal Financial Statements*, Appendices A and D, lists major agency components that are required to prepare financial statements and subject them to annual audits.

#### Submission Schedule

Agencies shall submit unaudited interim financial statements to the Office of Management and Budget 21 days after the end of each of the first three quarters of the fiscal year using the MAX Federal Community. Implementation of OMB Circular A-136, *Financial Reporting Requirements - Revised* (06/10/09) makes this a permanent quarterly requirement.

In FY 2009, OMB established a pilot that changes the reporting requirements from calendar to business days. Agencies that participated in this pilot will be permitted to continue the pilot for FY 2010.

Pilot agencies will submit quarterly financial statements no later than 21 business days after the end of each of the first three quarters. The pilot is designed to assist agencies in improving the accuracy and reliability of their financial statements. The projected benefits from this pilot will be evaluated to determine whether the projected outcomes materialized for the agencies participating in this pilot.

The established Treasury reporting dates are not affected by this pilot and participating pilot agencies should work closely with agencies who are submitting their quarterly reports using the 21 calendar day cycle to ensure their requirements are met (e.g. parent/child information). The potential benefits of this pilot are:

- Increase the accuracy and reliability of the financial statements;
- Reduce the overtime of personnel costs for compiling the financial statements;
- Improve the accuracy of estimates and use of actual costs; and
- Improve analysis of the financial statements and oversight functions for management.

#### Statements and Variances Required To Be Submitted Quarterly

Comparative Interim statements are limited to a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The Management Discussion and Analysis, Statement of Custodial Activity, Required



Stewardship Supplementary Information, and Required Supplementary Information are not required for quarterly reporting.

Agencies are required to submit an analysis of significant variances along with the quarter's three financial statements. The following is guidance for the variance analysis:

- The analyses for the three financial statements should be in a separate file/attachment within the submission. We are not requiring a separate file for each statement, but one file for all of the analyses of the three financial statements.
- The analysis should be only on the significant variances between the current quarter and the same quarter from the prior year. Management has discretion on what constitutes a significant variance (greater than 10% at the financial statement line level).
- If a financial statement does not have significant variances between the comparative periods, then note that in the analysis.
- The analyses should include management's explanation of significant variances (except for the analysis between the Statement of Budgetary Resources and the SF 133, addressed below) in types or amounts of assets, liabilities, costs, revenues, obligations and outlays along with the submitted statements.
- Agencies are required to submit an analysis of material differences between the current quarter's unaudited Statement of Budgetary Resources and the current quarter's departmentwide SF 133, *Report on Budget Execution and Budgetary Resources*. Agencies should reconcile the two reports; however, agencies are only required to provide to the Office of Management and Budget with an explanation for the material differences between the Statement of Budgetary Resources and SF 133 for comparable line items related to budgetary resources, obligations, and outlays. An agency's materiality threshold should be applied to each of the categories in the illustrative table below to determine what differences to separately report. The departmentwide SF 133 can be found in MAX located at <https://max.omb.gov/community/x/Rhc>; a password is required to access MAX.

This analysis will be **due to OMB 45 days after the end of the quarters and at Fiscal Year-end**. The analysis will assist in improving the consistency of agency reporting of budgetary information and resolving a material deficiency.

- The below line items should be analyzed and submitted using the format presented in MAX located at <https://max.omb.gov/community/x/5ADIDQ> with additional narrative to explain the material differences. If an agency does not have any material differences for the quarter, the agency should still submit the comparison below and indicate that there are no material differences.



**References:**

- OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements*, Appendices A and D [www.whitehouse.gov/omb/bulletins/](http://www.whitehouse.gov/omb/bulletins/)
- OMB Circular A-136, *Financial Reporting Requirements - Revised (06/10/09)* [www.whitehouse.gov/omb/bulletins/](http://www.whitehouse.gov/omb/bulletins/)
- MAX Community Page <https://max.omb.gov/community>

**For FY 2009**

Budgetary Resources	Obligations Incurred		Net Outlays
Combined Statement of Budgetary Resources	\$ xxx (line 7)	\$ xxx (line 8C)	\$ xxx (line 19D)
SF 133, Report on Budget Execution and Budgetary Resources	\$ xxx (line 7)	\$ xxx (line 8)	\$ xxx (line 19)

**For FY 2010**

Nonexpenditure Transfers	Budgetary Resources	Obligations Incurred	Net Outlays	
Combined Statement of Budgetary Resources	\$ xxx (line 4)	\$ xxx (line 7)	\$ xxx (line 8C)	\$ xxx (line 19D)
SF 133, Report on Budget Execution and Budgetary Resources	\$ xxx (lines 1010-1013, 1026, 1040, 1120-1121, 1151, 1220-1221, 1251, 1510-1511, 1530, 1610-1611, 1630, 1710-1711, 1741, 1810-1811, 1841)	\$ xxx (line 1910)	\$ xxx (lines 2000, 2011-2170)	\$ xxx (lines 4010-4011, 4100-4101, 4030-4034, 4120-4124)



## Chapter 12

### Financial Statements Analytics

The following are suggested analysis of CFO Financial Statements Relationships. These relationships were taken from a combination of OMB Form and Content (OMB Circular A-136), Treasury crosswalks, and comments from KPMG.

#### A. Balance Sheet

- Accounts receivable with the public, net (plus the allowance for doubtful accounts) should tie to the Accounts Receivable Gross
- Non-entity assets should equal related liabilities
- Verify roll-forward of cumulative results of operations (beginning balance plus flow accounts = ending balance)
- Difference between FY's for Property, Plant, and Equipment and Inventory line items should agree to the sum of line items; Costs of Capitalized Assets on the Balance Sheet, Depreciation and Amortization and Disposition and Revaluation of Assets on the Reconciliation of Net Cost of Operations to Budgetary Resources.
- Difference between FY's for Loans – Public, Net should agree to Change in Loans Receivable on the Reconciliation of Net Cost of Operations to Budgetary Resources.
- The note or schedule that supports Unfunded Liabilities should agree to the sum of Financing Sources for Unfunded Costs and Financing Sources Yet to be Provided on the Reconciliation of Net Cost of Operations to Budgetary Resources.
- Current year (CY) Unexpended appropriations ties to ending balance on the Statement of Changes in Net Position
- CY Cumulative Results of Operations ties to ending balance on Statement of Changes in Net Position
- Prior year (PY) unexpended appropriations and cumulative results ties to beginning balance on the Statement of Changes in Net Position



## B. Net Cost

- Costs (expense categories) are to be summarized, direct ties to other statements (e.g. depreciation expense, etc.) are no longer applicable (this is dependent on the level of detail Interior chooses to display on the statement)
- Net Cost of Operations must agree to the same line item reported on the Statement of Changes in Net Position

## C. Statement of Changes in Net Position

- Appropriations received should match corresponding line item (line 1a) on the Statement of Budgetary Resources except for special and trust funds
- Amounts included as “Other Adjustments” (e.g. rescissions, cancellations) in the Budgetary Financing Sources section should also be included in the Statement of Budgetary Resources “Permanently not Available”
- Individual line items under the “Other Financing Sources” section should tie to the Reconciliation of Net Cost of Operations to Budgetary Resources.
  - Donations and Forfeitures of Property
  - Transfers-in/out w/o Reimbursement
  - Imputed Financing
  - Other Resources
- Imputed Financing from Costs Absorbed by Others should equal Imputed Costs on the Statement of Net Cost (if this level of detail is broken out)

## D. Statement of Budgetary Resources:

- Spending Authority from Offsetting Collection and Recoveries should equal Reconciliation of Net Cost of Operations to Budgetary Resources.
- Obligations Incurred should tie to same line on Reconciliation of Net Cost of Operations to Budgetary Resources.
- Offsetting Receipts must agree with Reconciliation of Net Cost of Operations to Budgetary Resources. (same title). Amounts should equal deposits reported to Treasury on SFs 224, 1219 and 1220. Exclude amounts related to the change in receivables. Include revenue collected and distributed in offsetting receipt accounts only.



- All anticipated resources should be zero for year-end reporting

E. Reconciliation of Net Cost of Operations to Budgetary Resources.

- Verify that the line items on the Statement of Budgetary Resources reconcile to the amounts or change in amounts from other financial statements.

F. Statement of Budgetary Resources

- A combining Statement of Budgetary Resources is required. Bureaus should use the organization structure used for the Reconciliation of Net Cost of Operations to Budgetary Resources, combining them as appropriate.

G. Statement of Custodial Activity

- Validate that the “change in un-transferred revenue” from the Statement of Custodial Activity reconciles to the change in related non-entity assets and liabilities on the Balance Sheet.



## Chapter 13

### Notes to the Financial Statements

A. **General Information.** Notes (footnotes) to the financial statements are added to meet the requirements of full disclosure. They are used to help users of the financial statements interpret some of the more complex items and are considered an integral part of the financial statements. The notes are to be prepared in accordance with the guidance contained in Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements. Comparative footnotes are required when the related primary financial statement is presenting comparative data. In general, to facilitate the prompt completion of the financial reports, footnote text and pro forma schedules should be drafted prior to the fiscal year end.

#### 1. Types of Notes

##### a. *Accounting Policy*

- Summarizes the accounting principles and methods of applying those principles.
- Encompass important judgment as to valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources.
- Discloses any significant changes in the composition of the reporting entity or significant changes in the manner in which the information is combined for financial reporting purposes.

Example: Property and equipment are recorded at cost. Depreciation and amortization are calculated using the straight-line method over the useful lives generally ranging from 2 to 80 years.

##### b. *Explanatory (Data)*

- Explains specific items presented in the main body of the financial statements.
- Can be partially or totally narrative.
- Describes details too voluminous for inclusion in the financial statements.

Example: Depreciation of equipment for the current fiscal year is \$6,000,000.



c. **Supplemental Information**

- Discloses additional information not presented as policy or explanatory.

Example: Information that fully displays an organization's structure and operations such as supporting schedules (i.e. Net Cost by Responsibility Segment).

**Footnote Data Application (FOOT\_05).** The Footnote Data Application was created in Hyperion Enterprise to capture memorandum account/non-trial balance data needed at the Consolidated Level in order to prepare footnote disclosures required by OMB Circular A-136. Information is collected by bureau and rolled up at a summary level for various footnotes.

**Format:** Bureaus are required to prepare footnotes using the Hyperion FOOT\_05 Application and the Department's standard footnote files located on the X Drive on the Citrix Server. Instructions regarding FOOT\_05 are included in the file for each applicable footnote disclosure.

FOOT\_05 accounts have been established for the following footnote disclosures:

- Fund Balance with Treasury
- Accounts Receivable and Interest Receivable, Net
- Intra-governmental Loans and Interest Receivable, Net
- Loans and Interest Receivable, Net
- Investments, Net
- Other Assets
- Property, Plant & Equipment
- Inventory and Related Property
- Asset Analysis
- Contingent Liabilities
- Capital Leases
- Liability Analysis
- NPS Pension Plan
- Indian Trust Funds
- MRM Royalty in Kind

B. **Note Disclosures.** All accounting policy should be presented in Note 1: Summary of Significant Accounting Policy rather than throughout the notes. Bureaus must use the agreed upon standard templates as a basis for preparing the footnotes for bureau reports. The templates are located on the X Drive of the Citrix server.

- The footnote files consist of the following tabs:



- Data/Hyp Data
- Draft
- Rounding
- Final
- Check the defaults on the Data tab. Ensure the application and entity are correct for your bureau.
- Make any necessary changes on the “draft” tab (i.e., move any lines with zero data to “Other” and provide additional detailed information for “Other” lines if the amounts are material).
- Check the Rounding tab and make any necessary changes to ensure that it foots properly (for consolidated team and any bureau(s) not participating in the consolidated audit).

**C. Summary of Significant Accounting Policies.** Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements. This Note should include a description of changes in generally accepted accounting principles affecting the financial statements, and an explanation of concepts, such as Fund Balance with Treasury and Earmarked Funds unique to Federal financial statements.

In addition, the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. These changes, in effect, result in a new reporting entity, and their impact should be reported by restating the financial statements for all prior periods presented in order to show the new reporting entity for all periods presented, except for certain portions of earmarked funds, as described in Statement of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*, paragraphs 20 and 26.

Effective in FY 2009, agencies must disclose information concerning Fiduciary activities this Note. Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Agencies must



disclose that fiduciary cash and other assets are not assets of the Federal Government and that starting in fiscal year 2009, fiduciary activities are no longer recognized on the proprietary financial statements, but they are reported on schedules in the notes to the financial statements (see SFFAS 31, Accounting for Fiduciary Activities).

In addition, each parent (transferring entity) involved in an allocation transfer with a different Federal entity must explain that there are amounts being reported on the net cost of operations, changes in net position, and budgetary resources where activity is being performed by the receiving Federal entity. Similarly, each Federal entity having child accounts involved in an allocation transfer must explain that it performed an activity that is being reported in the parent's audited financial statements. Both the parent and receiving entity (child) in an allocation transfer relationship must disclose the names of the Federal departments involved in the allocation transfers. No amounts are required to be included in the note. The following is an illustrative example of information agencies could include in this Note.

Information currently included in this Note at the consolidated level is:

- Reporting Entity
- Organization and Structure
- Basis of Accounting and Presentation
- Fund Balance with Treasury and Cash
- Investments, Net
- Accounts and Interest Receivable, Net
- Loans and Receivables, Net
  - Intragovernmental Loans
  - Loans with the Public
- Inventory and Related Property, Net
- General Property, Plant, and Equipment, Net
  - Construction in Progress
  - Internal Use Software
  - Stewardship Assets
- Advances and Prepayments
- Liabilities
  - Environmental and Disposal Liabilities
  - Contingent Liabilities
- Revenue and Finance Sources
  - Appropriations
  - Exchange and NonExchange Revenue
  - Custodial Revenue
  - Deferred Revenue
  - Royalty-in-Kind
  - Imputed Financing Sources
  - Advances



- Personnel Compensation and Benefits
- Annual and Sick Leave Program
- Federal Employee Workers Compensation Program (FECA)
- Federal Employee Group Life Insurance Program (FEGLI)
- Retirement Programs
- Federal Government Transactions
- Possessory Interest and Leasehold Surrender Interest
- Liability for Capital Transfers to the General Fund of the Treasury
- Earmarked Funds
- Allocation Transfers
- Income Taxes
- Estimates

#### D. Fund Balance with Treasury

- 1. Fund Balances.** The total of all undisbursed account balances with Treasury, as reflected in the entity's records and summarized by fund type. This includes trust funds, special funds, revolving funds, and general funds. Line (4), other fund types, should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (i.e., clearing and suspense accounts), or being held by the entity in the capacity of a banker or agent for others, including miscellaneous receipt accounts. If any of the balances under other fund types are material, list them separately.

The fund types are described as follows:

- a. General Funds (0100-2900) – these funds consist of expenditure and receipt accounts used to record financial transactions arising from congressional appropriations. These funds have not been earmarked for a specific purpose.
- b. Special Funds (5000-5999) – these funds are credited with receipts from special sources and are earmarked by law for a specific purpose. These receipts are available for expenditure for special programs such as providing housing for employees on field assignments; Land and Water Conservation and Historic Preservation Fund activities; sales of public lands; timber; mineral leases; cleanup associated with the Exxon Valdez oil spill; and, operating science and cooperative programs.
- c. Revolving Funds (4000-4999) – these funds conduct continuing cycles of business-like activity, in which the fund charges for the sale of goods or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are two types of revolving funds: (1) Public enterprise funds, which conduct business-like operations mainly with the public; and, (2) Intra-governmental revolving funds, which conduct business-like operations mainly within and between Government agencies.



- d. **Trust Funds (8000-8999)** – these funds are both receipt account and one or more expenditure accounts that are designated by law as a trust fund. Like a special fund, trust fund receipt accounts collect earmarked receipts for specific purposes and the associated trust fund expenditure accounts spend the receipts. Some revolving funds are designated as trust funds and these are called trust revolving funds. Trust revolving funds have no receipt account and the collections are credited directly to the expenditure account.
- e. **Other Fund Types** – Other fund types consist of balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others. If any of the balances under other fund types are material, list them separately. Other Fund types include:
- Deposit Fund (6000-6999)
  - Clearing Accounts (F3800-F3885)
  - Miscellaneous Receipt Accounts
  - Credit Reform – Program Account
  - Credit Reform – Financing Account
  - Loan – Liquidating Account

**2. Status of Fund Balance.** The total of the entity's Fund Balance with Treasury (FBWT), as reflected in the entity's general ledger and represented by unobligated (line 1) and obligated (line 2) balances. Unobligated and obligated balances presented in this section may not equal related amounts reported on the Combined Statements of Budgetary Resources. The unobligated and obligated balances reported on the Combining Statements of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables).

Include in Non-budgetary FBWT (line 3), entity FBWT residing in unavailable receipt accounts, clearing accounts, etc. that do not have budget authority and non-entity FBWT recognized on the balance sheet (e.g., deposit funds). The portion of FBWT that represents unobligated balances shall be segregated to show available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Explain such restrictions.

- a. **Unobligated, Available** – the cumulative amounts of budget authority that are not obligated and that remain available for obligation under the law.
- b. **Unobligated, Unavailable** – the cumulative amounts of budget authority that are not obligated and: (1) are apportioned by time periods, thereby making



the funding available in a subsequent reporting period; (2) are deferred, thereby setting aside funding for a later use; or, (3) are unavailable pending rescission.

- c. **Obligated Not Yet Disbursed** – the amounts designated for payment of goods and services ordered but not yet received or goods and services received but for which payment has not yet been made.
- d. **FBWT Not Covered by Budgetary Resources** – the amount of unavailable receipt accounts, clearing accounts, etc. that do not have budget authority and non-entity amounts.

**3. Other Information.** Explain any discrepancies between FBWT, as reflected in the entity's general ledger, and the balance in the Treasury accounts. Disclose any other information necessary for understanding the nature of the fund balances.

**Format:** Bureaus are required to utilize the Fund Balance with Treasury note standard file/presentation located on the X Drive of the Citrix Server.

Bureaus should provide other information as necessary in the text of the footnote to provide the reader with an understanding of FBWT.



## A. Fund Balances:

	<u>2xxx</u> (CY)	<u>2xxx</u> (PY)
(1) Trust Funds	\$ xxx	\$ xxx
(2) Special Funds	xxx	xxx
(3) Revolving Funds	xxx	xxx
(4) General Funds	xxx	xxx
(5) Other Fund Types	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

## B. Status of Fund Balance with Treasury

	<u>2xxx</u> (CY)	<u>2xxx</u> (PY)
(1) Unobligated Balance		
(a) Available	xxx	xxx
(b) Unavailable	xxx	xxx
(2) Obligated Balance not yet Disbursed	xxx	xxx
(3) Non-Budgetary FBWT	<u>xxx</u>	<u>xxx</u>
Total	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>

## C. Other information:

**E. Cash**

- 1. Cash.** The total of cash under the control of the reporting entity, which includes: coins, paper currency, and readily negotiable instruments (such as money orders, checks, and bank drafts on hand or in transit for deposit); amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements; and investments held outside of Treasury.

Cash available for agency use should include petty cash and cash held in revolving funds which will not be transferred to the general fund.

- 2. Foreign Currency.** The total U.S. dollar equivalent of foreign currencies held in foreign currency fund accounts.
- 3. Other Monetary.** This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included in Other (4).
- 4. Total Cash and Other Monetary Assets.** The sum of lines A, B, and C(5).



**5. Other Information.** Disclose as other information any restrictions on cash. Restricted cash includes holdings which are unavailable for agency use (non-entity cash) and have not been transferred to the general fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes. Examples of restricted cash include:

- Cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans.
- Seized cash, recognized as an asset per SFFAS 3, *Accounting for Inventory and Related Property*.
- Bid deposits held in a commercial bank.
- Cash held in Earmarked Funds.

Disclose any restrictions on the use or conversion of cash denominated in foreign currencies, and the significant effects, if any, of changes in the exchange rate on the entity's financial position that occur after the end of the reporting period but before the issuance of financial statements.

Restricted cash includes holdings which are unavailable for agency use and have not been transferred to the general fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Non-entity cash is considered restricted cash. Entity cash may be restricted for specific purposes.

Provide other information, as appropriate, such as the valuation rate of gold.

**Format:** Bureaus are required to utilize the Cash note standard file/presentation located on the X Drive of the Citrix Server.

	2xxx (CY)	2xxx (PY)
A. Cash	\$ xxx	\$ xxx
B. Foreign Currency	xxx	xxx
C. Other Monetary Assets		
(1) Gold	xxx	xxx
(2) Special Drawing Rights	xxx	xxx
(3) U.S. Reserves in the International Monetary Fund	xxx	xxx
(4) Other	<u>xxx</u>	<u>xxx</u>
(5) Total Other Monetary Assets	<u>xxx</u>	<u>xxx</u>
D. Total Cash and Other Monetary Assets	\$ <u>x,xxx</u>	\$ <u>x,xxx</u>
E. Other information:		



## F. Investments.

Subsequent to their acquisition, investments should be carried on the Balance Sheet at their acquisition cost, adjusted for amortization of the premium or discount. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when: (a) there is intent to sell the securities prior to maturity; and, (b) there is a reduction in value that is more than temporary. Column 7 is to be used to disclose the market value of all marketable securities and all non-marketable market-based securities. The market value must always be disclosed. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

1. **Intragovernmental Securities.** Marketable Federal securities can be bought and sold on the open market. Non-marketable par value Treasury securities are issued by the Bureau of the Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of Public Debt to Federal accounts; they are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.

*Public Securities:* These are marketable securities issued by other federal agencies and government-sponsored entities and consist mainly of various mortgage instruments, bonds and bank notes.

*Accrued Interest:* Interest income earned but not received as of the reporting date. Interest receivable should be reported as a component of the appropriate asset account.

2. **Note on Investments for Earmarked Funds.** In accordance with SFFAS 27, *Identifying and Reporting Earmarked Funds*, investments in Treasury securities for earmarked funds should be accompanied by a note. Paragraph 27 of the standard explains issues to be addressed in the note. SFFAS 27, paragraph 28, *Intra-governmental Investments in Treasury Securities*, provides an example of a note that addresses the requirements stated in paragraph 27.
3. **Other Information.** Disclose any other information relative to understanding the nature of reported investments, such as permanent impairments. Also, disclose any securities that have been reclassified as securities available for sale or early redemption.



4. **Investments in Non-Federal Securities.** Agencies with Non-Federal Securities should consult FASB Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, for applicable disclosure requirements. However, FASB 115 should not be applied to non-federal securities that are accounted for in a manner comparable to the accounting treatment of SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*. Non-Federal Securities are issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed. This includes investments by Federal agencies in money market as well as mutual funds, even if the money market or mutual fund's assets consist entirely of Federal securities. Investments in Federal securities through the secondary market by Federal agencies are not considered Non-Federal Securities.

5. **Instructions.** An explanation of the column values is as follows:

- Column 1: Cost. Securities are recognized at cost. Cost is par value plus or minus any premium or discount.
- Column 2: Amortization Method.
- Column 3: Cumulative to date amortization of the premium or discount.
- Column 4: Interest Receivable
- Column 5: Net. The amount of column 1 +/- column 3 + column 4. The subtotal of this column should be the amount presented on the Balance Sheet.
- Column 6: Other Adjustments. Include adjustments resulting from sale of securities prior to maturity or any change in value that is more than temporary.
- Column 7: Market Value Disclosure. See following paragraph for additional information related to this column.



-----Amounts for 2xxx (CY) Balance Sheet Reporting-----							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
A. Intragovernmental Securities:							
(1) Marketable	xxx	---	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	---	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	<u>xxx</u>	---	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>x,xxx</u>
B. Other Securities:							
(1) _____	xxx	---	xxx	xxx	xxx	xxx	xxx
(2) _____	xxx	---	xxx	xxx	xxx	xxx	xxx
(3) _____	<u>xxx</u>	---	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>x,xxx</u>
-----Amounts for 2xxx Balance Sheet Reporting-----							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>Cost</u>	<u>Amortization Method</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Other Adjustments</u>	<u>Market Value Disclosure</u>
A. Intragovernmental Securities:							
(1) Marketable	xxx	---	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	---	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	<u>xxx</u>	---	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>x,xxx</u>
B. Other Securities:							
(1) _____	xxx	---	xxx	xxx	xxx	xxx	xxx
(2) _____	xxx	---	xxx	xxx	xxx	xxx	xxx
(3) _____	<u>xxx</u>	---	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>x,xxx</u>	n/a	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>x,xxx</u>
C. Other Information:	_____						

- Each bureau is responsible for contacting the Bureau of the Public Debt for outstanding investments information to determine market value of all marketable and non-marketable market-based securities. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number shares/par of notes or bonds held at the financial reporting date. Even if investment activity is immaterial to a bureau, data still needs to be collected to ensure that department-wide disclosure is complete.
- Format:** Bureaus are required to prepare this footnote using the Hyperion FOOT\_05 application and the Department's standard Investments format file located on the X Drive of the Citrix Server.



Bureaus should provide other information as necessary in the text of the footnote to provide the reader an understanding of the investments.

## **G. Accounts Receivable, Net**

This asset account represents the amounts due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, or court-ordered assessment.

Present the gross receivables, the method used to estimate the allowance for uncollectible accounts, and the net amount due. Do not include receivables related to direct or guaranteed loans, which are reported in Note 6, Loans and Interest Receivable.

**Format:** Bureaus should use a combination of data from the current CFS and FOOT\_05 applications in conjunction with the Department's standard template for the Accounts and Interest Receivable footnote. This template is maintained on the Citrix server X Drive and indicates the source of each data element.

The standard template contains certain data elements that are retrieved through CFS including: Unbilled Accounts and Interest Receivables and Allowance for Doubtful Accounts. Aging, Additions, and Deletions will be obtained from the FOOT\_05 application. In addition, consider the following items when preparing this footnote:

- Bureaus should disclose data for accounts receivable due from the Public and Federal Agencies separately.
- Bureaus must present the aging (past due) of accounts receivable due from the public.
- Bureaus should provide other information as necessary in the text of the footnote to assist the reader in better understanding this particular asset type.

### **Allowances for Doubtful Accounts**

Losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected. An allowance for estimated uncollectible amounts should be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts should be re-estimated at least quarterly.



Each bureau should establish a method of computing the allowance. There are a myriad of ways to compute the allowances. However, the computation should be systematic, reasonable, and applied consistently.

Analytic procedures should be performed to ensure that the allowance is reasonable in relation to total billed accounts receivable balances, past due accounts receivable balances, and historical bad debt experience. In general, there should be no uncollectible unbilled receivables, as this would indicate that revenue was never earned. While there is no credit risk to receivables from other Federal agencies, an allowance may be appropriate in the case of billing disputes and similar situations. In addition, consider the following items when preparing this footnote:

- Disclose the method for computing allowances either in Summary of Significant Accounting Policies or in the Accounts Receivable Note;
- Disclose Allowances for both Intergovernmental and Public;
- Write-offs must go through the allowance account and may not be posted directly to expense;
- Non-Exchange Accounts Receivable allowance is posted to Contra Revenue and not Bad Debt Expense; and,
- Authority is not needed for writing off debt to the “currently not collectible line”, but is required for “close out”.

**H. Intragovernmental Loans.** Due to its materiality, the Department discloses in a footnote intragovernmental loan activity.

**Format:** Bureaus are required to prepare this footnote using the Hyperion FOOT\_05 application and the Department’s standard intragovernmental loans format file located on the X Drive of the Citrix Server. Bureaus should provide other information as necessary in the text of the footnote to provide the reader an understanding of the asset types.

**I. Loans and Interest Receivable.** This footnote provides an analysis of the reporting entities’ direct loan and loan guarantee portfolios. In preparing the footnote, Bureaus should make certain to:

- Present the Loans Note (Credit Reform and Non-Credit Reform) in accordance with the disclosure format detailed below (Present relevant sections only – omit sections with no data.)
- Collect data pertaining to all loan activity even if it is immaterial to ensure that departmentwide disclosure is complete.
- Ensure Calculated Total Loan Receivable equals Hyperion Check Totals.



**Format:** Bureaus are required to prepare this footnote using the current CFS application and FOOT\_05 Hyperion applications. The Loan Receivable template is maintained on the Citrix server X Drive and indicates the source of each data element.

Bureaus should provide other information as necessary in the text of the footnote to assist the reader in better understanding this particular asset type.

## Instructions

- a. Direct Loan and Loan Guarantee Programs.** Identify the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 (FCRA) (Public Law 101-508) divides direct loans and loan guarantees into two groups: (a) Pre-1992 refers to the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and, (b) Post-1991 refers to the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to OMB Circular A-11, *Preparation, Submission and Execution of the Budget*, Section 185, and subsequent issuances of the corresponding Circulars. Additional guidance on accounting and reporting requirements can be found in SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*; SFFAS 18, *Amendments to Accounting for Direct Loans and Loan Guarantees*; and, SFFAS 19, *Technical Amendments to Accounting for Direct Loans and Loan Guarantees*.

Section 506(a)(1) of the Fair Credit Reporting Act (FCRA) exempts the credit activities of certain agencies, such as Federal Deposit Insurance Corporation (FDIC) and Tennessee Valley Authority (TVA). These agencies can report in accordance with other requirements.

Bureaus/Offices should disclose direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the FCRA, as amended. SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, provides the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

Bureaus/Offices should also disclose whether pre-1992 direct loans and loan guarantees are reported on a present value basis or are reported under the allowance-for-loss method. (Under the allowance-for-loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts,



and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans, and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.)

Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, Bureaus/Offices should choose the appropriate format from the alternatives shown in sections B, H and K. (Note: Bureaus/Offices should follow either the net present value method or the allowance-for-loss method, but not both. They may not change from one method to the other without the advance approval of the Office of Management and Budget.)

Bureaus/Offices should disclose that the net loans receivable or the value of assets related to direct loans, is not the same as the proceeds that are expected to be received from selling their loans.

When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables shall be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans. Receivables related to administrative costs of operating these programs shall be reported as accounts receivable in Note 5, Accounts Receivable, and not as credit program receivables in this note.

**Narrative and Discussion.** Provide other information related to direct loan and loan guarantee programs, as appropriate, including a description of the characteristics of the loan programs, any commitments to guarantee, management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on non-performing loans.

Disclose a discussion and explanation of events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates. The discussion should also include events and changes that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date. Changes in legislation or credit policies include, for example, changes in borrowers' eligibility, the levels of fees or interest rates charged to borrowers, the maturity terms of loans, and the percentage of a private loan that is guaranteed.



If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification. Also, if appropriate, disclose that the subsidy expense resulting from reestimates, that is included in the financial statements, but not reported in the budget until the following year.

With respect to the foreclosed property reported in sections b, c, h, and i the following information should be disclosed:

- Changes from prior year's accounting methods, if any;
- Restrictions on the use/disposal of the property;
- Number of properties held and average holding period by type or category; and,
- Number of properties for which foreclosure proceedings were in process at the end of the period.

List the direct loan and/or loan guarantee programs administered by the reporting entity:

- (1) \_\_\_\_\_
- (2) \_\_\_\_\_
- (3) \_\_\_\_\_

- b. **Direct Loans Obligated Prior to FY 1992.** For each program with pre-1992 Direct Loans, report Loans Receivable Gross and Interest Receivable in columns 2 and 3 respectively. If the present value method is used, report in column 4 the estimated net realizable value of related foreclosed property and report in column 5 the present value allowance. The sum of columns 2 through 4 less column 5 is reported as Value of Assets Related to Direct Loans (column 6). If the allowance-for-loss method is used, report in column 4 the allowance for loan losses and in column 5 the estimated net realizable value of related foreclosed property. The sum of columns 2, 3, and 5 less column 4 is reported as Value of Assets Related to Direct Loans (column 6).



<b>B1. Direct Loans Obligated Prior to FY 1992 (Present Value Method):</b>					
(1) <u>Direct Loan Programs</u>	(2) Loans Receivable, <u>Gross</u>	(3) Interest <u>Receivable</u>	(4) Foreclosed <u>Property</u>	(5) Present Value <u>Allowance</u>	(6) Value of Assets Related to <u>Direct Loans, Net</u>
(1) _____	xxx	xxx	xxx	-xxx	xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>

<b>B2. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):</b>					
(1) <u>Direct Loan Programs</u>	(2) Loans Receivable, <u>Gross</u>	(3) Interest <u>Receivable</u>	(4) Allowance For Loan <u>Losses</u>	(5) Foreclosed <u>Property</u>	(6) Value of Assets Related to <u>Direct Loans, Net</u>
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>	<u>xxx</u>

**c. Direct Loans Obligated After FY 1991.** For each program with post-1991 Direct Loans, report Loans Receivable, Gross, Interest Receivable and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively.

Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure if the differences are not material. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For additional guidance related to foreclosures, refer to SFFAS 2 and 57-60 and SFFAS No. 3 & 79-91.

Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Direct Loans (column 6).

(1) <u>Direct Loan Programs</u>	(2) Loans Receivable, <u>Gross</u>	(3) Interest <u>Receivable</u>	(4) Foreclosed <u>Property</u>	(5) Allowance for Subsidy Cost (Present Value)	(6) Value of Assets Related to <u>Direct Loans</u>
(1) _____	xxx	xxx	xxx	-xxx	xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>-xxx</u>	<u>xxx</u>



- d. Total Amount of Direct Loans Disbursed.** Report the total amount of direct loans disbursed for the current reporting year and the prior reporting year for each program.

<u>Direct Loan Programs</u>	<u>Current Year</u>	<u>Prior Year</u>
(1) _____	xxx	xxx
(2) _____	xxx	xxx
Total	xxx	xxx

- e. Subsidy Expense for Direct Loans by Program and Component.** Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the total subsidy expense and its components for reestimates during the current and prior reporting year.

**e1. Subsidy Expense for New Direct Loans Disbursed:** Disclose for each program the total subsidy expense for new direct loans disbursed and its components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs. In column 2, disclose the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, the present value of the estimated defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows, including prepayments; and in column 6, the total of columns 2 through 5.

**e2. Direct Loan Modifications and Reestimates:** In column 2, disclose the subsidy expense for modifications of direct loans previously disbursed (whether pre-1992 or post-1991). In columns 3 and 4, disclose reestimates of the subsidy expense for direct loans, previously disbursed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

**e3. Total Direct Loan Subsidy Expense:** The total subsidy expense for the current and prior year's direct loans, modifications, and reestimates.



<b>E1. Subsidy Expense for New Direct Loans Disbursed (Current reporting year):</b>					
(1)	(2)	(3)	(4)	(5)	(6)
<u>Direct Loan Programs</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx
<b>Subsidy Expense for New Direct Loans Disbursed (Prior reporting year):</b>					
<u>Direct Loan Programs</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx
<b>E2. Modifications and Reestimates (Current reporting year):</b>					
(1)	(2)	(3)	(4)	(5)	
<u>Direct Loan Programs</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>	
(1) _____	xxx	xxx	xxx	xxx	
(2) _____	xxx	xxx	xxx	xxx	
Total	xxx	xxx	xxx	xxx	
<b>Modifications and Reestimates (Prior reporting year):</b>					
<u>Direct Loan Programs</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>	
(1) _____	xxx	xxx	xxx	xxx	
(2) _____	xxx	xxx	xxx	xxx	
Total	xxx	xxx	xxx	xxx	
<b>E3. Total Direct Loan Subsidy Expense:</b>					
<u>Direct Loan Programs</u>	<u>Current Year</u>	<u>Prior Year</u>			
(1) _____	xxx	xxx			
(2) _____	xxx	xxx			
Total	xxx	xxx			

**f. Subsidy Rates for Direct Loans by Program and Component.** Disclose for each program the budget subsidy rates estimated for the cohorts of the current reporting year. Also, disclose the subsidy rate for the following components: interest rate differential costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans in the current year's budget for the current year's cohorts. These rates should be consistent with the rates published in the Federal Credit Supplement to the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.



The reporting entity should state the following in its disclosure:

“The subsidy rates disclosed pertain only to the current year’s cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.”

Budget Subsidy Rates for Direct Loans for the Current Year’s Cohorts:					
<u>Direct Loan Programs</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xx%	xx%	-xx%	xx%	xx%
(2) _____	xxx	xxx	-xxx	xxx	xxx

- g. Schedule for Reconciliation.** Display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the entity's balance sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged but not required to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. Schedules for pre-1992 direct loans would not have all the same reconciling items as for post-1991 direct loans.



Beginning Balance, Changes, and Ending Balance	FY 2xxx (CY)	FY 2xxx (PY)
Beginning balance of the subsidy cost allowance	\$	\$
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs		
(b) Default costs (net of recoveries)		
(c) Fees and other collections		
(d) Other subsidy costs		
Total of the above subsidy expense components		
Adjustments:		
(a) Loan modifications		
(b) Fees received		
(c) Foreclosed property acquired		
(d) Loans written off		
(e) Subsidy allowance amortization		
(f) Other		
Ending balance of the subsidy cost allowance before reestimates		
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate		
(b) Technical/default reestimate		
Total of the above reestimate components		
Ending balance of the subsidy cost allowance		

**h. Defaulted Guaranteed Loans from Pre-1992 Guarantees.** For each program with pre-1992 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection in column 2 and the related interest receivable in column 3. If the present value method is used, report the estimated net realizable value of related foreclosed property in column 4, and the present value allowance in column 5. The sum of columns 2 through 4 less column 5 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). If the allowance for loss method is used, report the allowance for loan losses in column 4 and the estimated net realizable value of related foreclosed property in column 5. The sum of columns 2, 3 and 5 less column 4 is reported as Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6).



<b>H1. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):</b>					
(1)	(2)	(3)	(4)	(5)	(6)
Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1) _____	xxx	xxx	xxx	-xxx	xxx
(2) _____	xxx	xxx	xxx	-xxx	xxx
Total	xxx	xxx	xxx	-xxx	xxx

<b>H2. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):</b>					
(1)	(2)	(3)	(4)	(5)	(6)
Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx

**i. Defaulted Guaranteed Loans for Post-1991 Guarantees.** For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). For foreclosed property, see the instructions for section C.

The sum of the amounts reported in column 6 of sections B, C, H, and I shall equal the amount reported on the Balance Sheet as loans receivables and related foreclosed property, net.

(1)	(2)	(3)	(4)	(5)	(6)
Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1) _____	xxx	xxx	xxx	-xxx	xxx
(2) _____	xxx	xxx	xxx	-xxx	xxx
Total	xxx	xxx	xxx	-xxx	xxx



- j. Guaranteed Loans Outstanding.** For each loan guarantee program, report in column 2 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 3, report the amount of this outstanding principal that is guaranteed. In addition, report the amount of new guaranteed loans disbursed for the current and prior reporting years.

<b>J1. Guaranteed Loans Outstanding:</b>		
(1)	(2)	(3)
<u>Loan Guarantee Programs</u>	<u>Outstanding Principal of Guaranteed Loans, Face Value</u>	<u>Amount of Outstanding Principal Guaranteed</u>
(1) _____	xxx	xxx
(2) _____	xxx	xxx
Total	xxx	xxx
<b>J2. New Guaranteed Loans Disbursed (Current reporting year):</b>		
	Principal	
<u>Loan Guarantee Programs</u>	<u>of Guaranteed Loans, Face Value</u>	<u>Amount of Principal Guaranteed</u>
(1) _____	xxx	xxx
(2) _____	xxx	xxx
Total	xxx	xxx
<b>J3. New Guaranteed Loans Disbursed (Prior reporting year):</b>		
	Principal	
<u>Loan Guarantee Programs</u>	<u>of Guaranteed Loans, Face Value</u>	<u>Amount of Principal Guaranteed</u>
(1) _____	xxx	xxx
(2) _____	xxx	xxx
Total	xxx	xxx

- k. Liability for Loan Guarantees.** For each program with pre-1992 loan guarantees, report in column 2 the liability for losses. If the present value method is used to calculate the liability, report in column 2 the present value of liabilities for losses on pre-1992 loan guarantees. If the estimated future default claims method is used, report in column 2 the estimated future default claims. For each program with post-1991 loan guarantees, report in column 3 the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity as a result of the loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees (column 4).



<b>K1. Liability for Loan Guarantees (Present Value Method for pre-1992 guarantees):</b>			
(1)	(2)	(3)	(4)
Total Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, <u>Present Value</u>	Liabilities for for Post-1991 Guarantees, <u>Present Value</u>	Loan Guarantees Liabilities for Loan Guarantees
(1) _____	xxx	xxx	xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
<b>K2. Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):</b>			
Total Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated <u>Future Default Claims</u>	Liabilities for for Post-1991 Guarantees, <u>Present Value</u>	Loan Guarantees Liabilities for Loan Guarantees
(1) _____	xxx	xxx	xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

**I. Subsidy Expense for Loan Guarantees by Program and Component.**

Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the subsidy expense for reestimates during the current and prior reporting year.

**I1. Subsidy Expense for New Loan Guarantees:** Disclose for each program the total subsidy expense for new loan guarantees (i.e., the loan guarantees on new guaranteed loans) and its components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs. Disclose in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

**I2. Loan Guarantee Modifications and Reestimates:** Disclose in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether pre-1992 or post-1991). Disclose in columns 3 and 4, reestimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical/default); and in Column 5, the total of columns 3 and 4.

**I3. Total Loan Guarantee Subsidy Expense:** The total subsidy expense for the current and prior year's loan guarantees, modifications, and reestimates.



<b>L1. Subsidy Expense for New Loan Guarantees (Current reporting year):</b>					
(1)	(2)	(3)	(4)	(5)	(6)
<u>Loan Guarantee Programs</u>	<u>Interest Supplements</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx
<b>Subsidy Expense for New Loan Guarantees (Prior reporting year):</b>					
<u>Loan Guarantee Programs</u>	<u>Interest Supplements</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xxx	xxx	-xxx	xxx	xxx
(2) _____	xxx	xxx	-xxx	xxx	xxx
Total	xxx	xxx	-xxx	xxx	xxx
<b>L2. Modifications and Reestimates (Current reporting year):</b>					
(1)	(2)	(3)	(4)	(5)	
<u>Loan Guarantee Programs</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>	
(1) _____	xxx	xxx	xxx	xxx	
(2) _____	xxx	xxx	xxx	xxx	
Total	xxx	xxx	xxx	xxx	
<b>Modifications and Reestimates (Prior reporting year):</b>					
<u>Loan Guarantee Programs</u>	<u>Total Modifications</u>	<u>Interest Rate Reestimates</u>	<u>Technical Reestimates</u>	<u>Total Reestimates</u>	
(1) _____	xxx	xxx	xxx	xxx	
(2) _____	xxx	xxx	xxx	xxx	
Total	xxx	xxx	xxx	xxx	
<b>L3. Total Loan Guarantee Subsidy Expense:</b>					
<u>Loan Guarantee Programs</u>	<u>Current Year</u>	<u>Prior Year</u>			
(1) _____	xxx	xxx			
(2) _____	xxx	xxx			
Total	xxx	xxx			

**m. Subsidy Rates for Loan Guarantees by Program and Component.** Disclose for each program the subsidy rates for the following components: interest supplement costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for loan guarantees in the current year’s budget for the current year’s cohorts. These rates should be consistent with the rates published in the Budget of the U.S. Government. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.



The reporting entity should state the following in its disclosure:

“The subsidy rates disclosed pertain only to the current year’s cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.”

Budget Subsidy Rates for Loan Guarantees for the Current Year’s Cohorts:					
<u>Loan Guarantee Programs</u>	<u>Interest Supplements</u>	<u>Defaults</u>	<u>Fees and Other Collections</u>	<u>Other</u>	<u>Total</u>
(1) _____	xx%	xx%	-xx%	xx%	xx%
(2) _____	xxx	xxx	-xxx	xxx	xxx

- n. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees.** Display a reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in the entity's balance sheet. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for pre-1992 loan guarantees would not have all the same reconciling items as for post-1991 loan guarantees.



Beginning Balance, Changes, and Ending Balance	FY 2xxx (CY)	FY 2xxx (PY)
Beginning balance of the loan guarantee liability	\$	\$
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs		
(b) Default costs (net of recoveries)		
(c) Fees and other collections		
(d) Other subsidy costs		
Total of the above subsidy expense components		
Adjustments:		
(a) Loan guarantee modifications		
(b) Fees received		
(c) Interest supplements paid		
(d) Foreclosed property and loans acquired		
(e) Claim payments to lenders		
(f) Interest accumulation on the liability balance		
(g) Other		
Ending balance of the loan guarantee liability before reestimates		
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate		
(b) Technical/default reestimate		
Total of the above reestimate components		
Ending balance of the loan guarantee liability		

- o. **Administrative Expense.** Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.



<u>Direct Loan Programs</u>		<u>Loan Guarantee Programs</u>	
(1) _____	\$xx	(1) _____	\$xx
(2) _____	xxx	(2) _____	xxx
Total	<u>xxx</u>	Total	<u>xxx</u>

**J. Inventory and Related Property.** The following describes the information that shall be disclosed for each category of inventory and related property.

#### Inventories

- General composition of inventory.
- Basis for determining inventory values, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Balances for each of the following categories of inventory: (1) inventory held for current sale; (2) inventory held in reserve for future sale; (3) excess, obsolete, and unserviceable inventory; and (4) inventory held for repair, unless otherwise presented on the financial statements.
- The difference between the carrying amount of the inventory before identification as excess, obsolete, or unserviceable inventory, and its expected net realizable value.
- Restriction on the sale of inventory.
- The decision criteria for identifying the category to which inventory is assigned.
- Changes in the criteria for identifying the category to which inventory is assigned.

#### Operating materials and supplies

- General composition of operating materials and supplies.
- Basis for determining operating materials and supplies values, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.



- Balances for each of the following categories of operating materials and supplies: (1) items held for use; (2) items held in reserve for future use; and (3) excess, obsolete, and unserviceable items.
- The difference between the carrying amount of the operating materials and supplies before identification as excess, obsolete or unserviceable and their estimated net realizable value.
- Restriction on the use of operating materials and supplies.
- The decision criteria for identifying the category to which operating materials and supplies are assigned.
- Changes in the criteria for identifying the category to which operating materials and supplies are assigned.

#### Stockpile materials

- General composition of stockpile materials.
- Basis for valuing stockpile materials, including valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Restriction on the use of material.
- Balances of stockpile materials in each of the following categories: (1) stockpile materials; and (2) stockpile materials held for sale.
- Decision criteria for categorizing stockpile materials as held for sale.
- Changes in the criteria for categorizing stockpile materials as held for sale.

#### Seized property

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seized properties.
- Changes from prior year's accounting methods, if any.



- Analysis of change in seized property, including the dollar value and number of seized properties that are: (1) on hand at the beginning of the year; (2) seized during the year; (3) disposed of during the year; and (4) on hand at the end of the year, as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.
- Non-valued seized property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, shall be subject to the same disclosure requirements described above. However, no financial value shall be recognized for these items. (Note: Federal Financial Accounting and Auditing Technical Release 4: Reporting on Non-Valued Seized and Forfeited Property provides recommended implementation guidance.)
- For seized monetary instruments a liability shall be reported in “Other Liabilities” in an amount equal to the seized asset value.

#### Forfeited property

- Composition of forfeited property.
- Method(s) of valuing forfeited property.
- Restrictions on the use or disposition of forfeited property.
- Changes from prior year's accounting methods, if any.
- Analysis of change in forfeited property, providing the dollar value and number of forfeited properties that: (1) are on hand at the beginning of the year; (2) are made during the year; (3) are disposed of during the year by method of disposition; and (4) are on hand at the end of the year. This information should be presented by type of property forfeited where material.
- Non-valued forfeited property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, shall be subject to the same disclosure requirements described above. However, no financial value shall be recognized for these items. (Note: Federal Financial Accounting and Auditing Technical Release 4: Reporting on Non-Valued Seized and Forfeited Property provides recommended implementation guidance.)
- If available, an estimate of the value of property or funds to be distributed to Federal, State and local agencies in future reporting periods.

Goods held under price support and stabilization programs

- Basis for valuing the commodities, including the valuation method and any cost flow assumptions.
- Changes from prior year's accounting methods, if any.
- Restrictions on the use, disposal, or sale of commodities.
- Analysis of change in the dollar value and volume of commodities, including those: (1) on hand at the beginning of the year; (2) acquired during the year; (3) disposed of during the year by method of disposition; (4) on hand at the end of the year; (5) on hand at year's end and estimated to be donated or transferred during the coming period; and (6) that may be received as a result of collateral related to nonrecourse loans outstanding. The analysis should also show the dollar value and volume of purchase agreement commitments.

**Format:** Bureaus are required to utilize the Inventory and Related Property note standard file/presentation located on the X Drive of the Citrix Server.

(dollars in thousands)	FY 2009	FY 2008
Inventory		
Published Maps Held for Current/Future Sale	\$ 7,681	\$ 7,770
Gas and Storage Rights held for Current / Future Sales	888	890
Operating Materials		
Working Capital Fund: Inventory, Held for Use	4,119	2,372
Airplane Parts and Fuel, Held for Use	996	1,097
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	7,235	7,235
Recoverable Below-Ground Crude Helium Held for Sale	216,141	224,568
Total Inventory and Related Property	237,060	243,932
Allowance for Obsolescence	(7,198)	(7,285)
Inventory and Related Property, Net	\$ 229,862	\$ 236,647

**K. General Property, Plant, and Equipment (PP&E).** The major classes of general PP&E should be determined by the reporting entity. Examples of major classes of general PP&E may include, but are not limited to, buildings and structures, furniture and fixtures, equipment, vehicles, internal use software, and land. The following are the minimum disclosures required for each major class of general PP&E:

- Cost, associated accumulated depreciation, and book value.
- Estimated useful life.
- Method(s) of depreciation.



- Capitalization threshold(s), including any changes in threshold(s) during the period.
- Restrictions on the use or convertibility of general PP&E.

Recognition and measurement criteria for general PP&E are in SFFAS 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS 10, *Accounting for Internal Use Software*, and SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard.

SFFAS 6, *Accounting for Property, Plant, and Equipment*, provides guidance for determining the cost of general PP&E acquired by purchase, capital lease, donation, devise, judicial process, exchange, forfeiture, or transfer from other Federal entities.

General PP&E has one or more of the following characteristics:

- It is primarily used to produce goods or services, or to support the mission of the entity. But it may be used for alternative purposes (e.g., by other Federal programs, State or local governments, or non-governmental entities);
- It is used in a significantly self-sustaining activity which finances its continuing cycle of operations through the collection of revenue (business-type activities); or,
- Costs can be compared to other entities performing similar activities.

For entities operating as business-type activities, all PP&E shall be categorized as general PP&E whether or not it meets the definition of other PP&E categories (e.g., heritage assets).

Additional information that is not available in Hyperion Enterprise is required for external reporting to Treasury for GFRS reporting. Instructions are provided to Bureaus/Offices on this requirement each year by the Office of Financial Management

**Format:** Bureaus are required to prepare this footnote using the Hyperion Enterprise application and the Department's standard PP&E format file located on the X Drive of the Citrix Server.



FY 2009 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 2,113,602	\$ 82,548	\$ 2,031,054
Buildings	3,444,588	1,422,044	2,022,544
Structures and Facilities	20,530,139	9,716,481	10,813,658
Leasehold Improvements	62,258	27,187	35,071
Construction in Progress			
Construction in Progress - General	2,106,018	-	2,106,018
Construction in Progress in Abeyance	576,224	-	576,224
Equipment, Vehicles, and Aircraft	1,898,238	1,189,983	708,255
Assets Under Capital Lease	49,109	20,458	28,651
Internal Use Software:			
In Use	179,612	107,270	72,342
In Development	133,699	-	133,699
<b>Total Property, Plant, and Equipment</b>	<b>\$ 31,093,487</b>	<b>\$ 12,565,971</b>	<b>\$ 18,527,516</b>

## L. Stewardship Assets.

SFFAS 29, *Heritage Assets and Stewardship Land*, reclassified all heritage assets and stewardship land information as basic except for condition information, which is classified as Required Supplementary Information (RSI). SFFAS 29 requires that entities reference a note on the balance sheet that discloses the following minimum information about heritage assets and stewardship land but no asset dollar amount should be shown:

- A statement explaining how they relate to the mission of the entity,
- A description of the entity's stewardship policies,
- A description of major categories,
- Physical unit information for the end of the reporting period,
- Physical units added and withdrawn during the year, and
- A description of the methods of acquisition and withdrawal.

See SFFAS 29 for details describing the above minimum required disclosures and recognition and measurement criteria.

The intent of Stewardship Land and Heritage Asset Reporting is to present information regarding the entity's stewardship over assets and resources beyond that which can be communicated in financial statements.



**Narrative Information** - Bureaus should provide a concise statement explaining how heritage assets relate to the overall mission of the bureau. Types of information that tie this relationship are compliance with laws and regulations and specific designation by authoritative bodies. Bureaus should also provide a brief description of the stewardship policies for heritage assets that include the goals and principles the bureau has established to guide the acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the bureau and the heritage assets. This narrative information should appear as a Note in the Notes to Principal Financial Statements (Basic).

With the issuance of this new guidance, the Federal Accounting Standards and Advisory Board (FASAB) asked that the Accounting and Auditing Policy Committee (AAPC) work with the various federal agencies impacted by the new standard to develop an Implementation Guide. Interior was an active participant in this effort to ensure that the diverse interests of the Department were represented.

See Chapter 14, Stewardship Land and Heritage Assets, for additional information on HA and SL reporting.

Primary Land Management Categories	As of October 1, 2008	Increase	Decrease	As of September 30, 2009
IA - Regional Offices	12	-	-	12
BLM - Geographic Management Areas	134	-	-	134
BOR - Federal Water and Related Projects	142	1	-	143
FWS - National Wildlife Refuges	548	-	-	548
FWS - Coordination Areas	49	-	-	49
FWS - Wetland Management Districts	37	-	-	37
FWS - National Fish Hatcheries	67	-	1	66
FWS - Fish Health Centers	9	-	9	-
FWS - Fish Technology Centers	8	-	2	6
FWS - Associated Fish Facilities	19	-	-	19
NPS - Park Units	378	-	-	378
OS - Commission Land	1	-	-	1
<b>Total Number of Units</b>	<b>1,404</b>	<b>1</b>	<b>12</b>	<b>1,393</b>



<b>Museum Collections</b>	<b>As of October 1, 2008</b>	<b>Increase</b>	<b>Decrease</b>	<b>As of September 30, 2009</b>
Held at Interior Bureau Facilities	595	-	-	595
Held at Non-Interior Bureau Facilities	480	-	-	480
<b>Total</b>	<b>1,075</b>	<b>-</b>	<b>-</b>	<b>1,075</b>

	<b>As of October 1, 2008</b>	<b>Increase</b>	<b>Decrease</b>	<b>As of September 30, 2009</b>
Library Collections	7	-	-	7



Non-Collectible Heritage Asset Categories	As of October 1, 2008	Increase	Decrease	As of September 30, 2009
Cooperative Management and Protection Areas	1	-	-	1
Headwaters Forest Reserve	1	-	-	1
Lake Totdatonten Special Management Area	1	-	-	1
National Battlefield Parks	3	-	-	3
National Battlefield Sites	1	-	-	1
National Battlefields	11	-	-	11
National Conservation Areas	13	-	-	13
National Historic Landmarks (NHL)	202	1	-	203
National Historic Sites	80	-	3	77
National Historic Trails	10	-	-	10
National Historical Parks	42	3	-	45
National Lakeshores	4	-	-	4
National Memorials	28	-	1	27
National Military Parks	9	-	-	9
National Monuments	90	5	-	95
National Natural Landmarks (NNL)	108	-	-	108
National Parks	58	-	-	58
National Parkways	4	-	-	4
National Preserves	18	-	-	18
National Recreation Areas	19	-	-	19
National Recreation Trails	95	1	-	96
National Reserves	2	-	-	2
National Rivers	5	-	-	5
National Scenic Trails	6	-	-	6
National Seashores	10	-	-	10
National Wild and Scenic Rivers	60	-	-	60
National Wildlife Refuges	548	-	-	548
Outstanding Natural Area	3	-	-	3
International Historic Sites	1	-	-	1
Wilderness Areas	321	4	-	325
Other	11	-	-	11
<b>Total</b>	<b>1,765</b>	<b>14</b>	<b>4</b>	<b>1,775</b>

**M. Asset Analysis.** OMB Circular A-136 requires federal agencies to separately disclose, in a footnote, entity assets and non-entity assets. Federal agencies are also required to segregate Other Assets, shown as one line item on the balance sheet, into major components in a footnote. The Department accomplishes both of these requirements through the Asset Analysis footnote.

**Format:** Bureaus are required to prepare this footnote using the Hyperion FOOT\_05 application and the Department's standard asset analysis format file located on the X Drive of the Citrix Server.



Bureaus should provide other information as necessary in the text of the footnote to provide the reader an understanding of the asset types.

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2009
<b>Intragovernmental Assets:</b>				
Fund Balance with Treasury	\$ 20,150,500	\$ 26,272,261	\$ 2,666,421	\$ 49,089,182
Investments, Net	5,989,411	1,373,034	185,275	7,547,720
Accounts and Interest Receivable	1,075,740	2,013	704,554	1,782,307
Loans and Interest Receivable, Net	-	3,333,388	-	3,333,388
Other				
Advances and Prepayments	3,602	-	-	3,602
<b>Total Intragovernmental Assets</b>	<b>27,219,253</b>	<b>30,980,696</b>	<b>3,556,250</b>	<b>61,756,199</b>
Cash	455	-	-	455
Investments, Net	184,768	-	-	184,768
Accounts and Interest Receivable, Net	231,614	2,701	1,569,820	1,804,135
Loans and Interest Receivable, Net	115,197	-	-	115,197
Inventory and Related Property, Net	229,862	-	-	229,862
General Property, Plant, and Equipment, Net	18,527,516	-	-	18,527,516
Other				
Advances and Prepayments	106,138	-	-	106,138
Net Power Rights	92,095	-	-	92,095
Subtotal	198,233	-	-	198,233
<b>TOTAL ASSETS</b>	<b>\$ 46,706,898</b>	<b>\$ 30,983,397</b>	<b>\$ 5,126,070</b>	<b>\$ 82,816,365</b>

## N. Intragovernmental Debt.

**Instructions.** All debt is classified as not covered by budgetary resources, except for: (a) direct loan and guaranteed loan financing account debt to Treasury; and (b) that portion of other debt which is covered by budgetary resources at the balance sheet date. Lines A (1) and (2), Treasury Debt, should be reported by the Treasury Department only and should distinguish between debt held by government agencies and debt held by the public. On line B, enter the amounts of agency debt issued under special financing authorities (e.g., Federal Housing Administration (FHA) debentures and Tennessee Valley Authority bonds). Report separately agency debt held by government agencies and agency debt held by the public. On line C, enter the amounts of debt owed to Federal agencies as follows: on line C(1), debt owed to the Treasury, which includes direct loan and guaranteed loan financing account debt to Treasury as well as other debt owed to Treasury; on line C(2), debt owed to the Federal Financing Bank; and on line C(3), debt owed to other Federal agencies. Net borrowing and repayment is not to include amounts that result from refinancing.

**Classification of Debt.** Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank, or other Federal agencies or accounts (line A(1), B(1), and C(4) ). This amount shall equal the intragovernmental debt amount reported on the balance sheet. Report all debt held by the public on lines A(2) and B(2). This amount shall equal debt held by the public on the balance sheet.



**Other Information.** Provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed and the amounts. Provide other information relevant to debt (for example, redemption or call of debts owed to the public before maturity dates, write-offs of debts owed Treasury or the Federal Financing Bank, etc.).

Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank, or other Federal agencies or accounts. This amount shall equal the amount of intragovernmental debt reported on the balance sheet. Provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed with corresponding amounts.

Provide other information relative to debt (for example, write-offs of debts owed to Treasury or the Federal Financing Bank, etc.).

**Format:** Bureaus are required to utilize the Intragovernmental Debt note standard file/presentation located on the X Drive of the Citrix Server.

<b>Note 14 Debt</b>	2xxx (PY) Beginning <u>Balance</u>	2xxx (PY) Net <u>Borrowing</u>	2xxx (PY) Ending <u>Balance</u>	2xxx (CY) Net <u>Borrowing</u>	2xxx (CY) Ending <u>Balance</u>
A. Treasury Debt:					
(1) Intragovernmental	\$xx	\$xx	\$xx	\$ xxx	\$ xxx
(2) Held by the Public	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(3) Total Treasury Debt	xxx	xxx	xxx	xxx	xxx
B. Agency Debt:					
(1) Intragovernmental	xxx	xxx	xxx	xxx	xxx
(2) Held by the Public	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(3) Total Agency Debt	xxx	xxx	xxx	xxx	xxx
C. Other Debt:					
(1) Debt to the Treasury	xxx	xxx	xxx	xxx	xxx
(2) Debt to the Federal Financing Bank	xxx	xxx	xxx	xxx	xxx
(3) Debt to Other Federal Agencies	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
(4) Total Other Debt	xxx	xxx	xxx	xxx	xxx
D. Total Debt	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
E. Classification of Debt:				<u>2xxx</u> (CY)	<u>2xxx</u> (PY)
Intragovernmental Debt				x,xxx	x,xxx
Debt held by the Public				<u>x,xxx</u>	<u>x,xxx</u>
Total Debt				<u>x,xxx</u>	<u>x,xxx</u>
F. Other Information:	_____				
	_____				



(dollars in thousands)	FY 2008 Beginning Balance	Borrowing / (Repayments), Net	FY 2008 Ending Balance	Borrowing / (Repayments), Net	FY 2009 Ending Balance
Helium Fund	\$ 764,204	\$ (120,000)	\$ 644,204	\$ -	\$ 644,204
Credit Reform Borrowings	93,009	(22,104)	70,905	1,593	72,498
Federal Financing Bank	794	(794)	-	-	-
<b>Total Debt Due to Treasury</b>	<b>\$ 858,007</b>	<b>\$ (142,898)</b>	<b>\$ 715,109</b>	<b>\$ 1,593</b>	<b>\$ 716,702</b>

**Helium Fund**

(dollars in thousands)	FY 2009	FY 2008
<b>Principal</b>	<b>\$ 251,651</b>	<b>\$ 251,651</b>
<b>Interest</b>		
Balance, Beginning of Year	392,554	512,553
Repayments	-	(120,000)
<b>Balance, End of Year</b>	<b>392,554</b>	<b>392,553</b>
<b>Total Debt Due to Treasury</b>	<b>\$ 644,205</b>	<b>\$ 644,204</b>

**O. Federal Employee and Veteran Benefits.**

Entities responsible for administering pensions, other retirement benefits, and other post-employment benefits should calculate and report these liabilities and related expenses in accordance with SFFAS 5, Accounting for Liabilities of the Federal Government.

For entities responsible for administering pensions, other retirement benefits, and other post-employment benefits, the following are the minimum disclosures required for pensions and other retirement benefits:

- The assumptions used to calculate the liability. (In the case of a pension plan that uses assumptions that differ from those used by the primary plans, the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), and the Military Retirement System (MRS), the pension plan using the different assumptions should disclose how and why the assumptions used differ from those of the primary plans.)
- Separate disclosure of the individual components of expense for the period (the normal cost, interest on the liability for the period, prior and past service cost from plan amendments during the period, if any, any gains/losses due to a change in the medical inflation rate assumption, and other actuarial gains or losses during the period, if any).

Liabilities for Federal employee and veteran benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous



expenses such as employees' accrued salary and accrued annual leave, which are reported in the Other liabilities line item.

**Format:** Bureaus are required to prepare this footnote using the Hyperion Enterprise and FOOT\_05 applications and the Department's standard Federal Employee and Veteran Benefits format file located on the X Drive of the Citrix Server.

### Assumptions

Economic Assumptions Used Expressed In Percentages	FY 2009	FY 2008
Interest Rate	6.25	6.25
Inflationary Rate	3.50	3.50
Projected Salary Increase	4.25	4.25

(dollars in thousands)

USPP Pension Plan Expense	FY 2009	FY 2008
Normal Costs	\$ -	\$ 200
Interest	-	42,800
Assumption Changes at Beginning of Year	-	(8,882)
<b>Total Pension Expenses</b>	<b>\$ -</b>	<b>\$ 34,118</b>

(dollars in thousands)

USPP Pension Plan Liability	FY 2009	FY 2008
Beginning Balance	\$ 702,100	\$ 704,300
Total Pension Expense	-	34,118
Less Benefit Payments	(15,639)	(36,318)
<b>Ending Balance</b>	<b>\$ 686,461</b>	<b>\$ 702,100</b>

### Payable

(dollars in thousands)	FY 2009	FY 2008
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	\$ 648,926	\$ 665,782
U.S. Park Police Pension Current Liability	37,535	36,318
Subtotal of U.S. Park Police Liability	\$ 686,461	\$ 702,100
Federal Employees Compensation Actuarial Liability	680,743	681,123
<b>Total Federal Employee and Veteran Benefits Payable</b>	<b>\$ 1,367,204</b>	<b>\$ 1,383,223</b>

## **P. Contingent Liabilities and Environmental and Disposal Liabilities.**

Disclose environmental and disposal liabilities in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*, and Technical Release No. 2, *Environmental Liabilities Guidance*. For environmental hazards resulting from ongoing operations, include the:



- sources of cleanup requirements;
- method for assigning estimated total cleanup costs to current operating periods;
- unrecognized portion of estimated total cleanup cost associated with general PP&E;
- material changes in total estimated cleanup costs due to changes in laws, technology; or plans, and the portion of the change in estimate that relates to prior period operations; and
- nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.

Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, was issued on September 28, 2006 and is effective for periods beginning after September 30, 2009 (deferred). Technical Bulletin 2006-1 requires all federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos to disclose liabilities related to friable and nonfriable asbestos cleanup costs deemed probable, but not reasonably estimable consistent with SFFAS 5, SFFAS 6, and Technical Release No. 2.

Contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred should be disclosed. SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No.12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment to SFFAS No. 5, Accounting for Liabilities of the Federal Government*, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS 5, the following commitments shall also be disclosed:

- an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; and,
- amounts for contractual arrangements which may require future financial obligations.

**Format:** Bureaus are required to prepare this footnote using Hyperion Enterprise and the FOOT\_05 application and the Department's standard contingent liabilities and environmental disposal liabilities format. Note that the footnote presents the entire ranges (including accruals) applicable to *probable* and to *reasonably possible* loss cases / sites, not just the range of potential loss above accrued amounts.



FY 2009		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End	Upper End
<b>Contingent Liabilities</b>			
Probable	\$ 1,146,028	\$ 379,028	\$ 2,126,978
Reasonably Possible		168,261	3,013,511
<b>Environmental and Disposal Liabilities</b>			
Probable	156,282	115,702	319,017
Reasonably Possible		57,150	221,038
FY 2008		Estimated Range of Loss	
(dollars in thousands)	Accrued Liabilities	Lower End of Range	Upper End of Range
<b>Contingent Liabilities</b>			
Probable	\$ 1,188,548	\$ 422,548	\$ 2,102,179
Reasonably Possible		174,286	3,015,471
<b>Environmental and Disposal Liabilities</b>			
Probable	155,548	155,548	375,374
Reasonably Possible		66,746	221,064

**Q. Liabilities Analysis.** OMB Circular A-136 requires Federal agencies to provide separate footnote disclosures of information concerning intragovernmental liabilities not covered by budgetary resources and other liabilities not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided.

OMB Circular A-136 also requires a separate footnote for other liabilities not disclosed elsewhere divided into current and non-current portions. The Liabilities Analysis footnote provides an analysis of the liabilities on the Balance Sheet by incorporating both A-136 requirements into one footnote.

**Format:** Bureaus are required to utilize the Liabilities Analysis note standard file presentation located on the X Drive of the Citrix Server and the Foot\_05 application.

Bureaus should provide other information as necessary in the text of the footnote to provide the reader an understanding of these liabilities.



(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2009
	Current	Non-Current	Current	Non-Current	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 44,834	\$ -	\$ -	\$ 704,554	\$ 749,388
Debt	50,000	666,701	-	-	716,701
Other					
Liability for Capital Transfers to the General Fund of the Treasury	-	-	45,101	2,003,458	2,048,559
Advances and Deferred Revenue	464,024	-	112	470	464,606
Custodial Liability	(335)	-	112	470	247
Other Liabilities					
Accrued Employee Benefits	-	-	27,301	44,936	72,237
Judgment Fund	-	-	-	1,885	1,885
Unfunded FECA Liability	-	-	42,636	263,770	306,406
Other Miscellaneous Liabilities	-	-	177,125	75,678	252,803
Total Other Liabilities	-	-	247,062	386,269	633,331
Total Other Intragovernmental Liabilities	463,689	-	292,387	2,390,667	3,146,743
<b>Total Intragovernmental Liabilities</b>	<b>558,523</b>	<b>666,701</b>	<b>292,387</b>	<b>3,095,221</b>	<b>4,612,832</b>
<b>Public Liabilities:</b>					
Accounts Payable	724,295	68,597	-	-	792,892
Loan Guarantee Liability	-	42,793	-	-	42,793
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	648,926	648,926
U.S. Park Police Pension Current Liability	37,535	-	-	-	37,535
FECA Actuarial Liability	-	-	-	680,743	680,743
Total Federal Employee Veterans' Benefits	37,535	-	-	1,329,669	1,367,204
Environmental and Disposal Liabilities	-	-	-	155,772	155,772
Other					
Contingent Liabilities	-	-	300	1,145,728	1,146,028
Advances and Deferred Revenue	576,260	-	352,589	278,498	1,207,347
Payments Due to States	-	-	511,174	135,205	646,379
Grants Payable	276,392	-	-	-	276,392
Other Liabilities					
Accrued Payroll and Benefits	204,533	-	-	-	204,533
Unfunded Annual Leave	-	3,988	48,985	321,140	374,113
Capital Leases	3,224	3,314	-	21,280	27,818
Custodial Liability	-	-	(17)	-	(17)
Secure Rural Schools Act Payable	-	-	-	-	-
Storm Damage	37,208	69,100	-	-	106,308
Other Miscellaneous Liabilities	8,960	1,145	14,112	60,031	84,248
Total Other Liabilities	253,925	77,547	63,080	402,451	797,003
Total Other Public Liabilities	1,106,577	77,547	927,143	1,961,882	4,073,149
Total Public Liabilities	1,868,407	188,937	927,143	3,447,323	6,431,810
<b>Total Liabilities</b>	<b>\$ 2,426,930</b>	<b>\$ 855,638</b>	<b>\$ 1,219,530</b>	<b>\$ 6,542,544</b>	<b>\$ 11,044,642</b>

**R. Royalties Retained.** Custodial collections are normally nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs and Border Protection. Exchange revenue is normally reported on the Statement of Net Cost. However, SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, identified certain exceptional circumstances in which the entity



recognizes virtually no costs in connection with earning the revenue that it collects.

Paragraph 45 of SFFAS 7 states that under exceptional circumstances, such as rents and royalties on the Outer Continental Shelf, an entity recognizes virtually no costs (either during the current period or during past periods) in connection with earning revenue that it collects. If such revenue is collected on behalf of other entities, the entity that collects the revenue should account for that revenue as a custodial activity, i.e., an amount collected for others.

SFFAS 7 further states that if the collecting entity transfers the exchange revenue to other entities, similar recognition by other entities is appropriate.

The Minerals Management Service (MMS) recognizes the Disposition of Revenue on the Statement of Custodial Activity. When oil (or revenue generated by the sale of the oil) is transferred to other entities (i.e., U.S. Department of Energy, other federal entities, or to other bureaus within the Department of the Interior), the amount should be reflected as mineral lease revenue and a distribution of revenue by the MMS and also identified by the other entities as Earmarked Funds in the Consolidated Changes in Net Position (separately both in the Net Change Section and the Ending Balance Section).

Additional information on reporting Earmarked Funds is located in SFFAS 27, *Identifying and Reporting Earmarked Funds*, and in this Guidance in the Earmarked Funds Section.

The Department will consolidate the information provided in the MMS data into a footnote titled Royalties Retained. The information reported is obtained from the Consolidated Changes in Net Position and the Statement of Custodial Activity (ensuring that MMS numbers match the numbers presented as distributed to other Interior bureaus match that reported by the bureaus cited).

## S. Leases.

**Instructions.** SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*, provide the criteria for liability and asset recognition with respect to capital leases.

### a. Entity as Lessee.

- **Summary of Assets Under Capital Lease:** Enter the gross assets under capital lease, by major asset category, and the related total accumulated amortization.
- **Description of Lease Arrangements:** Provide information that discloses the agency's funding commitments including, but not limited to, the major asset



categories and associated lease terms, including renewal options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period.

- **Future Payments Due:** Enter future lease payments, by major asset category, for all noncancellable leases with terms longer than one year.

For capital leases, show deductions for imputed interest and executory costs. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources (see Appendix B of Circular A-11, *Preparation, Submission and Execution of the Budget*, for additional guidance but observe a difference in terminology: that the term capital leases as used in this note include capital leases and lease purchases as the terms are used in Circular A-11). According to OMB Circular A-11, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease.

**b. Entity as Lessor.**

- **Description of Lease Arrangements:** Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.
- **Future Projected Receipts:** Enter future lease revenues, by major asset category, for all noncancellable leases with terms longer than one year.

**c. Other Information.** Provide other information necessary for understanding leases that is not disclosed in the above categories.





Future Payments Due:				
Fiscal Year	(1)	Asset Category		Totals
		(2)	(3)	
Year 1	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx
After 5 Years	xxx	xxx	xxx	xxx
Total Future Lease Payments.....	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>

**Entity as Lessor:**

**Capital Leases:**  
Description of Lease Arrangements: \_\_\_\_\_

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Future Projected Receipts:

Fiscal Year	(1)	Asset Category		Totals
		(2)	(3)	
Year 1	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx
After 5 Years	xxx	xxx	xxx	xxx
Total Future Capital Lease Receivables.....	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>

**Operating Leases:**  
Description of Lease Arrangements: \_\_\_\_\_

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Future Projected Receipts:

Fiscal Year	(1)	Asset Category		Totals
		(2)	(3)	
Year 1	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx
After 5 Years	xxx	xxx	xxx	xxx
Total Future Operating Lease Receivables.....	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>	<u>x.xxx</u>

**Other Information:** \_\_\_\_\_

Bureaus provide the gross assets under capital lease, by major asset category, and the related total accumulated amortization. Also provided is information that



discloses funding commitments including, but not limited to, the major asset categories and associated lease terms, including renewal options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period. For additional information on capitalization requirements, bureaus should refer to the Real Property Financial Management Policy (RPFMP) and the supplemental memorandum, GSA Real Property Capitalization.

The Office of Financial Management and the Office of Acquisition and Property Management provide bureaus with reporting guidance for operating leases and the current inflationary rates on an annual basis in a memorandum entitled “Future Lease Payment Disclosures.” The current inflationary rates are issued by the Office of Financial Management (PFM) and posted on the PFM website.

**Format:** Bureaus are required to prepare this footnote using the Hyperion FOOT\_05 and Enterprise applications and the Department’s standard leases format located on the X Drive of the Citrix Server.

## T. Strategic Petroleum Reserve.

Custodial collections are normally nonexchange revenues, such as taxes and duties collected by the Internal Revenue Service and the U.S. Customs and Border Protection. Exchange revenue is normally reported on the Statement of Net Cost. However, SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, identified certain exceptional circumstances in which the entity recognizes virtually no costs in connection with earning the revenue that it collects.

Paragraph 45 of SFFAS 7 states that under exceptional circumstances, such as rents and royalties on the Outer Continental Shelf, an entity recognizes virtually no costs (either during the current period or during past periods) in connection with earning revenue that it collects. If such revenue is collected on behalf of other entities, the entity that collects the revenue should account for that revenue as a custodial activity, i.e., an amount collected for others.

SFFAS 7 further states that if the collecting entity transfers the exchange revenue to other entities, similar recognition by other entities is appropriate.

The Minerals Management Service (MMS) recognizes the Strategic Petroleum Reserve on the Statement of Custodial Activity. When oil is transferred to other entities (i.e., U.S. Department of Energy) it is reflected as mineral lease revenue and a distribution of revenue.

The Department will consolidate the information provided in the MMS data into a footnote titled Strategic Petroleum Reserve. The information reported is obtained from the Consolidated Changes in Net Position and the Statement of Custodial



Activity (ensuring that MMS numbers match the numbers presented as distributed to other Interior bureaus match that reported by the bureaus cited).

## **U. Intragovernmental Costs and Exchange Revenue by Responsibility Segment.**

Disclose intragovernmental costs (exchange transactions made between two reporting entities within the Federal government) separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Disclose intragovernmental exchanges revenue (exchange transactions made between two reporting entities within the Federal government) separately from exchange revenue with the public (exchange transactions made between the reporting entity and a non-Federal entity).

Describe the definition criteria used for this classification, and include an explanation that makes it clear to the reader that the intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, and not to the classification of related revenue. The classification of revenue or cost being defined as 'intragovernmental' or 'with the public' shall be defined on a transaction by transaction basis. Preceding transactions in a product's life cycle will not have an impact on subsequent transactions. If a Federal entity purchases goods or services from another Federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other federal entity will be classified as 'intragovernmental' at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as 'with the public'. The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

For some entities, the organizational structure and operations are so complex that supporting schedules should be used to display their suborganizations' major programs and activities.

In addition, an agency's SNC may display highly aggregated program information. Supporting schedules similar to the illustration below should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the SNC



	Total 2xxx (CY)	Total 2xxx (PY)
Program A		
Intragovernmental costs		
Public costs		
Total Program A costs [agrees with SNC]		
Intragovernmental earned revenue		
Public earned revenue		
Total Program A earned revenue [agrees with SNC]		
Program B		
Intragovernmental costs		
Total Program B costs [agrees with SNC]		
Intragovernmental earned revenue		
Total Program B earned revenue [agrees with SNC]		
Program C		
Public costs		
Total Program C costs [agrees with SNC]		
Public Program C earned revenue		
Total earned revenue [agrees with SNC]		

**Note 23 Suborganization Program Costs/Program Costs by Segment (continued)**

Reporting Entity  
Supporting Schedule by Suborganization  
For the year ended September 30, 2xxx (CY)  
(in dollars/thousands/millions)

	Suborgani- Zation A	Suborgani- zation B	Suborgani- zation C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting Programs						
Program A:						
Gross Costs	xxx	--	xxx	xxx		
Less: Earned revenues	- xx	--	- xx	- xx	- xx	-xxx
Net program costs	x, xxx	--	x, xxx	x, xxx	x, xxx	x, xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Total Other Program Costs	x, xxx	x, xxx	x, xxx	x, xxx	x, xxx	x, xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not Attributed to programs	- xx	- xx	--	- xx	- xx	-xx
Net Cost of Operations	<u>x, xxx</u>	<u>x, xxx</u>	<u>x, xxx</u>	<u>x, xxx</u>	<u>x, xxx</u>	<u>x, xxx</u>



**Note 23 Suborganization Program Costs/Program Costs by Segment**

	Reporting Entity Supporting Schedule by Suborganization For the year ended September 30, 2xxx (PY) (in dollars/thousands/millions)			Combined Total	Intra-entity Eliminations	Consolidated Total
	Suborgani- zation A	Suborgani- zation B	Suborgani- zation C			
Crosscutting Programs						
Program A:						
Gross Costs	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	- xx	--	- xx	- xx	- xx	-xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Total Other Program Costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not Attributed to programs	- xx	- xx	--	- xx	- xx	-xx
Net Cost of Operations	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>

**V. Statement of Budgetary Resources (SBR).**

Identify and explain material differences between amounts reported in the SBR and the actual amounts reported in the Budget of the United States Government as required by SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Since the financial statements are now published before the Budget, this reconciliation will be based on the prior year’s SBR and actual amounts for that year published in the Budget published in the prior year (e.g., FY 2008 column on the SBR and the FY 2008 actual column of the FY 2010 Budget). The reporting entity should disclose that the President’s Budget with actual numbers for the current fiscal year has not yet been published, explain when it is expected to be published, and indicate where it will be available.

Agencies can find comparable information reported in the SBR to the President’s Budget (i.e., net outlays) in a Table entitled “Federal Program by Agency and Account” in the Analytical Perspective Volume of the Budget of the United States Government. Differences, in and of themselves, may or may not indicate a reporting error. Legitimate reasons for differences could exist. For example, expired unobligated balances are reported in the Statement of Budgetary Resources and SF 133 but not in the Budget of the United States Government. This disclosure should be provided when comparable line items differ between the President’s Budget and the SBR. Agencies should provide a schedule to display the material differences



between the SBR and Budget. At a minimum, agencies should display the material differences for comparable line items related to budgetary resources, obligations, distributed offsetting receipts and outlays. The schedule should be accompanied by a narrative explaining to the reader why the differences exist. An illustrative schedule is provided below.

(dollars in millions)	FY 2008 Amount per President's Budget *	FY 2008 Amount per Statement of Budgetary Resources	Difference	Explanation
<b>Budgetary Resources:</b>				
Unobligated Balance Beginning of Fiscal Year	5,990	5,836	(95)	A,C,D
Recoveries of Prior Year Unpaid Obligations	376	489	(113)	A,C,D,I
Appropriations Received	16,588	17,661	(1,073)	C,D,E,F
Borrowing Authority	2	2	-	
Contract Authority	-	-	-	
Spending Authority From Offsetting Collections	5,318	5,309	248	A,C,D,I
Nonexpenditure Transfers, net	102	(26)	128	A,C
Temporarily Not Available Pursuant to Public Law	(133)	(3)	(130)	A,B,F
Permanently Not Available	(165)	(225)	60	A,C,F
<b>Total Budgetary Resources</b>	<b>25,782</b>	<b>29,044</b>	<b>(3,272)</b>	<b>A,C,D,I</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	21,145	21,920	(775)	A,B,C,D,E
Unobligated Balance - Available/Not Available	7,003	7,124	(131)	A,C,D
<b>Total Status of Budgetary Resources</b>	<b>25,782</b>	<b>29,044</b>	<b>(3,272)</b>	<b>A,C,D,I</b>
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net, Beginning of Fiscal Year	7,484	8,006	(279)	C
Obligations Incurred	21,145	21,920	(775)	A,B,C,D,E
Less: Gross Outlays	(20,566)	(21,301)	735	C,D,E,F
Obligated Balance Transferred, Net	-	-	-	
Less: Recoveries of Prior Year Unpaid Obligations	(376)	(489)	113	A,C,D,I
Chg in Uncoll. Customer Payments from Fed Sources	(640)	(659)	(220)	C,D,I
Obligated Balance, Net, End of Fiscal Year	7,738	7,477	22	A,C,D,I
<b>Net Outlays:</b>				
Gross Outlays	20,566	21,301	(735)	C,D,E,F
Less: Offsetting Collections	(4,463)	(4,649)	186	A,C,D
Less: Offsetting Receipts	(6,963)	(6,924)	(39)	H

\* Source: Fiscal Year 2008 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2010

**a. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations**

- Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B and Exempt from apportionment.
- This disclosure shall agree with the aggregate of the related information reported on the agency's year-end SF 133s, *Report on Budget Execution and*



*Budgetary Resources*, and lines 8A and 8B in the Statement of Budgetary Resources. Apportionment categories shall be determined in accordance with the guidance provided in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* (as amended).

- A table of Obligations by Apportionment Category should be included in this disclosure.

(dollars in thousands) FY 2009	Apportioned	Exempt from Apportionment	Total
<b>Obligations Incurred:</b>			
Direct	\$ 6,912,935	\$ 36,841	\$ 6,949,776
Reimbursable	2,028,561	-	2,028,561
<b>Total Obligations Incurred</b>	<b>\$ 8,941,496</b>	<b>\$ 36,841</b>	<b>\$ 8,978,337</b>

**b. Available Borrowing/Contract Authority, End of the Period**

- Disclose the amount of available borrowing authority at the end of the period.
- Disclose the terms of borrowing authority used, including repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
- Disclose the amount of available contract authority at the end of the period. (Change section heading to exclude “Contract” if topic is not applicable.)

**c. Adjustments to the Beginning Balance of Budgetary Resources:** Disclose and explain amounts adjusted, during the reporting period, of budgetary resources available at the beginning of the year.

**d. Permanent Indefinite Appropriations:** Disclose the existence, purpose, and availability of permanent indefinite appropriations.

**e. Appropriations Received:** Disclose the fact that Appropriations Received on the SBR differ from those reported on the Statement of Changes in Net Position, because the Appropriations Received amount on Statement of Changes in Net Position excludes dedicated collections and earmarked receipts.

**f. Legal Arrangements Affecting Use of Unobligated Balances:** Disclose the information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the portion of trust fund receipts collected in the current fiscal year that: (1) exceed the amount needed to pay benefits or other valid obligations; and, (2) the excess of receipts temporarily precluded from obligation by law due to a



benefit formula or other limitation. The receipts; however, are assets of the trust fund and available for obligation as needed in the future.

In addition, a table or narrative explaining the Unobligated Unavailable Balances should be presented in this disclosure.

(dollars in thousands)	FY 2009	FY 2008
Unapportioned amounts unavailable for future apportionments	\$ 1,589,687	\$ 372
Expired Authority	200,991	188,477
Total Budgetary Accounts	1,790,678	188,849
Non-Budgetary Credit Program Financing Accounts	1,819	37,489
Unobligated Balance Unavailable	\$ 1,792,497	\$ 226,338

**g. Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government:**

- Identify and explain differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government (as required by SFFAS No. 7) for the corresponding year, including differences in reported amounts for Budgetary Authority, Receipts and Outlays.

Due to issuance of the budget document after November 15, this comparison will only be performed for the prior year column of the SBR. The reporting entity should disclose that the President's Budget with actual numbers for the current fiscal year has not yet been published, explain when it is expected to be published, and indicate where it will be available.

Agencies can find comparable information reported in the SBR to the President's Budget (i.e., net outlays) in a Table entitled "Federal Program by Agency and Account" in the Analytical Perspective Volume of the Budget of the United States Government.

- Differences may or may not indicate a reporting error. Several legitimate reasons for differences exist, including the fact that expired unobligated balances are reported in the Statement of Budgetary Resources and SF- 133 but not in the President's Budget. In addition, the President's budget is in millions and the Statement of Budgetary Resources is reported in thousands and the SF-133 is in pennies.
- A table summarizing data for expired accounts should be included as part of this disclosure. Summarized data for expired accounts is available from OMB's website under Reports / SF133s.



- This disclosure should be provided when comparable line items differ between the President's Budget and the SBR. Agencies should provide a schedule to display the material differences between the SBR and Budget.
- At minimum, Bureaus should display the material difference for comparable line items related to budgetary resources, obligations, and distributed offsetting receipts.
- Differences related to outlays will be disclosed at the Department Level.
- The schedule should be accompanied by a narrative explaining to the reader why the differences exist.

**h. Undelivered Orders at the End of the Period.** Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period.

**i. Contributed Capital:** include the amount of any contributed capital received during the reporting period.

- Apportionment Categories of Obligations Incurred
- Legal Arrangements Affecting Use of Unobligated Balances
- Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government

**Format:** Bureaus are required to utilize the Liabilities Analysis note standard file presentation located on the X Drive of the Citrix Server for the following disclosure categories.

## **W. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing).**

SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* "requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two." SFFAC 2, *Entity and Display*, provides Concepts for Reconciling Budgetary and Financial Accounting by adding a category of financial information to further satisfy users' needs to understand "how information on the use of budgetary resources relates to information on the cost of program operations ..." The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.



The reconciliation must meet the requirements of paragraphs 80-82 of SFFAS 7. In addition, paragraphs 88 through 102 of SFFAS 7 provide additional guidance in developing reconciliation.

	<u>2008</u>	<u>2007</u>
<b>Current Year Gross Obligations</b>	\$ 21,920,155	\$ 20,962,653
<b>Budgetary Resources from Offsetting Collections</b>		
Spending Authority from Offsetting Collections		
Earned		
Collected	\$ (4,718,669)	\$ (4,879,917)
Change in Receivable from Federal Sources	(71,128)	52,531
Change in Unfilled Customer Orders	(519,004)	478,836
Recoveries of Prior Year Unpaid Obligations	(488,802)	(504,265)
Offsetting Receipts	(6,924,469)	(5,769,483)
<b>Other Financing Resources</b>		
Transfers In (Out) without Reimbursement	(57,458)	(65,622)
Donations (Forfeitures) of Property	17,814	7,951
Imputed Financing Sources	551,294	644,297
Other	(117,564)	(26)
<b>Total Resources Used to Finance Activity</b>	<u>\$ 9,592,169</u>	<u>\$ 10,926,955</u>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>		
<b>Budgetary Obligations and Resources not in the Net Cost of Operations</b>		
Change in Unfilled Customer Orders	\$ 519,002	\$ (478,836)
Change in Undelivered Orders	90,594	(289,813)
Current Year Capitalized Purchases	(891,420)	(916,224)
Deferred Revenue	3,342	1,244
Change in Expended Authority in Loan and Trust Funds	(188,762)	(106,983)
Change in Budgetary Collections in Loan Funds	45,568	73,787
Offsetting Receipts that do not Affect Net Cost of Operations	6,924,469	5,769,484
Other Resources/Adjustments that do not Affect Net Cost of Operations	\$ (1,165,560)	\$ (1,478,932)
<b>Components of the Net Cost of Operations which do not Generate or Use Resources in the Reporting Period</b>		
<b>Revenues without Current Year Budgetary Effect</b>		
Change in Receivables Not in the Budget	\$ (433,138)	\$ (351,363)
Other Financing Sources Not in the Budget	(224)	(1,873)
<b>Costs without Current Year Budgetary Effect</b>		
Depreciation and Amortization	\$ 481,178	\$ 476,926
Disposition of Assets	17,159	20,587
Change in Future Funded Expenses	781,389	(457,677)
Imputed costs	538,190	633,419
Bad Debt Expense	102,992	(2,138)
Change in Other Expenses Not Requiring Budgetary Resources	(171,198)	(179,877)
<b>Net Cost of Operations</b>	<u>\$ 16,245,749</u>	<u>\$ 13,638,686</u>

## X. Earmarked Funds.

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These



specifically identified revenues and other financing sources are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS 27, *Identifying and Reporting Earmarked Funds* for the required criteria for an earmarked fund.

SFFAS 27 requires disclosure of all earmarked funds for which the reporting entity has program management responsibility by either a list, by official title, or a statement indicating where the information can be obtained. See the standard for information and details on disclosing information on selected individual earmarked funds and for all remaining earmarked funds shown in aggregate. Also, see SFFAS 27 for guidance on selecting earmarked funds to be presented individually or in aggregate.

The following information should be disclosed for each individually reported earmarked fund, or portion thereof, for which a component entity has program management responsibility:

- Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable, other liabilities, cumulative results of operations and net position. Condensed information on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and change in net position. The information required by this paragraph for earmarked funds may be presented separately on the face of the entity's basic financial statements or disclosed in the accompanying notes. Information for funds not presented individually may be aggregated, but must be provided even if the aggregate total is immaterial. For the U.S. Treasury and any other component entity where earmarked fund investments are eliminated within the component entity, the note disclosure should include eliminations, similar to the note disclosure provided by the U.S. Government-wide financial statements as described in SFFAS 27, paragraph 30;
- A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources;
- The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows; and
- Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

The note disclosure above should show CY and PY. The total cumulative results of operations of all earmarked funds shown in the note disclosure should agree with the cumulative results of operations of earmarked funds shown on the face of the



component entity's Balance Sheet and the Statement of Changes in Net Position. SFFAS 27 contains guidance for situations in which more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources. If separate portions of the program can be clearly identified with a responsible component entity, then each component entity should report its portion of the program (SFFAS 27, paragraph 20).

An example of when separate portions can be clearly identified is when receipts have been appropriated to a reporting entity and that recipient has recorded a receivable. In contrast, an example of when separate portions cannot be identified is when receipts have not yet been appropriated. If separate portions cannot be identified, the component with program management responsibility should report the fund. The component entity with program management responsibility is defined as the entity from which the offsetting receipts are distributed, as shown in the President's Budget. If the collections are classified as governmental receipts, then the component entity with program management responsibility is defined as the entity where the budget presentation of the trust fund receipts is shown in the President's Budget (Appendix Volume). Differences in comparative statements will be identified in the corresponding statement notes.

The note disclosure should reflect eliminations for transactions within the reporting entity's earmarked funds. Refer to SFFAS 27 for additional disclosure requirements.

**Format:** Bureaus are required to utilize the Earmarked Funds note standard file/presentation located on the X Drive of the Citrix Server.



	<u>ABC Fund</u>	<u>CDE Fund</u>	<u>Other Earmarked Funds</u>	<u>Eliminations</u>	<u>Total Earmarked Funds</u>
<b>Balance Sheet as of September 30</b>					
<b>ASSETS</b>					
Fund balance with Treasury	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Investments, net	xxx	xxx	xxx	xxx	xxx
Taxes and Interest Receivable			xxx	xxx	xxx
Other Assets	xxx	xxx	xxx	xxx	xxx
<b>Total Assets</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>
Other Liabilities	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
<b>Total Liabilities</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>
Unexpended Appropriations	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Cumulative Results of Operations	xxx	xxx	xxx	xxx	xxx
<b>Total Liabilities and Net Position</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>
<b>Statement of Net Cost For the Period Ended September 30</b>					
Gross Program Costs	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Less Earned Revenues			xxx		xxx
Net Program Costs	xxx	xxx	xxx	xxx	xxx
Costs Not Attributable to Program Costs	xxx	xxx	xxx	xxx	xxx
Less Earned Revenues Not Attributable to Program Costs	xxx	xxx	xxx	xxx	xxx
<b>Net Cost of Operations</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>
<b>Statement of Changes in Net Position For the Period Ended September 30</b>					
Net Position Beginning of Period	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Taxes and Non-Exchange Revenue	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Other Financing Sources	xxx	xxx	xxx	xxx	xxx
Net Cost of Operations	xxx	xxx	xxx	xxx	xxx
<b>Change in Net Position</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>
<b>Net Position End of Period</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>	<b>\$ xxx</b>

## Y. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government. Fiduciary activities will no longer be recognized on the proprietary financial statements, but they are required to be reported on



schedules in the notes to the financial statements (see SFFAS No. 31, *Accounting for Fiduciary Activities*).

Please note that the schedules below contain comparative fiscal year data for this example. In the initial year of implementation, comparative information will not be required, as no amounts should be restated per paragraph 9 of SFFAS 31. *[Fiduciary Fund A] was authorized by the [legislation], which authorized [the component entity] to collect [type of collections] on behalf of [beneficiaries]. Other fiduciary activities by [the component entity] include but are not limited to [examples of fiduciary activities included in "other."]*

**Contributions** increase fiduciary net assets. Contributions include cash collected from beneficiaries and directly increase a beneficiary's equity.

**Disbursements to and on behalf of beneficiaries** decrease fiduciary net assets. Disbursements are equity distributions to or on behalf of beneficiaries.

**Increases/(Decreases) in fiduciary net assets** equals the sum of lines 2-7.

Department XYZ  
**Schedule of Fiduciary Activity**  
 For the years ended September 30, 2010 and 2009

	2010 Fiduciary Fund A	2010 Other Fiduciary Funds	2010 Total Fiduciary Funds	2009 Fiduciary Fund A	2009 Other Fiduciary Funds	2009 Total Fiduciary Funds
1. Fiduciary net assets, beginning of year	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Fiduciary revenues	xxx	xxx	xxx	xxx	xxx	xxx
3. Contributions	xxx	xxx	xxx	xxx	xxx	xxx
4. Investment earnings	xxx	xxx	xxx	xxx	xxx	xxx
5. Gain (Loss) on disposition of investments, net	xxx	xxx	xxx	xxx	xxx	xxx
6. Administrative and other expenses	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
7. Disbursements to and on behalf of beneficiaries	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
8. Increases/(Decrease) in fiduciary net assets	xxx	xxx	xxx	xxx	xxx	xxx
9. Fiduciary net assets, end of year	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx



## Chapter 14

### Heritage Asset and Stewardship Land Reporting

The intent of Heritage Asset and Stewardship Land Reporting is to present information regarding the entity's stewardship over assets and resources including that which is presented in both the financial statements and as supplementary information.

Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land*, classifies all Heritage Asset (HA) and Stewardship Land (SL) information as basic information and a note on the balance sheet, except for condition information, which is reclassified as Required Supplementary Information, as well as amending several existing standards. The standard requires reporting disclosures about the entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the entity's mission.

With the issuance of this new guidance (SFFAS 29), the Federal Accounting Standards and Advisory Board (FASAB) asked that the Accounting and Auditing Policy Committee (AAPC) work with the various federal agencies impacted by the new standard to develop an Implementation Guide. Several Department of the Interior bureaus were active participants in this effort to ensure that the diverse interests of Interior were represented.

Stewardship Information is reported as follows:

- Deferred Maintenance – RSI
- Mission Relevance – Basic
- Stewardship Policies – Basic
- Stewardship Land (acquisitions, withdrawals, and ending balance) – Basic
- NonCollectible Heritage Assets (acquisitions, withdrawals, and ending balance) – Basic
- Collectible Heritage Assets (acquisitions, withdrawals, and ending balance) – Basic
- Condition of Stewardship Land – RSI
- Condition of NonCollectible and Collectible Heritage Assets – RSI
- Investment Reporting (Research and Development, Human Capital, and Non-Federal Physical Property – Required Supplementary Stewardship Information (RSSI))

Because HA and SL contain footnote information, the Balance Sheet should include a line item on Stewardship Assets with a zero dollar value and reference to its explanatory



note. This line item is located below the total assets line on the face of the balance Sheet. Descriptive paragraph(s) on how heritage assets and stewardship land relate to the entity's mission and the policies that guide their management is a component of the HA and SL Note in the Basic Section of the Annual Financial Report (AFR).

SFFAS 29 provides considerable latitude on identifying, categorizing, and quantifying footnote information on HA and SL. Reporting requirements for HA and SL include acquisitions, withdrawals, and ending balances expressed in physical units. SL physical units are by major categories of use whereas HA physical units are by major category/designation (i.e., National Historic Landmark, Wilderness Area, etc.). HA and SL (1) should be reported on the balance sheet with no asset dollar amount shown with a Footnote reference, and (2) costs associated with HA and SL must be recognized in the Statement of Net Cost (SNC) for the period in which the costs are incurred. Refer to SFFAS 6, paragraph 26 for further examples of costs. No amounts for SL acquired through donation or devise are included in the calculation of net costs. Also non-financial information on HA and SL (including multi-use HA) must be reported in the Footnote disclosure. Examples are included in the AAPC Technical Release No. 9: Implementation Guidance for SFFAS 29: Heritage Assets and Stewardship, issued on February 20, 2008 ([www.fasab.gov/aapc/aapc.html](http://www.fasab.gov/aapc/aapc.html)).

**Basic Information** - Bureaus should provide a concise statement explaining how HA relate to the overall mission of the bureau. Types of information that tie this relationship are compliance with laws and regulations and specific designation by authoritative bodies. Bureaus should also provide a brief description of the stewardship policies for HA that include the goals and principles the bureau has established to guide the acquisition, maintenance, use, and disposal of HA consistent with statutory requirements, prohibitions, and limitations governing the bureau and the HA.

**Stewardship Land** - SL is defined as land and land rights owned by the Federal government that was not acquired for/or in connection with general property, plant, and equipment. Land is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land. Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water rights, power rights, diversion rights, submersions rights, rights-of-way, mineral rights, and other like interests in land. Certain assets, such as national parks, may be defined as both HA and SL. The SL section of the RSI will include discussions of the land's overall condition and the methods by which additions or withdrawals are made to SL.

HA and SL reporting are separate and distinct reporting categories. For example, a National Park (or other land unit designation) may appear as a category and/or unit in both HA and SL without being considered duplicative reporting. One is counting the land unit and the other is counting the heritage asset. The number of units in the SL table may be different from the number of units in the HA table. Furthermore, a reporting category such as a National Park unit or National Wildlife Refuge may physically contain other categories of HA, e.g., National Historic Landmark, Wilderness Areas, or other



appropriate HA designations in addition to being a heritage asset category itself. Each heritage asset has been either Presidentially, Congressionally, or Secretarially designated, which is the determining criteria for inclusion within the category.

Primary Land Management Categories	As of October 1, 2008	Increase	Decrease	As of September 30, 2009
<b>IA</b> - Regional Offices	12	-	-	12
<b>BLM</b> - Geographic Management Areas	134	-	-	134
<b>BOR</b> - Federal Water and Related Projects	142	1	-	143
<b>FWS</b> - National Wildlife Refuges	548	-	-	548
<b>FWS</b> - Coordination Areas	49	-	-	49
<b>FWS</b> - Wetland Management Districts	37	-	-	37
<b>FWS</b> - National Fish Hatcheries	67	-	1	66
<b>FWS</b> - Fish Health Centers	9	-	9	-
<b>FWS</b> - Fish Technology Centers	8	-	2	6
<b>FWS</b> - Associated Fish Facilities	19	-	-	19
<b>NPS</b> - Park Units	378	-	-	378
<b>OS</b> - Commission Land	1	-	-	1
<b>Total Number of Units</b>	1,404	1	12	1,393

For the categories of SL included in the Lands Chart (see sample below), bureaus are required to provide the additions and withdrawals of Federal units during the fiscal year and to provide a condition statement based upon the categories below. Federal SL is reported in terms of physical units rather than cost, fair value, or other monetary value. Ensure that the physical unit being used is included in the land chart. *The Department is not reporting SL in acres.*

The categories of condition are:

- ▶ **Acceptable** – when the land is adequate for operating needs and the Department has not identified polluted or contaminated areas that would require intervention to sustain the land for its intended use; and,
- ▶ **Needs Intervention** – when the Department has identified polluted or contaminated areas within units of Interior land that require intervention to sustain the land for its intended use.

Bureau submissions should include a description of each major category of SL use.



Where units of land have more than one use, the predominant use of the land should be considered the major use. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses should be presented. For each major category of SL use, the following should be submitted:

- The number of physical units by major category of SL use for which the entity is the steward as of the end of the reporting period;
- The number of physical units by major category of SL use that were acquired and withdrawn during the reporting period; and,
- A description of the major methods of acquisition and withdrawal of SL during the reporting period.

Primary Land Management Categories	As of September 30, 2009	Condition	
		Acceptable	Needs Intervention
IA - Regional Offices	12	100%	
BLM - Geographic Management Areas	134	100%	
BOR - Federal Water and Related Projects	143	100%	
FWS - National Wildlife Refuges	548	99%	1%
FWS - Coordination Areas	49	100%	
FWS - Wetland Management Districts	37	100%	
FWS - National Fish Hatcheries	67	100%	
FWS - Fish Health Centers	9	100%	
FWS - Fish Technology Centers	8	100%	
FWS - Associated Fish Facilities	19	100%	
NPS - Park Units	378	100%	
OS - Commission Land	1	100%	
<b>Total Number of Units</b>	<b>1,405</b>	<b>100%</b>	<b>0%</b>

**Heritage Assets** are property, plant, and equipment that are unique because of historical or natural significance, cultural, educational, or artistic importance, or for significant architectural characteristics. Refer to SFFAS No. 20 regarding the presentation of multi-use HA. HA are generally expected to be preserved indefinitely. HA include non-collectible HA, such as properties that have been officially (Presidentially, Congressionally, or Secretarially) designated, and collectible HA, such as library and museum collections.

**Non-Collectible Heritage Assets.** The primary factor utilized to determine whether non-collectible HA should be included in Footnote disclosure is whether or not they have been Presidentialy, Congressionally, or departmentally (by the Secretary of the Interior) designated (not proposed). Using only these official designations as the criteria for inclusion in footnote disclosure takes the scientific burden of proving the worthiness of each discovery out of the financial



community and places it back into the scientific arena. The financial statements will report only those assets that the scientists have deemed significant enough to secure an official designation.

<b>Non-Collectible Heritage Asset Categories</b>	<b>As of October 1, 2008</b>	<b>Increase</b>	<b>Decrease</b>	<b>As of September 30, 2009</b>
Cooperative Management and Protection Areas	1	-	-	1
Headwaters Forest Reserve	1	-	-	1
Lake Todatonten Special Management Area	1	-	-	1
National Battlefield Parks	3	-	-	3
National Battlefield Sites	1	-	-	1
National Battlefields	11	-	-	11
National Conservation Areas	13	-	-	13
National Historic Landmarks (NHL)	202	1	-	203
National Historic Sites	80	-	3	77
National Historic Trails	10	-	-	10
National Historical Parks	42	3	-	45
National Lakeshores	4	-	-	4
National Memorials	28	-	1	27
National Military Parks	9	-	-	9
National Monuments	90	5	-	95
National Natural Landmarks (NNL)	108	-	-	108
National Parks	58	-	-	58
National Parkways	4	-	-	4
National Preserves	18	-	-	18
National Recreation Areas	19	-	-	19
National Recreation Trails	95	1	-	96
National Reserves	2	-	-	2
National Rivers	5	-	-	5
National Scenic Trails	6	-	-	6
National Seashores	10	-	-	10
National Wild and Scenic Rivers	60	-	-	60
National Wildlife Refuges	548	-	-	548
Outstanding Natural Area	3	-	-	3
International Historic Sites	1	-	-	1
Wilderness Areas	321	4	-	325



Other	11	-	-	11
Total	1,765	14	4	1,775

Examples of such HA include assets listed in the National Historic Landmarks program that have been designated by the Secretary of the Interior. Because these designations are easily verifiable, this data can be accumulated with minimal supervision. It is especially important that as this data becomes basic financial data that the classifications are based on preexisting standards and will not require scientific reevaluation each time a financial statement is prepared. This same methodology could be applied to HA that have been officially designated such as National Monuments, Wilderness Areas, National Scenic Trails, etc.

Bureaus should enter the number of units as of October 1 each year; additions and withdrawals during the fiscal year; the ending balance as of September 30; and the physical condition of the assets (Acceptable {good or fair}, Unacceptable {poor}, or Unknown). The narrative section should include a detailed description of the methods by which non-collectible HA are acquired and withdrawn as well as any other information that would be of interest to the public and which illustrates the mission of the bureau.

In addition, the fair value of HA acquired through donation or devise during the reporting period should be disclosed, if known and material.

The categories for reporting condition of non-collectible HA are:

- Acceptable -- when all of an asset's critical systems have no critical or serious deferred maintenance; critical systems with minor deferred maintenance and non-critical systems with any priority of deferred maintenance may exist. Acceptable condition may vary by asset type (building, road, or trail, etc.).
- Unacceptable -- when some of an asset's critical systems have critical or serious deficiencies. The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets.
- Unknown – when a condition assessment has not been completed on the HA. This category may only be used for two years.



Primary Non-Collectible Heritage Asset Categories	As of September 30, 2009	Condition Expressed as a Percentage				
		Land Based		Structurally Based		
		Acceptable	Needs Intervention	Acceptable	Unacceptable	Unknown
Cooperative Management and Protection Areas	1	100%				
Headwaters Forest Reserve	1	100%				
Lake Todatonten Special Management Area	1	100%				
National Battlefield Parks	3			100%		
National Battlefield Sites	1	100%				
National Battlefields	11	100%		100%		
National Conservation Areas	13	100%				
National Historic Landmarks (NHL)	202	0%		86%	9%	5%
National Historic Sites	80	100%		99%	1%	
National Historic Trails	10	100%				
National Historical Parks	42	100%		97%	3%	
National Lakeshores	4			100%		
National Memorials	28	100%		100%		
National Military Parks	9	100%		100%		
National Monuments	90	100%		94%	6%	
National Natural Landmarks (NNL)	108	100%				
National Parks	58	100%		98%	2%	
National Parkways	4	100%		100%		
National Preserves	18	100%		94%	6%	
National Recreation Areas	19	100%		100%		
National Recreation Trails	95	100%		100%		
National Reserves	2	100%		100%		
National Rivers	5	100%		100%		
National Scenic Trails	6	100%				
National Seashores	10			100%		
National Wild and Scenic Rivers	60	100%		100%		
National Wildlife Refuges	548	99%	1%			
Outstanding Natural Area	3	100%				
International Historic Sites	1			100%		
Wilderness Areas	321	100%				
Other	11	100%		100%		
<b>Total</b>	<b>1,765</b>	<b>100%</b>	<b>0%</b>	<b>94%</b>	<b>4%</b>	<b>2%</b>



**Collectible Heritage Assets - Library Collections.** Categories for condition for library collections, based on the standards developed in 2007:

Facilities housing Department library collections must meet specific environmental, security, fire protection, housekeeping, physical examination and conservation treatment, storage, and exhibit space standards as described in a policy document issued by the Office of Financial Management, Condition Assessment Guidelines for U.S. Department of the Interior Library Collections, dated April 11, 2007 (copy attached). These standards require facilities that house collections to maintain their stewardship responsibilities by adhering to best practices as defined by industry standards and interpretations.

	As of October 1, 2008	Increase	Decrease	As of September 30, 2009
Library Collections	7	-	-	7

Library collection ratings of Good, Fair, Poor, and/or Unknown (see attachment) should be based on the following:

Good Achieves all four standards for temperature/humidity, exposure to light, gaseous contaminants, and particulates at the good or fair levels.

Fair Achieves two or more of the four standards at the good or fair levels.

Poor Achieves fewer than two of the four standards at the good or fair levels.

Unknown Environmental assessment not conducted (may be reported for no more than two years). This category is to be used until a study has been completed and results received in writing.

Interior Library Collections	As of September 30, 2009	Condition of Library Collections		
		Good	Fair	Poor
Library Collections	7		86%	14%

Condition Assessment Ratings will be valid for no more than five years, except for “unknown” which is valid for no more than two years. It is recommended, however, that assessments be completed every two to three years.



**Collectible Heritage Assets – Museum Collections.** This chart lists total museum collections as of October 1 of the current reporting year, total additions and withdrawals, the ending balance as of September 30, and the condition of the assets. The list is subdivided based on whether the collections are housed in Interior or Non-Interior facilities.

Museum Collections	As of October 1, 2008	Increase	Decrease	As of September 30, 2009
Held at Interior Bureau Facilities	595	-	-	595
Held at Non-Interior Bureau Facilities	480	-	-	480
Total	1,075	-	-	1,075

Categories for condition for museum collections, based on the standards in 411 Departmental Manual Short List and accepted industry practices/standards are:

- Good – the facility housing the collection is in good condition;
- Fair – the facility housing the collection is in fair condition; and,
- Poor – the facility housing the collection is in need of major conservation efforts based on the Short List definitions
- Unknown – when a condition assessment has not been completed on the HA. This category may only be used for two years.

Interior Museum Collections	As of September 30, 2009	Condition of Museum Collections			
		Good	Fair	Poor	Unknown
Held at Interior Bureau Facilities	595	43%	33%	23%	1%
Held at Non-Interior Bureau Facilities	480	51%	27%	6%	16%
Total	1,075	46%	30%	16%	8%

Since reclassified as a basic footnote, this information is subject to audit. Bureaus should ensure that sufficient background information, methodology, etc., is available to the auditors upon request to verify designation and ownership. Since the beginning balance figures were verified and accepted by the auditors in FY 2008, this verification information will be required for all additions and withdrawals.

The Office of Financial Management will issue instructions each year as a Financial Management Memorandum to provide details on HA and SL reporting.



**References:**

Technical Release No. 9, AAPC Implementation Guidance for SFFAS 29: Heritage Assets and Stewardship ([www.fasab.gov/pdffiles/hasltr9\\_final22008.pdf](http://www.fasab.gov/pdffiles/hasltr9_final22008.pdf))

SFFAS No. 29 ([www.fasab.gov/pdffiles/sffas\\_29.pdf](http://www.fasab.gov/pdffiles/sffas_29.pdf))

411 DM Shortlist ([http://elips.doi.gov/app\\_dm/index.cfm?fuseaction=home](http://elips.doi.gov/app_dm/index.cfm?fuseaction=home))

Asset Management Plan ([www.doi.gov/pam](http://www.doi.gov/pam))

Financial Management Memoranda ([www.doi.gov/pfm](http://www.doi.gov/pfm) PFM website currently under development)



## United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

APR 11 2007

## Memorandum

To: Heads of Bureaus and Offices  
Bureau Chief Financial Officers

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

Subject: Condition Assessment Guidelines for U.S. Department of the Interior  
Library Collections

This memorandum serves as supplemental guidance for the preparation of the FY 2007 Performance and Accountability Report (issued December 20, 2006).

The reporting requirements for Collectible Heritage Assets – Library Collections are discussed on page 7 of the December 20 guidance. In the description of the reporting requirements, it states that the condition of the collections will be based on the standards in the 411 DM Short list. After review by the library community within Interior, it was determined that although appropriate for the museum collection condition assessments, the 411 DM shortlist did not address issues of primary concern to a library.

The attached Guidelines address the four primary considerations (temperature and relative humidity, exposure to light, gaseous contaminants, and particulates) in the storage of paper documents. Acceptable levels in each of the four areas are provided as well as overall condition assessment ratings when the four areas are combined. The attached Guidelines are to be used for FY 2007 and future years until replaced or cancelled.

The Office of Acquisition and Property Management has reviewed the guidelines to ensure that there are no discrepancies or conflicts with existing property guidelines.

If you have any questions regarding these Guidelines or other Stewardship Land or Heritage Assets issues, please contact David Horn on 202-208-5542.

## Attachment

cc: Deputy Chief Financial Officers                      Bureau Finance Officers Heritage  
Assets/Stewardship Land Group



## Condition Assessment Guidelines for U.S. Department of the Interior Library Collections

Department of the Interior libraries have a special obligation to acquire the creative and intellectual legacy of the Department of the Interior and its programs; to secure and preserve these items for present and future generations; and, to make these items available as soon as possible and prudent to their users. Archiving and maintaining the proper balance among preservation, security, and access is a dynamic and challenging process.

The risks to the collections include: failure to acquire and organize materials that are critical to the continued development of the research collections; failure to preserve the collections from physical degradation; and, the theft, mutilation, or accidental loss of the items in the collection.

The National Information Standards Organization has published the *Environmental Guidelines for the Storage of Paper Records* (NISO TR01-1995, ISSN: 1081-8006) to create a national standard to define environmental guidelines for libraries. For details on these *Guidelines*, the report is located at [http://www.niso.org/standards/std\\_resources.html#reports](http://www.niso.org/standards/std_resources.html#reports)

Paper-based records are the foundation of recorded history. Most of the records of the past are on paper. Despite the fact that many records now are computer-based, most records that are expected to last for many years are on paper.

The task of proper preservation includes overcoming the difficulties associated with preserving paper with different chemical and physical compositions assembled as books, pamphlets, single sheets in folders, letters, and maps. Paper-based records range in age from centuries to days. Regardless of condition, most of these records have survived for only a fraction of their expected lifetime.

Maintaining an appropriate storage environment can significantly enhance the long-term preservation of library collections. However, the storage environment in a repository may be governed by reasons of human comfort or cost rather than to achieve the proper preservation of materials. Thus, many systems capable of maintaining a good preservation environment are modified for human comfort and to run more cost-efficiently. Rigid requirements for environmental conditions in libraries are impossible for the following reasons:

- The control of parameters other than temperature in a building is costly;
- The control of relative humidity is especially problematic because a building may not be amenable to relative humidity control because of limitations of air conditioning equipment;
- The best environment for paper is not suitable for people; and,
- The amount and nature of potential damage to seldom-used records differ greatly from the potential damage to which frequently-used records are subjected.



## **Condition Assessment Guidelines for U.S. Department of the Interior Library Collections**

The information provided here is intended to serve as a guide, not a specification for library environments. Factors that impact library environments are: local climatic conditions; considerations of human comfort; currently-available technology for environmental-control systems; constraints of existing buildings; limits of construction materials; and cost considerations.

The primary considerations in the storage of paper documents are temperature and relative humidity, exposure to light, gaseous contaminants, and particulates.

### **Temperature and Relative Humidity**

The suggested temperature ranges for records repositories historically have been driven by human comfort levels rather than for the stability of records. Historically, a relative humidity of 50%, or higher, has been recommended for storage of records, because paper is more flexible at 50% relative humidity than at lower values of relative humidity. Because various parts of a book react differently to changes in relative humidity, and because the insides of covers respond more slowly to changes in relative humidity than covers do, warpage may occur with variations in relative humidity.

Generally, the lower the temperature where paper is stored the better for chemical stability. However, in usage situations a compromise must be made between people and records. For chemical stability, the lower the relative humidity where paper is stored, the better.

Ideal situations for a combined stack and user facility are a maximum of 70 degrees Fahrenheit (with a +/-2 percent maximum daily fluctuation) and 30-50 percent humidity (+/- 3 percent maximum monthly drift) depending on climatic conditions in the local geographic area or facility limitations.

For Interior facilities, acceptable levels for temperature and relative humidity will be considered as follows:

Good:	70 degrees or less, 50 percent humidity or less
Fair:	71 – 74 degrees, 51 – 60 percent humidity
Poor:	75 degrees and above, 61 percent humidity or higher

### **Exposure to Light**

Normally, books are on shelves and manuscripts usually are in files or document boxes; therefore, exposure usually occurs only while the book or document is in use. However, the spines of books are vulnerable to light as evidenced by the number of faded spines seen on bookshelves.

Although special light sources are available for libraries, the principal light sources usually consist of fluorescent or incandescent lamps and skylights. The latter have a very substantial ultraviolet component, more than direct sunlight alone, and should be



## Condition Assessment Guidelines for U.S. Department of the Interior Library Collections

avoided. The ultraviolet component of fluorescent lamps varies, but is far less than skylight. Incandescent lamps have a very small ultraviolet component.

Window glass transmits light in the wavelength range above 330 nanometers (nm); light above 460 nm causes negligible damage to paper. Librarians are interested only in that part of the spectrum from 330 to 460 nm. The ultraviolet portion from 330 to 400 nm is the most damaging.

Light filters vary in their characteristics and availability. A filter that removes most of the ultraviolet light greatly reduces photochemical damage. A filter with a cut-off point of about 415 nm is desirable, because it cuts out the ultraviolet light, yet, does not absorb enough of the visible spectrum to change the color of the object being viewed. A filter with a cut-off point of about 460 nm would remove practically all radiation damaging to paper, but an object viewed in this light would appear yellowish.

Light from windows, skylights, and fluorescent lamps should be filtered to eliminate wavelengths below 415 nanometers. However, if incandescent lamps are the sole source of light, the necessity for filters is questionable. In situations where budget constraints do not allow the ultimate in lighting control, the first choice is incandescent lamps, with a low wattage as consistent with reading comfort. The next choice would be fluorescent lamps with the smallest ultraviolet output available. *Sunlight through window glass and unfiltered skylights should be avoided because of their substantial ultraviolet component.*

For Interior facilities, acceptable levels for ultraviolet light will be considered as follows:

Good:	415 nanometers
Fair:	414 to 400 nanometers
Poor:	399 nanometers and below

### Gaseous Contaminants

Sulfur dioxide, nitrogen dioxide, and ozone are recognized as the principal gaseous contaminants of libraries. In recent years, other contaminants have been recognized, such as acetic acid, formaldehyde (and other aldehydes), mineral acids, hydrocarbons, and sulfides from protein-based glues, etc. The possibility of their presence as well as the potential for long-term damage must be recognized.

Sulfur dioxide is readily absorbed by paper. The amount absorbed depends on the kind of paper and the concentration of sulfur dioxide in the air. The amount of sulfur dioxide absorbed increases with increasing levels of relative humidity. Furnishings (drapes, furniture, clothing, etc.) readily absorb sulfur dioxide so that the indoor concentration in the air is usually substantially lower than in the exterior air.

The oxides of nitrogen are known to cause damage in cellulosic materials. Nitrogen dioxide has been reported to accelerate the photodegradation of cellulose.



## Condition Assessment Guidelines for U.S. Department of the Interior Library Collections

Ozone does not appreciably interact with unmodified cellulose, but cellulose that has been air-oxidized, hydrolyzed, and bombarded with air contaminants can hardly be termed unmodified, so ozone should be excluded from records areas. Ozone is especially damaging to some colors.

The presence of other contaminants from indoor surfaces may be difficult to measure and the subsequent effects on records may be difficult to determine.

Gaseous contaminants may be removed by granular absorption beds such as activated carbon, activated carbon impregnated with sodium hydroxide, activated alumina impregnated with potassium permanganate or wet scrubbers, or a combination thereof. These mechanisms have a high affinity for ozone, sulfur dioxide, and hydrocarbons. Location of outdoor intakes should avoid sources of high concentrations of contaminants, such as intakes at street level, loading dock areas, near exhaust discharges, or adjacent to unpaved parking lots.

The specification of maximum levels of gaseous contaminants depends on: the detection limits of instruments and the capacity of filters to remove contaminants. It would be realistic to suggest a maximum of about 10 ppbv (parts/billion/volume) for the three primary contaminants (sulfur dioxide, nitrogen dioxide, and ozone).

For Interior facilities, acceptable levels for gaseous contaminants will be considered as follows:

Good:	5 to 8 ppbv
Fair:	9 to 10 ppbv
Poor:	11 ppbv and above

### Particulates

Filtration to prevent soiling and particulate abrasion is a primary concern. Smaller particles, once deposited, are harder to remove. In occupied rooms, the particulate volume generated by activity, clothing, and foot traffic makes the use of HEPA filtration impractical. Most facilities are currently equipped with commercial grade air handlers that provide 30 – 40% efficiency. Upgrading the system to 50 to 80% is recommended.

Particulate matter covers a broad area of possible contaminants, generated both inside and outside a building. Of primary concern is elementary carbon from fossil fuel combustion. Aerosols are the suspension of fine solid or liquid particles in gases. Although seldom occurring in a library, they may be generated by certain types of humidifiers or by new concrete, and may occur if air from smoking areas enters the stacks. Aerosols are filtered as particulates.



## Condition Assessment Guidelines for U.S. Department of the Interior Library Collections

For Interior facilities, acceptable levels for particulates will be considered as follows:

Good:	61 to 80%
Fair:	50 to 60%
Poor:	49% and below

### Condition Assessment Ratings

Library collection ratings of Good, Fair, Poor, and/or Unknown should be based on the following:

<u>Good</u>	Achieves all of the above standards for temperature/humidity, exposure to light, gaseous contaminants, and particulates at the good or fair levels.
<u>Fair</u>	Achieves two or more of the four standards at the good or fair levels.
<u>Poor</u>	Achieves less than two of the four standards at the good or fair levels.
<u>Unknown</u>	Environmental assessment not conducted (may be reported for no more than two years). This category is to be used until a study has been completed and results received in writing.

For reporting purposes in the Performance and Accountability Report, Good and Fair will be considered Acceptable, Poor will be considered Needs Intervention, and Unknown will be used when it is truly unknown.

Condition Assessment Ratings will be valid for no more than five years. It is recommended, however, that assessments be completed every two to three years.

**Note:** The above recommendations and considerations are directed mainly to existing facilities and library locations. When acquiring new space and/or facilities for the relocation, expansion, or creation of library collections, efforts should be directed to ensuring that the above standards are considered and in the majority of cases achieve a "Good" rating.



## Chapter 15

### Legal and Management Representation Letters

#### Legal Representation Letter

When preparing the legal representation letters, the General Counsel should reference the guidance found in Office of Management and Budget Bulletin No. 07-04, as amended.

All existing, pending, and threatened litigation and unasserted claims should be reported using the format located at [www.usdoj.gov/civil/forms/forms.htm](http://www.usdoj.gov/civil/forms/forms.htm). In addition to reporting the status of pending contingent liabilities, the interim legal representation letters should also include the cases reported in the previous year's legal representation letters that are no longer pending.

The following are to be reported:

- all existing, pending, and threatened litigation;
- unasserted claims and assessments; and,
- cases reported in the previous year's legal representation letter that are no longer pending.

Formats are available for the following:

- Instructions for Completing the Forms (**important: read this first!**)
- Form for Pending or Threatened Litigation (in MS Word)
- Form for Unasserted Claims and Assessments (in MS Word)
- Forms for cases reported in the 2008 letter that are no longer pending (MS Word)

The final legal representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed.

Any subsequent changes in cases that arise after the final legal representation letter (but before the end of the date of the audit report on the governmentwide financial report), must be emailed to the Financial Management Service.

When preparing the management schedule, which shows how the information contained in the legal counsel's response was considered in preparing the financial



statements, the Chief Financial Officer should follow the guidance provided in Office of Management and Budget Bulletin No. 07-04, as amended. The format referenced in the GAO/PCIE Financial Audit Manual (FAM) at 1002 D-Example Management Summary Schedule is strongly encouraged to be used when preparing the management schedule.

The schedule should be consistent with information presented in the legal representation letters and the notes to the financial statements. Management must make an assessment as to whether pending/threatened litigation or unasserted claims should be reported or disclosed in the financial statements. This determination extends to cases in which legal counsel has classified the likelihood of loss as “unknown.”

The Office of Inspector General should submit the interim and final (updates only) legal representation letters and the accompanying management schedules no later than August 31, and November 16, respectively. The documents must be submitted electronically in PDF format, including signatures, to:

Department of Justice  
Financial Management Service  
Government Accountability Office

The Office of Inspector General should inform the Financial Management Service, via email, of any subsequent changes to the final legal representation letter that have arisen after the submission of the final legal representation letter but prior to the effective date of December 1. An email update must be sent to FMS indicating “changes” or “no changes” at its electronic address. The email should be sent no later than December 2, close of the business day (6 p.m. EST).

### **Management Representation Letter**

The Office of Management and Budget and Treasury rely on the written representations obtained from agencies’ management as part of their financial statement audits (general-purpose and special-purpose). Therefore, it is important that management representations include all representations that are required by generally accepted auditing standards and Office of Management and Budget Bulletin No. 07-04, as amended. General representations must, however, be modified to be consistent with findings reported by the auditor.

In accordance with Auditing Standards (AU) Section 333, *Management Representations*, management’s representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose.

Materiality may be different for different representations. Management shall specify its materiality threshold(s) in the management representation letter. Materiality considerations would only apply to those representations that are directly related to



amounts included in the financial statements. In addition, because of the possible effects of fraud on other aspects of the audit, materiality would not apply to management or those employees who have significant roles in internal control.

Also in accordance with AU Section 333, the management representation letter should be signed by those members of management with overall responsibility for financial and operating matters that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency and the Chief Financial Officer, and any others deemed responsible for matters presented in the management representation letter.

As required by AU Section 333, the management representation letter should include a representation regarding the materiality of uncorrected financial statement misstatements identified by the auditor. A list of any uncorrected misstatements, including those audit adjustments waived by the component-level, should be attached to the management representation letter. In addition, the adjusting entries to correct the misstatements should also be provided. If there are no such uncorrected misstatements, a representation to this effect should be included in the management representation letter.

Refer to the FAM Section 595C for a sample Schedule of Uncorrected Misstatements and Adjusting Entries

Management is required to include a representation that addresses the consistency of budgetary data reported on the Statement of Budgetary Resources and the budgetary data submitted through FACTS II to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. Management may consider using the following sample representation:

*The information presented on the Department's SBR is reconcilable to the information submitted on the Department's year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year 20xx actual column of the Program and Financing Schedules reported in the fiscal year 20xz Budget of the U.S. Government. Such information is supported by the related financial records and related data.*

Notification must be sent to the Office of Management and Budget/OFFM, Financial Management Service, Treasury (Main), and Government Accountability Office whether there are "no changes" or "changes" due to subsequent changes to the management representation letter or subsequent events affecting the agency financial statements (general-purpose and special-purpose) that have arisen after the management representation letter and financial statements have been submitted. Management may consider using the following sample narrative:



*The purpose of this notification is to inform you that nothing has come to our attention that would require modification to the management representation letter furnished to our auditors, and sent to you, dated [insert date].*

*Additionally, nothing has come to our attention that would materially affect amounts reported in [insert agency's name]'s financial statements (general-purpose and special-purpose) for the fiscal years ended September 30, 20xy and 20xx or require additional disclosures to these financial statements.*

*We understand that these representations will be relied upon by the Treasury and OMB in preparing the government-wide management representation letter provided to the Government Accountability Office as part of its audit of the United States Government consolidated financial statements for the fiscal years ended September 30, 20xy and 20xx.*

Additional representations are required specifically related to the audit of the special-purpose financial statements (Closing Package) and can be found in OMB Bulletin No. 07-04, as amended. These representations may be combined with the representations required for the audit of the general-purpose financial statements in one management representation letter rather than two separate letters. Agencies should also attach a comprehensive summary of uncorrected misstatements, including an additional column identifying the effect of the current year's uncorrected misstatements on the Closing Package line items.

The Office of the Chief Financial Officer should submit the management representation letters electronically in PDF format, including signatures, to Office of Management and Budget/OFFM, Financial Management Service, Treasury (Main), and Government Accountability Office.

The management representation letters should be submitted as soon as they are available but no later than November 16 (for the general-purpose and special-purpose financial statements) following the end of the fiscal year.

The Office of the Chief Financial Officer should inform Office of Management and Budget/OFFM, Financial Management Service, Treasury (Main), and Government Accountability Office, via email, of any updates to the management representation letters and updates to financial statements due to subsequent events, up through December 7.

An email update should be sent to Office of Management and Budget/OFFM, Financial Management Service, Treasury (Main), and Government Accountability Office indicating "changes" or "no changes". The email should be sent no later than December 8, close of the business day (6 p.m. EST).



**References:**

- Office of Management and Budget Bulletin No. 07-04, as amended ([www.whitehouse.gov/omb/bulletins](http://www.whitehouse.gov/omb/bulletins)).
- Litigation and Unasserted Claim Forms [www.usdoj.gov/civil/forms/forms.htm](http://www.usdoj.gov/civil/forms/forms.htm).
- OMB Circular A-136, Financial Reporting Requirements - Revised (06/10/09) <http://www.whitehouse.gov/omb/circulars/>



## Chapter 16

### Legal Claims and Assessments



#### United States Department of the Interior

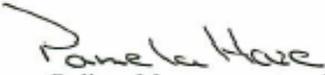
OFFICE OF THE ASSISTANT SECRETARY  
POLICY, MANAGEMENT AND BUDGET  
Washington, DC 20240

APR 24 2009



#### Memorandum

To: Solicitor

From: Pamela K. Haze   
Acting Assistant Secretary – Policy, Management and Budget

Subject: Request for Legal Representation Letters for Audited Financial Statements

The primary purpose of this memorandum is to request your assistance in responding to an inquiry made by the Department's independent auditor, KPMG, preparing four legal representation letters. Additionally, I ask that you provide contingent liability information to the finance offices to use in preparing the required quarterly financial statements.

In performing audits of Government entities, auditors are required to follow *Government Auditing Standards* issued by the Comptroller General of the United States (the *Yellow Book*). For financial statement audits, the *Government Auditing Standards* incorporate the fieldwork and reporting standards of the American Institute of Certified Public Accountants and the *Statements on Auditing Standards* that interpret them. Consistent with the guidance contained in AU 337, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, & Assessments*, of the AICPA's *Codification of Statements on Auditing Standards*, and consistent with procedures contained in Office of Management and Budget Bulletin No. 07-04, as amended, *Audit Requirements for Federal Financial Statements*, KPMG LLP has inquired about litigation, claims, and assessments to satisfy itself as to the financial accounting and reporting of such matters in the financial statements.

In accordance with Statement of Federal Financial Accounting Standards Number 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 12, and *Interpretation No. 2* of SFFAS Nos. 4 and 5, the Department and Bureaus report certain information in the financial statements and notes concerning contingent liabilities arising out of litigation, claims, and assessments. Please provide the Office of Inspector General and KPMG with this information and provide a copy to the Office of Financial Management (PFM). The information requested includes matters in which your Office has been engaged and has devoted substantive attention on behalf of the Department and the Bureaus in the form of legal consultation or representation.

Please include any litigation, claims, assessments, and unasserted claims and assessments (hereinafter "matters") to which your Office has been engaged and devoted substantive attention on behalf of the Department, its Bureaus, offices, officers, and employees in the form of legal consultation or representation. Include information on matters where you believe the Judgment



Fund or some financing source other than the Department's or a Bureau's budgetary resources will pay any potential loss. Under Generally Accepted Accounting Principles, such amounts may need to be included as liabilities or disclosed in the Department's and a Bureau's financial statements. Please report all new matters, pending matters that were previously reported in legal representation letters, and those that were reported in FY 2008 but have been closed in FY 2009. Include matters being handled by the Department of Justice on behalf of the Department. All matters not previously reported should be marked "original." Matters similar in nature may be aggregated where appropriate.

Please furnish: (1) an initial response by June 18, 2009, including matters that existed as of June 16, 2009; (2) an update by October 5, 2009, that includes any additions, changes, and deletions from June 17, 2009 through September 30, 2009; (3) an update by November 6, 2009, that includes any additions, changes, and deletions from October 1, 2009 through November 4, 2009; and (4) a final update by December 1, 2009 that includes any additions, changes, and deletions from November 5, 2009, through November 25, 2009, for matters that existed as of September 30, 2009. The three updates should include only matters with information that changed from the previous legal representation letter or update and any new matters.

The American Bar Association's *Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information* (December 1975) provides relevant guidance for the Office of the Solicitor's legal representation letters. Regarding cases where DOJ attorneys are handling legal matters on behalf of the Department, additional guidance can be found in Federal Financial Accounting and Auditing Standards Technical Release No. 1, *Audit Legal Letter Guidance*, dated March 1, 1998.

The Office of the Solicitor's legal representation letters should follow the guidance in OMB Bulletin No. 07-04, as amended, and they should provide descriptions of legal contingencies on standard forms depending on the type of matter involved, i.e., pending, unasserted, or closed (See Attachments 1, 2, and 3). The Office of the Solicitor should complete a separate form for each matter or group of related cases, and attach the forms to the four legal representation letters (preliminary and three update letters). In addition, the Office of the Solicitor should promptly submit advance copies of update forms to PFM for cases in which significant developments change the likelihood of unfavorable outcome or the estimate of loss.

Please provide your data in the attached standard formats, as applicable; these formats are PFM's revision of formats suggested by the Department of Justice (DOJ). Note that the applicable dollar threshold for reporting (specified below) should be entered at the top of each form in the designated field. Also, please complete the appropriate field to indicate either an original submission or an update, and provide the date. You should include the notation "potential environmental cleanup liability" in field 2 (Nature of Matter) for all matters which may involve possible environmental cleanup liabilities. Also, please combine related matters where appropriate, group matters by Bureau, and sequence them in descending order by amount of potential liability. You should place matters for which the amount of potential loss cannot be estimated at the end of the sequence.



It is important that the legal representation letters include an explanation for each change in either the evaluation of likelihood of unfavorable outcome or the estimate of potential loss, i.e., a change from the previously reported status. Similarly, please provide a brief explanation where the estimate of potential loss is not entered. These explanations should be included under *Progress of the Case to Date* for pending or threatened litigation, and under *Nature of the Matter* for unasserted claims and assessments. Having these explanations should help minimize the need for finance and audit personnel to contact the responsible attorneys.

The following data fields are described in the attached standard formats:

A. Pending or Threatened Litigation

The first standard form requires the following information regarding pending or threatened litigation:

1. Case Name
2. Nature of Matter (including a description of the proceedings, the claim(s) asserted, the damages sought, the objectives sought by the plaintiff (if any) other than monetary, or other damages (such as performance or discontinued performance of certain actions), and, where appropriate, a notation for *potential environmental cleanup liability*)
3. Progress of the Case to Date
4. The Government's Response or Planned Response (e.g., to contest the case vigorously, or to seek an out-of-court settlement)
5. An Evaluation of the Likelihood of Unfavorable Outcome (e.g., categorized as probable (likely to occur), or as reasonably possible (less than probable but more than remote))
6. An Estimate of the Amount or Range of Potential Loss (for losses considered to be probable or reasonably possible) and Expected Source of Funds for Payment (if an amount or range cannot be estimated, state the reasons)
7. The Name and Phone Number of the Department and DOJ Attorneys Handling the Case
8. The Sequence Number

For threatened litigation, please indicate "not yet filed" as progress to date.

**B. Unasserted Claims and Assessments**

The second standard form requires the following information regarding unasserted claims and assessments involving matters that you consider probable of assertion, and which, if asserted, have a reasonable possibility of an unfavorable outcome:

1. Name of Matter
2. Nature of Matter (including, where appropriate, a notation for *potential environmental cleanup liability*)
3. The Government's Planned Response
4. An Evaluation of the Likelihood of Unfavorable Outcome (e.g., categorized as probable (likely to occur), or as reasonably possible (less than probable but more than remote))
5. An Estimate of the Amount or Range of Potential Loss and Expected Source of Funds for Payment
6. The Name and Phone Number of the Department and DOJ Attorneys Handling the Case (Matter)
7. The Sequence Number

**C. No-Longer-Pending Cases That Were Reported in the Prior Legal Representation Letter**

1. Name of Matter
2. Sequence Number
3. Resolution of Matter
4. The Name and Phone Number of the Department and DOJ Attorneys

For purposes of this request, please include any matter individually or in the aggregate where similar or related matters are grouped involving amounts of \$1,000,000 or more for Indian Affairs, Bureau of Land Management, Bureau of Reclamation, Departmental Offices, Fish and Wildlife Service, Minerals Management Service, National Park Service, Office of Surface Mining, and U.S. Geological Survey and amounts of \$50,000 or more for Office of the Special Trustee for American Indians.

With respect to a matter recognized to involve an unasserted claim or assessment that may call for financial statement disclosure, please specifically confirm in the legal representation letter that my understanding of the following is correct: whenever, in the course of performing legal services for the Department or its Bureaus, you have formed a professional conclusion that the Department should disclose or consider disclosure concerning such possible claim or assessment. And, as a matter of professional responsibility to the Department, you will: (1) advise me of your conclusion and (2) consult with me concerning the question of such disclosure and the applicable requirements of SFFAS No. 5, as amended.

**Matters Individually Not Greater Than Threshold Amounts**

Please provide the maximum aggregate amount (the total) of loss contingencies for matters that individually are less than or equal to the threshold amounts identified above. Claimed amounts,



if any, may be used for these lower-dollar matters; where there are no firm claimed amounts or you consider them unreasonable, the maximum potential loss amounts should be estimated. Based on input from your divisions and field offices, the total for FY 2008 was about \$71 million. As you did last year, please state the total of loss contingencies that are individually less than or equal to the threshold amounts in your legal representation letters.

#### Matters That May Involve Another Governmental Entity

Please separately identify matters for which the Office of the Solicitor has devoted substantive attention on behalf of the Department in the form of legal consultation or representation for which you believe another governmental entity may be responsible for any potential liability. Please specifically identify the nature of and reasons for limitations on your response to this request.

#### Closed Documentation

Please provide documentation for the outcome of each matter that is closed in FY 2009. Documentation for each matter should have the Bureau/Office(s) and the Sequence Number of the matter written on the top of the first page to facilitate recordkeeping and distribution to the auditors.

#### Quarterly Information

In addition to the four legal representation letters discussed above, finance offices require information about contingent liabilities from litigation, claims, and assessments in their preparation of quarterly financial statements. Unlike the fiscal year-end requirements, this information need not be submitted as part of a formal legal representation letter. After the fiscal year-end information is provided with the legal representation letters, please resume electronically submitting to PFM quarterly information on the standard forms one week before each fiscal quarter ends. Submission of the information one week before the quarter ends will enable environmental and finance office personnel to resolve apparent differences in liability likelihood or estimate regarding matters identified as having potential environmental cleanup liability.

#### Confirmation of Matters Communicated to the OIG and Department Management

Please confirm in your legal representation letters that all information brought to your attention indicating the occurrence of a possible illegal act committed by the Department or any of its agents or employees has been reported to the OIG and, as appropriate, to the Department of the Interior management.

#### Submission of the Information

You should submit the legal representation letters, with information and updates about contingent liabilities for litigation, claims, and assessments, to Ms. Mary Kendall, Acting Inspector General, and to Mr. Jeff Norris, KPMG LLP, at <jnorris@kpmg.com>. Please submit





these documents electronically in PDF format, including required signatures. The OIG is required to submit these documents to DOJ, the U.S. Department of the Treasury's Financial Management Service, and the U.S. Government Accountability Office. In addition, please submit the quarterly information, discussed above, directly to PFM.

If you have any questions, please contact Daniel L. Fletcher, Director, Office of Financial Management, on (202) 208-4701.

**Attachments (3)**

cc: Jason Earwood, Finance Officer, Office of the Solicitor

**PENDING OR THREATENED LITIGATION****BUREAU/OFFICE:** \_\_\_\_\_**AGENCY'S DOLLAR THRESHOLD LEVEL FOR REPORTING:** \_\_\_\_\_ **Original** **Update****Date:** \_\_\_\_\_

1. **Case Name.** *(Include Case Citation, Case Number, and other names by which the case or group of cases is commonly known.)*
2. **Nature of Matter.** *(Include a description of the case or cases and amount claimed, if specified. State "Potential environmental cleanup liability" where applicable.)*
3. **Progress of the Case to Date.**
4. **The Government's Response or Planned Response.** *(For example, to contest the case vigorously or to seek an out-of-court settlement.)*
5. **An Evaluation of the likelihood of Unfavorable Outcome.** *(Choose one.)*  
  
\_\_\_\_\_ PROBABLE – *(An unfavorable outcome is likely to occur.)*  
\_\_\_\_\_ REASONABLY POSSIBLE – *(The chance of an unfavorable outcome is less than probable but more than remote.)*  
\_\_\_\_\_ REMOTE – *(The chance of an unfavorable outcome is slight.)*
6. **An Estimate of the Amount or Range of Potential Loss and Expected Source of Funds for Payment** *(if one can be made, for losses considered to be probable or reasonably possible; if one cannot be made, briefly explain the reasons under 'Progress of the Case to Date'; source of funds is Judgment Fund or agency appropriation).*
7. **The Name and Phone Number of the Interior and DOJ Attorneys Handling the Case** *(and names of any outside legal counsel/other lawyers representing or advising the government in the matter).*
8. **The Sequence Number** *(based on the total number of Pending or Threatened cases your agency/component is submitting. Number \_\_\_\_\_ of \_\_\_\_\_ (total)).*

Attorney-Client Agency Work Product Privilege

**UNASSERTED CLAIMS AND ASSESSMENTS**

BUREAU/OFFICE: \_\_\_\_\_

AGENCY'S DOLLAR THRESHOLD LEVEL FOR REPORTING: \_\_\_\_\_

 Original       Update      Date: \_\_\_\_\_

1. **Name of Matter.** *(Include name by which the matter is commonly known.)*
2. **Nature of the Matter.** *(Include a description of the matter. State "Potential environmental cleanup liability" where applicable.)*
3. **The Government's Planned Response** *(if the claim is asserted).*
4. **An Evaluation of the likelihood of Unfavorable Outcome.** *(Choose one.)*  
\_\_\_\_\_ PROBABLE – *(An unfavorable outcome is likely to occur.)*  
\_\_\_\_\_ REASONABLY POSSIBLE – *(The chance of an unfavorable outcome is less than probable but more than remote.)*
5. **An Estimate of the Amount or Range of Potential Loss and Expected Source of Funds for Payment** *(if an estimate can be made; if one cannot be made, briefly explain the reasons under 'Nature of the Matter'; source of funds is Judgment Fund or agency appropriation).*
6. **The Name and Phone Number of the Interior and DOJ Attorneys Handling the Case** *(and any outside legal counsel/other lawyers representing or advising the government in the matter).*
7. **The Sequence Number** *(based on the total number of Unasserted Claims and Assessments your agency/component is submitting. Number \_\_\_\_\_ of \_\_\_\_\_ (total))*

Attorney-Client Agency Work Product Privilege



**NO-LONGER-PENDING CASES  
THAT WERE REPORTED IN PRIOR LEGAL REPRESENTATION LETTER**

**BUREAU/OFFICE:** \_\_\_\_\_

**AGENCY'S DOLLAR THRESHOLD LEVEL FOR REPORTING:** \_\_\_\_\_

Original

Update

**Date:** \_\_\_\_\_

1. **Name of Matter.** *(Include case citation and name by which the matter is commonly known.)*
  
2. **Sequence Number** *(Number assigned in prior legal letter).*
  
3. **Resolution of the Matter** *(a brief description of how the case was resolved, including date of resolution and amount of settlement or judgment, if applicable).*
  
4. **The Name and Phone Number of the Interior and DOJ Attorneys Handling the Case** *(and any outside legal counsel/other lawyers representing or advising the government in the matter).*

Attorney-Client Agency Work Product Privilege



## Chapter 17 – Deferred Maintenance

The U.S. Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are utilized and maintained in support of the Interior's mission and the missions of its bureaus. When maintenance is not completed on assets as needed or scheduled and is delayed into the future, it is defined as deferred maintenance. This definition aligns with the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment* developed by the Federal Accounting Standards Advisory Board.

Deferred maintenance can have an adverse affect on Interior's ability to carry out its mission. For example, a lack of maintenance on windows, heating, ventilation, and air conditioning systems, or other components of a constructed asset typically results in increased energy costs. Excess energy usage needlessly expends limited resources that could otherwise be focused towards mission delivery. If the deferred maintenance on windows, heating, ventilation, and air conditioning is in a visitor center, for example, this can lead to a less than optimal visitor experience, which has a direct effect on a bureau's mission.

Similarly, deteriorated offices, laboratories, and schools result in an inefficient and potentially unsafe working environment and a poor learning environment that negatively impacts morale, the ability to attract and retain talented employees, educate Native American students, and provide a satisfactory experience for visitors to Interior's facilities. In addition, since one mission of Interior bureaus is to maintain facilities for recreational use by the public, assets that pose a health and safety threat cannot be made available for public use until repairs can be made. Undue wear on facilities may not be immediately noticeable to users, but over time inadequate maintenance can require that a facility be replaced or undergo major reconstruction before reaching the end of its expected useful life.

The SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, SFFAS No. 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS No. 6, Accounting for Property, Plant, and Equipment and SFFAS No. 8, Supplementary Stewardship Reporting*;, and SFFAS No. 29, *Heritage Assets and Stewardship Land*, require annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior Property, Plant, and Equipment (PP&E).

### Planning to Reduce Deferred Maintenance

Interior has a 5-Year planning process that provides a framework for improved planning and management of maintenance and construction programs at Bureau of Land Management, United States Geological Survey, Fish and Wildlife Service, National Park Service, Bureau of Reclamation, and Bureau of Indian Affairs. Interior's 5-Year Plan is updated annually to reflect a 5-year picture of the bureaus' deferred maintenance and capital improvement needs. The annual update presents the opportunity for bureaus to adjust their project priorities based on newly identified needs or previously identified needs that have become more critical during the past year. The 5-year planning



process emphasizes projects that eliminate deferred maintenance by addressing health and safety issues, ensuring resource protection, and addressing mission critical assets. The 5-year planning process is a critical element in the implementation of the Interior Asset Management Plan, Bureau Asset Management Plans, and Site-Specific Asset Business Plans.

Guidance for bureaus on updating the 5-Year Plan is contained in Attachment G of the Interior Annual Budget Guidance (issued by the Office of Budget). Maintenance and repair projects, including those that wholly or partly address deferred maintenance, are prioritized within each bureau by using a Department-wide project ranking formula contained in Attachment G. In preparing the plan, the bureaus follow uniform criteria established by the Department including health and safety, resource protection, mission criticality, and energy efficiency/building sustainability. These criteria are reviewed annually by the Department for alignment with Interior strategic plans, Office of Management and Budget guidance, recent laws, and Executive Orders (EO).

### **Deferred Maintenance Categories**

Categories of deferred maintenance currently include:

- (a) Critical Health and Safety Deferred Maintenance — poses a serious threat to public or employee safety or health;
- (b) Critical Resource Protection Deferred Maintenance — poses a serious threat to natural or cultural resources;
- (c) Energy Efficiency/building sustainability – projects in compliance with the Energy Policy Act of 2005, Energy Independence and Security Act of 2007, EO 13423 – Strengthening Federal Environmental, Energy, and Transportation Management or the Guiding Principles for High Performance and Sustainable Buildings Deferred Maintenance and/or Capital Improvement Needs
- (d) Critical Mission Deferred Maintenance — poses a serious threat to a bureau’s ability to carry out its assigned mission;
- (e) Code compliance – projects to meet compliance with codes, standards, and laws, including accessibility to comply with the Architectural Barriers Act of 1968 or the Rehabilitation Act of 1973.
- (d) Other Deferred Maintenance Need — improves public or employee safety, health, or accessibility; completes unmet programmatic needs and mandated programs; protects natural or cultural resources; or, improves a bureau’s ability to carry out its assigned mission.

### **Deferred Maintenance on Equipment**

Deferred maintenance for an asset is generally estimated based on component or equipment deficiencies for that building or structure. If the nature of operations is such



that deferred maintenance on moveable equipment is considered significant and meaningful, the Department may also report on this information.

The estimate generally excludes vehicles and most other categories of operating equipment since ongoing maintenance is performed on these assets and such assets would be disposed of before their condition became unacceptable because of deferred maintenance or new code requirements.

### **Estimated Deferred Maintenance**

The bureaus' Facilities Maintenance Management Systems (FMMS) track the inventory of identified deferred maintenance. Bureaus use performance measures and Site-Specific Business Plans to help managers improve the condition of assets. The FMMS and performance measures assist bureaus with decision making, as well as tracking progress toward improving the condition of constructed assets and the overall deferred maintenance backlog.

Due to the scope, nature, and variety of the assets entrusted to Interior, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. Interior acknowledges that to date the reliability of these sources as a basis for deferred maintenance estimates may vary from bureau to bureau. However, the Interior's "Policy Guidance on Deferred Maintenance, Current Replacement Value and Facility Condition Index in Life-Cycle Cost Management" has been updated with more detailed standard policy for calculating deferred maintenance costs. This policy will help ensure that a consistent estimating methodology is used across Interior.

### **Condition Assessment Surveys**

The maintenance needs of Interior's real property assets are identified primarily through the annual and comprehensive condition assessment processes required by the Department of all bureaus. Interior's bureaus maintain a cyclic/recurring condition assessment process to monitor the condition of buildings and other facilities at least once every 5 years.

Interior uses Condition Assessment Surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all standard constructed assets with a current replacement value of \$5,000 or more and are performed by field operating unit staff. Comprehensive condition assessments are performed on all constructed assets with a current replacement value of \$50,000 or more once every five years. Comprehensive assessments include an inspection of the facility and all component systems, a summary of deficiencies found, cost estimates for the mitigation of deficiencies, and a recalculation of the facility condition index, if warranted.



Interior's current estimate for deferred maintenance includes the following real property categories: non-heritage and heritage buildings and structures including multi-use assets, road assets, dams, water distribution systems, power assets, etc. The estimate generally excludes fleet vehicles and most other categories of operating equipment, since ongoing maintenance is performed on these assets and such assets would be disposed of before they resulted in a critical deferred maintenance condition.

### **Deferred Maintenance Estimate**

In the Performance and Accountability Report, Interior does not break out deferred maintenance from total maintenance spending for both annual budgets and actual amounts expended in program execution. The information contained in the Interior budget is a combined value for the amount of funds budgeted for deferred maintenance and sustainment funding. Additionally, some portion of the amount budgeted for construction funds are used to address deferred maintenance.

Bureaus now estimate deferred maintenance and report deferred maintenance summary data to an accuracy level of minus 15 percent to plus 25 percent. This methodology ensures deferred maintenance estimating, reporting accuracy, and consistency among Interior's bureaus.

### **Museum Collections**

The condition of facilities housing museum collections is reported as described in Chapter 12 (Good, Fair, Poor, or Unknown). Condition assessments are also performed on the objects, specimens, and archives in the museum collections. Conservation surveys record the condition of individual or groups of museum property, determine conservation treatment needs and priorities, and record baseline data to assess future deterioration (411 Departmental Manual 2.1B4). This information and related treatment cost estimates may be optionally reported as narrative.

### **Library Collections**

The condition of facilities housing library collections is reported based on the parameters described in the April 11, 2007, memorandum "*Condition Assessment Guidelines for U.S. Department of the Interior Library Collections.*" The primary considerations in the storage of paper documents are temperature and relative humidity, exposure to light, gaseous contaminants, and particulates.

Library collection ratings of Good, Fair, Poor, or Unknown should be based on the following:

- Good: Achieves all of the standards contained in the April 2007 Guidelines (copy attached to Chapter 12) for temperature/humidity, exposure to light, gaseous contaminants, and particulates at the good or fair levels.



- Fair: Achieves two or more of the four standards in the April 2007 Guidelines (copy attached to Chapter 12) at the good or fair levels.
- Poor: Achieves less than two of the four standards in the April 2007 Guidelines (copy attached to Chapter 12) at the good or fair levels.
- Unknown: Environmental assessment not conducted (may be reported for no more than two years). This category is to be used until a study has been completed and results received in writing.

Condition assessment will be valid for no more than five years. It is recommended, however, that assessments be completed every two or three years. Unknown may be reported for no more than two years.

Interior’s deferred maintenance property categories for facilities are:

- Roads, Bridges, and Trails;
- Irrigation, Dams and Other Water Structures;
- Buildings (e.g., Administration, Education, Housing, Historic Buildings); and,
- Other Structures (e.g., Recreation Sites, Hatcheries, etc.).

The basic format for reporting Deferred Maintenance for facilities is:

Type of Deferred Maintenance	Deferred Maintenance Estimates (dollars in thousands)					
	General PP&E		Stewardship PP&E		Total	
	Low	High	Low	High	Low	High
Roads, Bridges, and Trails	\$XXX	\$XXX	\$XXX	\$XXX	\$XXX	\$XXX
Irrigation, Dams, and Other Water Structures	XXX	XXX	XXX	XXX	XXX	XXX
Buildings (e.g. Administration, Education, Housing, Historic Buildings)	XXX	XXX	XXX	XXX	XXX	XXX
Other Structures (e.g. Recreation sites, Hatcheries, etc.)	XXX	XXX	XXX	XXX	XXX	XXX
<b>Total</b>	<b>\$X,XXX</b>	<b>\$X,XXX</b>	<b>\$X,XXX</b>	<b>\$X,XXX</b>	<b>\$X,XXX</b>	<b>\$X,XXX</b>

**Reference:**

- SFFAS 6: [www.fasab.gov/pdffiles/sffas-6.pdf](http://www.fasab.gov/pdffiles/sffas-6.pdf)  
 SFFAS 8: [www.fasab.gov/pdffiles/sffas-8.pdf](http://www.fasab.gov/pdffiles/sffas-8.pdf)  
 SFFAS 14: [www.fasab.gov/pdffiles/sras14.pdf](http://www.fasab.gov/pdffiles/sras14.pdf)  
 SFFAS 29: [www.fasab.gov/pdffiles/sffas\\_29.pdf](http://www.fasab.gov/pdffiles/sffas_29.pdf)  
 411 DM: [http://elips.doi.gov/app\\_dm/index.cfm?fuseaction=home](http://elips.doi.gov/app_dm/index.cfm?fuseaction=home)  
 OMB A-123: [http://www.whitehouse.gov/omb/circulars/a123/a123\\_rev.html](http://www.whitehouse.gov/omb/circulars/a123/a123_rev.html)  
 Asset Management Information: <http://www.doi.gov/pam/assetmanage.html>



## Chapter 18

### Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. They are reported in the Required Supplementary Stewardship Information (RSSI) section of bureau reports in the consolidated Annual Financial Report (AFR). Stewardship Investments are the vehicle by which agencies may communicate the long-term benefits of these programs and costs. Stewardship investment categories reported are: (1) investment in research and development; (2) investment in human capital; and, (3) investment in non-federal physical property. Depending on the nature of the resources, stewardship reporting could consist of financial or non-financial data. Costs of stewardship-type assets are treated as expenses in the year the costs are incurred and should be on an accrual proprietary basis, not obligations or expenditures.

**General Information:** Reporting for investments in research and development and human capital must include performance results. If performance results are discussed in the Management Discussion and Analysis (MD&A) section of the Bureau's annual report, a reference can be made instead of repeating the results. If performance results are not included in the MD&A section of the Bureau's annual report, the results are to be reported as part of the Stewardship Investment information.

While bureaus have latitude in determining the amount and format of RSSI data in bureau reports, the data included in the AFR must appear in bureau reports. The Investment portion of the report should include descriptive, explanatory, and highlight information that would be of interest to the public. This narrative is an excellent opportunity for the bureaus to highlight significant impacts and changes.

**Investment in Research and Development.** Investment in Research and Development are costs incurred to support the search for new or refined knowledge and ideas and for the application and use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits (Statement of Federal Financial Accounting Standard (SFFAS) 8, *Supplementary Stewardship Reporting*, Chapter 7, Paragraph 96). A narrative description of major Research and Development programs is to be included in the Investment in Research and Development portion of the Performance and Accountability Report. The types of research and development are:

- Basic – systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind;
- Applied – systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and,



- Developmental— systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

Bureaus should report the full cost of the investment made for the current year and the preceding four years. Outputs and outcomes with readily apparent relationships to the investment should be discussed in the narrative section. Continued organization of research and development expenses as an investment for stewardship purposes is predicted on demonstrated outputs and outcomes consistent with the intent of the program. “Output” is a tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative and qualitative manner. An output should also possess a logical connection between the reported measures and the program’s purpose or be systematically or periodically captured through an accounting or management information system. “Outcome” is an assessment of the results of a program compared to its intended purpose and typically consists of a narrative discussion of the major results achieved during the year, along the following lines:

- Basic research – an identification of any major new discoveries that were made during the year;
- Applied research – an identification of any major new applications that were developed during the year; and,
- Developmental research – the progress of major developmental projects including the results with respect to projects completed or otherwise terminated during the year and the status of projects that will continue.

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Basic Research	\$ 79	\$ 72	\$ 63	\$ 65	\$ -	\$ 279
Applied Research	756	699	728	746	-	2,929
Developmental	80	82	76	74	-	312
<b>TOTAL</b>	<b>\$ 915</b>	<b>\$ 853</b>	<b>\$ 867</b>	<b>\$ 885</b>	<b>\$ -</b>	<b>\$ 3,520</b>

The information provided concerning outcomes should provide, in concise form, a plausible basis for judging the extent to which the program is achieving its purpose.

**Investment in Human Capital.** Investment in Human Capital includes education and training programs financed by the Federal government for the benefit of the public and are intended to increase or maintain economic productive capacity. Investment in human capital excludes education and training costs for Federal employees (Statement of Federal Financial Accounting Standard (SFFAS) 8, *Supplementary Stewardship Reporting*, Chapter 6, Paragraph 89 and 90). Bureaus should include the full cost of the investment for the current and preceding four years.



Outputs and outcomes with readily apparent relationships to the human capital investments are reported in the narrative section of Investment in Human Capital.

Interior no longer reports Job Corps programs due to the 2007 revisions contained in OMB Circular A-136, *Financial Reporting Requirements*, Revised July 2006. Monies received from the Department of Labor for this program are Parent/Child (Interior is the child) and only the parent reports on the funds.

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Educational Programs 1/	\$ 549	\$ 542	\$ 565	\$ 589	\$ -	\$ 2,245
Job Corps Program	53	52	-	-	-	\$ 105
Other	12	11	-	-	-	\$ 23
TOTAL	\$ 614	\$ 605	\$ 565	\$ 589	\$ -	\$ 2,373

1/ Educational Programs of Indian Affairs' School Operations, Adult Education Post-Secondary Education, and Other Educational Programs

**Investment in Nonfederal Physical Property.** Investment in Nonfederal Physical Property are costs incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by or given to state and local governments or Insular Areas.

Minimum reporting includes the following (SFFAS 8, *Supplementary Stewardship Reporting*, Chapter 5, Paragraph 87): “annual investment, including a description of federally-owned physical property transferred to state and local governments.” As defined in this standard, “annual investment” includes more than the annual expenditure reported by character class for budget execution. “Annual investment” is the full cost of the investment. Full cost shall be measured and accounted for in accordance with “*Managerial Cost Accounting Concepts and Standards*, SFFAS No. 4. Bureaus should describe major programs involving Federal investments, including descriptions of programs or policies under which non-cash assets are transferred to state and local governments for the current year and the preceding four years. Information shall be at a meaningful category or level such as:

- Dams and other water structures;
- Land;
- Roads and bridges;
- Schools and public buildings; and,
- Not classified (not included in the above).

In some cases, a Federal agency provides States and local governments grants that may be used for multiple purposes, including the purchase of non-federal physical property, and the grantee is not required to provide information back to the agency on the exact usage of those dollars. In this situation, if substantial grant dollars are used for the acquisition of non-federal physical property, the agency will present the Investment in Non-Federal Physical Property information. If feasible, a portion of the



total grant dollars shall be allocated to the Investment in Non-Federal Physical Property on the basis of an estimate of the proportionate funding of the various grant objectives. If allocation is not feasible, the investment shall be reported based on the predominant use of the grant. In either case, the agency should include textual information which permits the reader to understand the nature of the grants and the long-term benefits to the nation of the grant program.

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Dams & Other Water Structures	\$ 278	\$ 342	\$ 281	\$ 446	\$ -	\$ 1,347
Land	97	115	165	128	-	505
Roads and Bridges	99	111	4	2	-	216
Schools and Public Buildings	89	94	114	66	-	363
Ranges	1	1	2	2	-	6
Not Classified	15	19	10	23	-	67
<b>Total</b>	<b>\$ 578</b>	<b>\$ 684</b>	<b>\$ 574</b>	<b>\$ 668</b>	<b>\$ -</b>	<b>\$ 2,504</b>

**Reference Documents:**

SFFAS No. 8, Supplementary Stewardship Reporting ([www.fasab.gov/pdffiles/sffas-8.pdf](http://www.fasab.gov/pdffiles/sffas-8.pdf))

SFFFAS No. 4, Managerial Cost Accounting Standards and Concepts (<http://www.fasab.gov/pdffiles/vol1v4.pdf>)



## Chapter 19

### **Performance Measurement, Government Performance and Results Act Program Activity, Managerial Cost Accounting Concepts and Standards, Responsibility Segment Reporting, Financial Reporting, Cost Information Used for Management Purposes, and Imputed Costs**

#### **Performance Measurement**

Measuring performance is a means of improving program efficiency, effectiveness, and program results. One of the stated purposes of the Government Performance and Results Act (GPRA) of 1993 is to "...improve the confidence of the American people in the capability of the federal government, by systematically holding federal agencies accountable for achieving program results."

One of the most important tools the Department has for communicating our accountability to the public is through reporting performance results in the Annual Financial and/or Performance Report, bureau annual financial reports and the Annual Performance Report.

- Performance results are required to be reported in an Annual Performance Report, in the Department Accountability Report, and in bureau annual financial reports, as applicable.
- Costs associated with Performance Goals are reported in the Statement of Net Cost and are accumulated in Hyperion subtotals created for this purpose.
- The measures selected for presentation in the Annual Financial Report (AFR) and the Annual Performance Report should concisely communicate the degree of success in meeting specific goals. The performance content of the MD&A is defined in accordance with the Department's performance management strategy and annual performance reporting guidance, so that the MD&A will focus on using the Department's 25 Representative Performance Measures (RPMs). These measures were selected because they best demonstrate the success or failure in each of the Department's GPRA Program Activities with respect to the goals identified in the current DOI Strategic Plan. The Office of Planning and Performance Management (OS/PPP) will provide a summary level performance discussion using Representative Performance Measures, without anecdotes, to include graphs, tables, Snapshot, Bottom Line, Status and Public Benefit for each RPM. The bureaus will report on their respective RPMs using instructions detailed in the *AFR Performance Section Guidance v 25 of August 6, 2008*. The RPMs were selected as the best representatives of DOI's goals as stated in the Strategic Plan. These measures are:...

- Clearly linked to Departmental goals;



- Representative of the bureau GPRA Program Activities;
  - Representative of the bureau missions;
  - Clearly and readily understood;
  - Outcome oriented, rather than activity, output, or process oriented;
  - Supported by quantifiable and reliable data, with a clear collection process;
  - Supported by data that will be available to meet fiscal year-end reporting requirements; and
  - Representative of a significant portion of the resources devoted to each business segment.
- Unit cost performance measures are encouraged to be reported where:
    - Cost comparisons of a unit cost of a service or product can be compared with a similar service or product produced by other entities in the private sector following set standards.
    - Cost comparisons of a unit cost of a service or product can be compared with similar services or product produced by other entities in the Federal Government where reporting standards have been established by authoritative governmental bodies.
    - Information on program costs is being used for cost-benefit considerations such as program authorization, modification, or discontinuation.
    - Information on program costs show relevance to the budget both in terms of what is requested and appropriated and in funding received from outside sources (e.g. revenues, fee receipts, etc.) that help bureaus pursue their mission.

Unit cost performance measures are those measures where the performance, as measured in terms of units, can be divided into the full cost to provide a meaningful unit cost measure that focuses management on an efficiency or effectiveness goal to improve performance.

For inclusion in the financial statement reporting, unit cost measures should use full costing concepts defined in SFFAS # 4, except where common commercial practices or regulatory authority exists or other organizations use a standard method for comparisons that is not the same as the SFFAS standard. In those cases, cost should be accumulated following the appropriate standards established for the community being used for comparative purposes.



Assumptions and/or standards used to accumulate unit costs should be disclosed along with the unit cost performance measures.

Other unit cost information may be tracked by the Department for management purposes that would not be reported as part of the Departmental performance measurement process. Unit costs computed for management purposes may be based either on full cost or a subset of full cost appropriate to the management purpose.

Effective reporting is critical to the Department to ensure Congress and the Public that the Department is accountable for carrying out its missions effectively and efficiently and that the Department is properly managing its resources.

### **GPRA Program Activity**

As part of the process for integrating performance, budget, and financial data, the Department has elected to categorize its numerous bureau missions and programs into GPRA program activities, which are directly linked to Interior's strategic goals. These GPRA Program Activities are often referred to as Bureau Mission Goals.

### **Managerial Cost Accounting Concepts and Standards**

The managerial cost accounting concepts and standards, presented in SFFAS #4, are intended to assist internal and external federal information users including Government managers, Congress and federal executives and citizens in assessing operating performance, stewardship, and systems control of the federal government. The Standards are aimed at achieving three general objectives:

- Provide program managers with relevant and reliable information relating costs to outputs and activities. Based on this information, program managers can respond to inquiries about the costs of the activities they manage. The cost information will assist them in improving operations economy and efficiency;
- Provide relevant and reliable cost information to assist the Congress and executives in making decisions about allocating federal resources, authorizing and modifying programs, and evaluating program performance; and
- Ensure consistency between costs reported in general purpose financial reports and costs reported to program managers. This includes standardizing terminology for managerial cost accounting to improve communication among federal organizations and users of cost information.

Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practicable, should be integrated with other components of the system. Managerial costing should use a basis of accounting, recognition, and measurement appropriate for the intended purpose. Cost information developed for different purposes should be drawn from a common data source, and output reports should be reconcilable to each other.



The Managerial Cost Accounting Standards are:

- **Requirement for cost accounting:** Each reporting entity should accumulate and report the costs of its activities on a regular basis for management information purposes. Costs may be accumulated either through the use of cost accounting systems or through the use of cost finding techniques.
- **Responsibility segments:** Management of each reporting entity should define and establish responsibility segments. Managerial cost accounting should be performed to measure and report the costs of each segment's outputs. Special cost studies, if necessary, should be performed to determine the cost of outputs/outcomes.
- **Full cost:** Reporting entities should report the full costs of outputs in general purpose financial reports. The full cost of an output produced by the responsibility segment is the sum of: (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output; and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities.
- **Inter-entity costs:** Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods and services either through billing or other communication.

Recognition of inter-entity costs that are not fully reimbursed is limited to material items that: (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output; and, (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

### Responsibility Segment Reporting

SFFAS #4 requires that the management of each reporting entity define and establish responsibility segments. A responsibility or business segment is defined as a component of a reporting entity that is responsible for carrying out a mission, carrying out a major line of activity, or producing one or a group of related products or services. A basic purpose of dividing an entity into segments is to determine and report the costs of services and products that each segment produces and delivers. Another important purpose of segmentation is to facilitate cost control and management. Cost information provided for each segment helps managers to examine costs of specific resources consumed and activities performed in each segment.

Reporting entity management should define and structure its responsibility segments. The designation of responsibility segments should be based on the following factors:



- Entity's organization structure,
- Lines of responsibilities and missions,
- Outputs (goods or services it delivers), and
- Budget accounts and funding authorities.

However, the predominant factor is the reporting entity's organization structure and its existing responsibility components such as bureaus, administration offices and divisions within a department.

## Financial Reporting

The Department is required to produce a Statement of Net Cost and a Statement of Budgetary Resources.

### A. *Statement of Net Cost*

According to OMB Circular A-136, the Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. However, the organizational structure and operations of some entities are so complex that to fully display their sub-organizations, major programs and activities may require supporting schedules to supplement the information in the Statement of Net Cost. The supporting schedules shall be included in the notes to the financial statements.

To facilitate compliance with the above requirements, the Department has determined that there are three types of segments applicable to its financial reporting:

1. *GPRA Program Activities*: Preparers of the Statement of Net Cost should present responsibility segments that align directly with the major goals and outputs described in the entity's strategic and performance plans, required by the Government Performance and Results Act.
2. *Responsibility Segments*: The Statement of Net Cost and related supporting schedules classify revenue and cost information by suborganization or responsibility segment and, to the extent practicable, within each classification by major program.

Responsibility segments generally reflect the management structure of the bureau, while GPRA Program Activities reflect the programs and missions accomplished by the bureau. Since some programs may be jointly managed by two or more



Responsibility Segments, a network of cost centers can be established to accumulate costs by both Organization and Program component.

Within the Department, GPRA Program Activity should be established in coordination with Government Performance and Results Act (GPRA) Reporting. Responsibility Segments may be defined according to operational units, underlying mission, geographic regions, or any other categorization that the bureau believes would provide meaningful information to users of the financial reports.

Federal accounting standards specifically state that the identification of Responsibility and GPRA Program Activities segments are the responsibility of management. In most cases, a bureau would have more than one Responsibility Segment and more than one GPRA Program Activity. However, as noted in paragraph 80 of SFFAS #4, some reporting entities may have only one Responsibility Segment, if they perform one single mission or one type of service. In addition, a bureau may find that due to the structure of the bureau, Responsibility and GPRA Program Activity are identical.

Segment data for the Statement of Net Cost may be reported either in the Notes to the Financial Statements or on the face of the financial statements. In general, the Department prefers a “single column” presentation (e.g. just GPRA Program Activities) on the face of statement, accompanied by a matrix of both Responsibility and GPRA Program Activities presented in the Notes to the Financial Statements. The Department believes this approach results in a more understandable and concise financial statement presentation. It is not appropriate to present the required portion of the Statement of Net Cost Segment disclosures as supplementary information. Additional disclosures beyond minimum requirements can be presented in the Other Supplementary Information section or elsewhere provided that the auditors are consulted.

## ***B. Statement of Budgetary Resources***

OMB Circular A-136 requires that a breakout of the Statement of Budgetary Resources be presented in the Required Supplementary Information section of the report. See Chapter 4 of this document for more information.

It is important to monitor budget execution at the individual account level. Accordingly, budgetary information aggregated for purposes of the Statement of Budgetary Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information (RSI). For purposes of this presentation, small budget accounts may be aggregated. The major accounts and the aggregate of small budget accounts should, in total, agree with the amounts reported on the face of the Statement of Budgetary Resources.



*Major Budget Accounts:* Budgetary information aggregated for purposes of the Statement of Budgetary Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as RSI. For purposes of this presentation, small budget accounts may be aggregated.

### **C. Balance Sheet and Statement of Changes in Net Position**

Segment reporting is permitted for the Balance Sheet and Statement of Changes in Net Position, but is not required.

- If presented, Segment information for these statements should be presented as other supplementary information.
- The Department will report Responsibility Segments for the Balance Sheet and both Responsibility Segments and GPRA/Program Segments for the Statement of Net Cost in other supplementary information.

### **Cost Information Used for Management Purposes**

Managerial cost accounting is not an end in itself but is intended to provide information that is useful for making decisions and assessments regarding economic resources, organizational efficiency and effectiveness, and management stewardship responsibilities. The Department views managerial cost accounting within the broader context of performance management in the Department.

One element of performance management is meeting the requirements of GPRA. The Department has elected to report its responsibility segments following the Department's GPRA Program Activities (see description on Segment Reporting above). However, bureaus require additional managerial cost information on outputs that may be used for management purposes and these outputs may not necessarily relate to specific responsibility segments. Managerial costing should use a basis of accounting, recognition, and measurement appropriate for the intended purpose. Cost information developed for different purposes should be drawn from a common data source, and output reports should be reconcilable to each other. *[Cost information used for management purposes is not part of the audited financial statements and is not required for the opinion on whether the financial statements are fairly stated.]*

In addition, bureaus may decide to manage certain operations through the use of unit cost measures. Unit cost measures will follow full costing concepts defined in SFFAS # 4, except where a common commercial practice or regulatory authority exists or other organizations use a standard method for comparisons that is not the same as the SFFAS standard. In those cases, cost will be accumulated following the appropriate standards established for the community being used for comparative purposes. Assumptions and/or standards used to accumulate unit costs will be disclosed along with the unit cost performance measures. In determining whether full costs of an output should be computed, the Department will use the following criteria:



- A. *Usefulness* - Will full cost information be useful for management decisionmaking, e.g., for resource allocation, or for assessing operational efficiency? Will this information be useful to other constituents and stakeholders such as the Congress, the general public (taxpayers), and customers? In some cases, public accountability will be an important factor in determining whether full cost information should be compiled.
- B. *Feasibility and cost-benefit* - Full cost information is likely to have different value to different users of this information. An assessment needs to be made to determine whether the aggregate perceived benefits exceeds the costs of compiling full cost information. If full cost information would not provide minimal decision-usefulness or would not facilitate the assessment of operational efficiency, the compilation and presentation of such information for general interest only might not be justified.
- C. *Availability and timeliness of reliable cost information* - This factor is related to the usefulness of full cost information. If full cost information is useful in management decisionmaking and the assessment of performance, it is important that such information be available before its usefulness diminishes. If full cost information cannot be compiled and provided timely, its value decreases, which would impact the cost-benefit of providing such information.
- D. *Legislative exclusions* - In some cases, there may be legal provisions for not computing full costs. For example, for Reclamation, capital investment allocated to irrigation is non-interest bearing because Congress did not explicitly provide for assessing interest on these costs. In this instance, it would not be feasible or cost-effective to apply an imputed interest rate to capital investment costs that may have been incurred over an extended period of time.
- E. *Industry accounting standards* - To facilitate comparability and consistency, where industry accounting standards exist, it may be beneficial to compile costs of outputs in accordance with applicable standards. For example, Reclamation compiles hydropower costs in accordance with Federal Energy Regulatory Commission accounting requirements. This facilitates comparisons with other power generating entities. While necessary for differing management purposes, the presentation of conflicting cost information in different reports may lead to confusion in interpreting and analyzing cost information. This is why it is important to appropriately form a particular cost report by disclosing its nature, source, and purpose, as well as any assumptions and/or industry standards used.

Further, in some instances, it may not be feasible or cost-effective to determine the full cost of an output.

### **Imputed Costs**



In OMB Circular A-136, costs are imputed only for those select situations identified by OMB. Refer to Chapter 6 for additional details.

The costs required to be imputed by the Department are retirement costs paid by OPM and costs from Treasury's Judgment Fund. In addition, liabilities are recorded for certain employment costs paid by the Department of Labor, which the Department will pay at a later date. (Although similar in nature, the Department of Labor costs result in the creation of a liability rather than imputed financing and so are not considered to be "imputed costs".)

Guidance for recognizing retirement costs and imputed financing are not available until the data is provided by OPM. Guidance for the accrual of Department of Labor liabilities will be provided when available.



## Chapter 20

### Summary of Performance and Financial Information

Agencies shall select key information outlined in their Performance and Accountability Report or Annual Financial Report and Annual Performance Report and present a summary of performance and financial information. This summary should include the most important performance and financial information in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The goal of this summary is to increase accountability of agency heads and program managers by making the financial and performance information more transparent and accessible to Congress, the public, and other key constituencies.

Although there is no prescribed format for this summary report, agencies may choose to present the information in:

- A 3-8 page high level summary,
- A 25-30 page more detailed summary , or
- An Management Discussion and Analysis that can be easily extracted from the Performance and Accountability Report or Annual Financial Report and issued as an independent report.

In addition, agencies are allowed flexibility as to the content of the summary report.

Since the goal of the summary is to present the information in a manner that is easy for a novice reader to understand, it should include, at a minimum:

- The agency mission, strategic goals, and objectives;
- Historical performance trend data for the entity's strategic goals and the selected key performance measures associated with those goals;
- A candid assessment of whether the agency, met or did not meet its goals;
- Summary of key management challenges, including shortcomings that the agency is addressing (e.g., Office of Inspector General and Government Accountability Office reports, where appropriate);
- Summarized financial statement data. This information is based on the same underlying data as the financial statements presented in the Performance and Accountability Report or Annual Financial Report; and
- References and internet links. Specific links will take the reader to the evidence supporting information about the agency's program and financial performance (e.g.



relevant sections of the agency's Performance and Accountability Report, Annual Financial Report, Annual Performance Report, and CBJ). The links will provide the reader the exact location of the information in a document and not a general link to the document itself;

Agencies are encouraged to employ the following list of best practices generated from the results of the FY 2008 and FY 2007 Performance and Accountability Report Pilot:

- Include only a limited number of key, representative performance measures;
- Maximize the presentation of budget and cost information with performance measures;
- Include examples of specific achievements or results to illustrate performance;
- Optimize the use of Web links to APR, AFR, and CBJ;
- Maximize the use of space by:
  - Using inside of front cover and back cover,
  - Using sidebars with pictures, and
  - Using graphs with appropriate scale, (i.e. they do not have to take up an entire page);
- Include an "Introduction" statement that makes clear the purpose of the report;
- Explain clearly the public benefit of the performance results;
- Present results of Management's Assurances;
- Summarize key financial data by:
  - Displaying as much graphically as possible
  - Using both amounts and percentages when presenting financial data, and
  - Presenting historical data with percentage changes from year to year (in tabular format); and
- Separate narrative sections by using columns and the inclusion of tables, charts, or other graphics.

It is up to the agency's discretion whether or not to print hard copies of the summary report. Agencies should consider the intended audience, outreach, and distribution efforts for the document.



If an agency chooses to include a condensed audit report and/or financial statements, information presented will require discussions between the entity, Office of Inspector General, and the external auditors.

For additional information, consult the audit guidance located in OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements* (<http://www.whitehouse.gov/omb/bulletins>) or subsequent revisions.

**Report Due Date:** This summary must be available no later than February 15, 2010.

**Beginning with the 3rd quarter of FY 2008**, agencies may submit unaudited notes (and other required disclosure information as deemed relevant and useful – e.g., Required Supplementary Information, Required Stewardship Supplementary Information, and Other Accompanying Information) along with unaudited interim financial statements.

Participating agencies should complete key notes such as those notes that present a greater risk of failing to meet the prescribed disclosure requirements. The purpose of this voluntary submission is to allow agencies to receive comments from the Office of Management and Budget well in advance of the year end, so that they will have sufficient time to improve on the accuracy and conformity of these notes for the year end submission of Performance and Accountability Report/Annual Financial Report.

For certain notes, the data may not be available or it may not be cost-efficient to obtain the interim data. In these cases, agencies should provide pro forma notes without the amount and or data information.

Participating agencies shall submit their unaudited notes no later than 45 days after the end of the interim reporting period.



## Chapter 21

### Eliminations, Reconciliations & Confirmations

#### Eliminations

The integrity of the data reported in the Department's and Bureaus' financial records and reports as well as the data reported in the Department's and Bureaus' audited financial statements is dependent on timely and accurate reconciliations of intra-governmental activity and resulting account balances.

The Department and Bureaus are required to comply with:

- Office of Management and Budget (OMB) Memorandum M-07-03, "Business Rules for Intergovernmental Transactions";
- OMB Circular No. A-136, Financial Reporting Requirements;
- Treasury Financial Manual (TFM) Bulletin No. 2007-03 Intragovernmental Business Rules;
- TFM Volume 1, Part 2 – Chapter 4700 Agency Reporting Requirements for the Financial Report of the United States Government ; and,
- Treasury's Federal Intra-governmental Transactions Accounting Policies Guide for reconciliation and elimination of intra-governmental transactions.

The Department shall reconcile intra-governmental asset, liability, revenue, transfers, and expense amounts with trading partners on a quarterly basis

The Bureaus shall reconcile intra-departmental and intra-bureau asset, liability, revenue and expense amounts with their trading partners monthly through the Departmental Elimination Reconciliation Workbook (also known as the Top Ten Report) beginning in December of the fiscal year. All unreconciled differences above the \$75,000 threshold should be identified and resolved on a monthly basis and will be tracked by the Interior's Elimination Team and the Office of Financial Management (PFM).

Each bureau is responsible for:

- Establishing and maintaining an internal control structure for intra-governmental transactions;
- Documenting and supporting the information recorded in the bureau accounting records related to intra-governmental transactions;
- Reconciling the intra-governmental fiduciary data in bureau accounting records to the supporting documentation and corresponding records in the trading partners' accounts;



- Ensuring that the reconciliation and confirmed balances for intra-governmental fiduciary transactions agree to the Department's audited financial statements and the Federal Agencies' Centralized Trial-Balance System (FACTS) I reporting;
- Ensuring that the elimination process does not cause abnormal balances in these accounts when presenting current and non-current liabilities in the footnotes; and,
- Ensuring that quarterly requests for documentation to support Interior's Intragovernmental Reporting and Analysis System (IRAS) balances are responded to in a timely manner.

#### **A. Department Code Reporting for Treasury General Fund Activities**

As cited in TFM Volume 1, Part 2-4700, section 4706.30a, bureaus should use trading partner code "99" strictly for recording transactions with the Treasury General Fund. Bureaus **should not** confuse the Treasury General Fund with the Department of the Treasury, the agency (trading partner code 20). These codes are not synonymous and great care should be taken to distinguish one from the other when designating an appropriate partner code. Some examples of the Treasury General Fund are:

- Custodial activity, such as tax revenue—United States Standard General Ledger (USSGL) accounts applicable to this activity include but are not limited to USSGL accounts 2980F, 5800F, 5801F, 5990F, and 5991F;
- Other revenue collected or accrued for the Treasury General Fund;
- Employer Federal Insurance Contributions Act (FICA) contributions collected by the Internal Revenue Service;
- Governmentwide entity/custodial accounts (USSGL account 5790F) that consist primarily of interest revenue and seigniorage, for Treasury Bureaus the Financial Management Service and Bureau of Public Debt only;
- Transactions related to Treasury-managed trust funds;
- Liquidating fund assets in excess of liabilities;
- Receivable from appropriations (USSGL account 1921F) (for Treasury only);
- Rescissions that are permanently canceled by law; and,
- Other asset/liability activities associated with the Treasury General Fund (for example, USSGL accounts 1325F and 2400F).

Accounting activity with the Department of the Treasury as a trading partner on all other intragovernmental activities (such as judgment fund transactions, investments, borrowings, transfers, appropriations, and buy/sell activity) will use trading partner



code "20".

## **B. *Intragovernmental Accounting Rules for Exchange Transactions***

As stated in TFM Bulletin No. 2007-03, Attachment 1, once Buyers and Sellers (Trading Partners) have negotiated for the exchange of goods or services, the Buyer shall document such negotiations on an order. Overall, the order shall include:

1. The indicative data needed so that the Seller's performance data (i.e., data regarding the delivery of goods and services) and bills can be efficiently matched to the Buyer's order.
2. The frequency and type of performance reporting. Such performance reporting shall be provided no later than 30 days after the accountable event, or before the close of the quarterly reporting period, whichever occurs first.

The Buyer's accounting system shall capture all the detailed transactions associated with the order (e.g., obligations, expenses, payables, and disbursements) for the life of the order. Additionally, the Buyer shall:

1. Accrue expenses (at least quarterly), either upon receipt of performance data or upon applying an estimation methodology, as agreed upon in the order. The Buyer may verify that such performance has been accrued by the Seller by monitoring reports produced by the Department of the Treasury or by other communication protocol.
2. Monitor the activity and age of an order. For obligation/payable balances that have shown no activity for more than 180 days, the Buyer shall determine the reason for the lack of activity on the order. Once the Buyer determines that an order has been fulfilled, the Buyer will inform the Seller that the order will be deobligated within 30 days. However, if the Seller provides proof of continuing or unbilled work, an order's unliquidated obligation/payable balances shall remain available for use and shall be reflected as such in both the Buyer's and Seller's respective accounting systems.
3. Record advance payments as an asset, liquidate the asset, and record an expense upon receiving notice of performance or billings, as required by the order.

The Seller's accounting system shall capture all detailed transactions associated with the order. Additionally, the Seller shall:

1. Accrue revenue (at least quarterly) consistent with generally accepted accounting principles and as agreed upon in the order. The Seller may verify that the Buyer



has acknowledged its performance by monitoring reports produced by Treasury (Material Differences Report) or by other communication protocol.

2. Record advance payments as a liability, liquidate the liability, and record revenue as progress is made on the order. The Seller shall provide proof of performance to the Buyer in a timely manner, as required by the order.

Trading Partners shall reconcile receivables and payables, advances to and advances from, and revenue and expenses (including capitalized assets) for the same reporting period. The following practices will facilitate this process:

1. A process shall be established between the Trading Partners to settle and report performance (accruals).
2. The following information shall be included in the settlement or performance transaction along with the other indicative data required by the order:
  - a. The common agreement number (order number).
  - b. The appropriate Treasury Account Symbol (TAS) for both Trading Partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.
  - c. The Business Event Type Code (BETC) for both Trading Partners.
  - d. The amount to accrue, advance, or disburse.
  - e. The Business Partner Network (BPN) number for both Trading Partners.

Trading Partners shall report intragovernmental transactions using the correct/appropriate USSGL account number and correct partner codes as prescribed by the Treasury Financial Manual (TFM); see the USSGL Web site at <https://www.fms.treas.gov/ussgl>. "Default" coding is not allowed.

Disputed exchange transactions:

1. Upon request, the Seller shall provide documentation supporting the bill. Such documentation shall be provided within an agreed upon timeframe, not to exceed 2 weeks.
2. If the Seller's bill or performance transaction does not identify the elements required in 2 a thru e above (page 6-4), the Buyer may "chargeback" (reject) the transaction.
3. Trading Partners shall follow the dispute resolution process.

Electronic payments are required between Federal Government agencies; the standard payment methodology is the Intragovernmental Payment and Collection



System (IPAC). No check writing techniques shall be used between and among Federal agencies unless written approval is obtained from the Department of the Treasury, Financial Management Service (FMS).

## Reconciliation and Confirmations

### A. *Intragovernmental Fiduciary Confirmation System (IFCS)*

As cited in TFM Volume 1, Part 2-4700, section 4706.20a, the IFCS, an Internet-based application for reconciling fiduciary transactions, is the official confirmation system for all Federal departments and agencies that engage in fiduciary intragovernmental transactions.

Specifically, OMB requires reporting agencies to reconcile/confirm intra-governmental activity and balances quarterly for the following reciprocal groupings:

- **Investments**—Including interest payables and receivables, interest income and expense, and amortization of premiums and discounts with the Bureau of the Public Debt (BPD);
- **Borrowings**—Including interest payables and receivables, and interest income and expense, from BPD or the Federal Financing Bank (FFB);
- **Federal Employees' Compensation Act (FECA) transactions with Department of Labor (DOL)**— Including routine payments and accruals for FECA liabilities; and,
- **Employee Benefit Program transactions with the Office of Personnel Management (OPM)**—Including routine payments and postretirement benefits related to the Federal Employees' Retirement System (FERS), the Civil Service Employees' Retirement System (CSRS), the Federal Employees' Life Insurance Program, and the Federal Employees' Health Benefits Program.

The Department shall reconcile the four fiduciary categories identified above by bureau by the due dates established on Treasury's website. Bureaus must confirm and reconcile investments and borrowings on a quarterly basis with trading partners. PFM will confirm and reconcile retirement, health benefits, and life insurance transactions with OPM and workers compensation benefit transactions with DOL on a quarterly basis.

The Department, in conjunction with the bureaus, must ensure that amounts entered into the IFCS agree with: (1) amounts reported to FMS in their FACTS I year-end reporting; and, (2) the amounts reported in the audited financial statements. The Department and bureaus will have an opportunity to revise the confirmations and adjust the FACTS I reporting for differences.



To access and confirm fiduciary balances in the IFCS, agency users should access the Internet Web site at <https://fmsapps.treas.gov/ias>.

## **B. Intra-governmental Expenses related to IFCS**

There are three types of special Intra-government expenses to be reflected in the financial statements (one from the Office of Personnel Management and two from the Department of Labor). These expenses should be reported as part of operating expenses on the Statement of Net Cost.

1. **Employee Pension and Retirement Benefit Expenses.** This expense is an “imputed cost” for retirement costs paid by OPM that will never be paid by the Department. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. Under Federal accounting standards, the cost of these benefits must be reflected on the financial statements of the agency that receives the benefit.
  - a. The Department will present these costs as part of operating expenses on the face of the financial statement (and is identified as employee benefit expense in the operating expense footnote).
  - b. The Bureaus shall also include this expense on bureau financial statements; however, the expense may be presented on a separate line as long as it remains a part of total expenses.

Imputed Financing Sources are separately identified on the Statement of Changes in Net Position. The journal entry is provided below:

<u>USSGL</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>
6730.G.24	Imputed Costs	xxx	
578A.G.24	Imputed Financing Sources		xxx

2. **Department of Labor (DOL) Actuals & Accruals.** The Department of Labor provides information to the Department regarding the two types of workers compensation and unfunded unemployment liability figures that must be reflected in agency financial statements.

The journal entries (proprietary) are:

- a. **Unfunded FECA Accrued Liability.** Unfunded FECA accrued liability is the difference between the FECA benefits actually paid by the FECA Special Benefits Funds to beneficiaries (through the current fiscal year) and the agency’s actual cash payments to the Fund (through a prior fiscal year). There is generally a two to three year timing difference between these



payments. The accrued FECA liability equals actual payments due, but not yet paid due to timing differences.

To record an increase, the journal entries are:

<u>USSGL Account</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>
6850.G.1601	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority	xxx	
2225.G.1601	Unfunded FECA Liabilities		xxx

To record the IPACs to OS as reimbursable services and recognizing 610A.G.1401 and Office of the Secretary records a revenue 5200.G.XX. When OS pays Labor, it is recorded as 6400.G.16.

- b. Unfunded Unemployment Accrued Liability. Record amounts of unfunded employment related liabilities not covered by the current year's budget authority and not otherwise classified. Include the unfunded liability for unemployment for Federal employees in this account.

<u>USSGL Account</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>
6850.G.1601	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority	xxx	
2290.G.1601	Other Unfunded Employment Related Liability		xxx

- c. FECA Actuarial Liability. The FECA actuarial liability represents estimated future payments for disabled workers presently in the system. It includes the expected liability for death, disability, medical, and other approved costs and is recorded as a liability to the public. To record an increase in FECA Actuarial Liability received from DOL.

<u>USSGL Account</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>
7600.N	Changes in Actuarial Liability (Unfunded)	xxx	
2650.N	Actuarial FECA Liabilities		xxx

**Note:** USSGL 7600 will be presented as expense on the Statement of Net Cost.

On a quarterly basis, the DOL/OPM accrued costs should be estimated based on previous year end, generally taking one quarter of the previous year for the



estimate unless another method is more appropriate. These accrual amounts are provided by PFM.

The DOL FECA actuarial liability will remain unchanged until year end. Estimates will be provided by PFM for year end accruals.

### **C. Intragovernmental Accounting Rules for Fiduciary Transactions.**

As stated in TFM Bulletin No. 2007-03, Attachment 1, Intragovernmental investments with BPD [i.e., investments in the Government Account Series (GAS)] shall be accounted for as follows:

1. BPD and its Trading Partners shall use the effective interest method for amortization on market-based notes, bonds, Treasury Inflation Protected Securities (TIPS), and zero coupon bond securities; amortization begins the day of purchase. Market-based notes, bonds, and TIPS purchased at premium will be amortized to the call date.
  - a. BPD will carry notes, bonds, and TIPS at amortized cost and will not reflect a market adjustment.
  - b. BPD will carry zero coupon bond securities at amortized cost and will report market adjustments.
  - c. Trading Partners may recognize market adjustments on notes, bonds, TIPS, and zero coupon bond securities classified as available for sale.
2. BPD and its Trading Partners shall use the straight-line method for amortization on market-based bills; amortization begins the day after purchase.
3. Interest accruals shall begin the day after purchase and are calculated using actual calendar days.
4. Upon early redemption of securities, Trading Partners may use the specific identification method (i.e., purchase dates/tax lots). If securities are not specifically identified, the First In First Out (FIFO) method will be used to identify the security to be sold.

If Trading Partners purchase non-GAS marketable Treasury securities, they must inform BPD of such purchases within 3 calendar days. The communication protocol shall be specified by BPD. The purchaser shall ensure that BPD codes non-GAS marketable Treasury securities as intragovernmental, not public, and that the quarterly reconciliation processes is used to ensure the use of the correct codes.



GAS securities purchased using deposit fund monies will be classified as public, and **not** intragovernmental. Trading Partners shall ensure that BPD records these securities as public, not intragovernmental, through the quarterly reconciliation processes.

#### **D. Imputed Costs**

SFFAS 4 states: “The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice.” This requirement does not alleviate the responsibility of a receiving entity to accrue appropriate estimates of those goods or services when this information has not been provided.

The following applicable excerpts from SFFAS 4 and 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, are provided:

1. Each entity’s full cost should incorporate the full cost of goods and services received from other entities.
2. Recognition of inter-entity costs that are not fully reimbursed is limited to material items that: (a) are significant to the receiving entity; (b) form an integral or necessary part of the receiving entity’s output; and, (c) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.
3. However, in the context of deciding which inter-entity transactions are to be recognized, materiality, as used here, is directed to the individual inter-entity transaction rather than to all inter-entity transactions taken as a whole. Under this concept, a much more limited recognition is intended than would be achieved by reference to the general materiality concept.
4. The decision as to whether the cost of non-reimbursed or under-reimbursed goods and services should be recognized requires the use of judgment. Ultimately, inclusion or exclusion of the cost should be decided based on the specific facts and circumstances of each case, with consideration of the degree to which inclusion or exclusion would change or influence the actions and decisions of a reasonable person relying on the information provided. Technical Release 8, *Clarification of Standards Relating to Inter-Entity Costs*, provides a table of common inter-entity costs that have been determined to be “broad and general” in nature and so are not required to be recognized. Some of these costs



include Department of Justice legal support and debt collection activities, Department of the Treasury trust fund maintenance and check writing services and administration of Unemployment Compensation by the Department of Labor.

#### Intra-Entity

The Department began implementation of Statement of Federal Financial Accounting Standard (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*, in October 2004, by complying with Interpretation of Federal Accounting Standards Interpretation Number 6. As part of this implementation, the Department instructed component entities that provide goods and services to other components of the Department without reimbursement (or at reimbursement at less than full costs) to communicate those costs to the receiving components so that the receiving component can properly recognize those costs and the imputed financing source. This process is completed for 3<sup>rd</sup> and 4<sup>th</sup> quarter reporting and coordinated by PFM.

#### Inter-Entity

To comply with SFFAS 30, bureaus will be required to establish a process for inquiring of their program and budget offices to determine if any of their costs are being absorbed by another entity. If so, these costs must be recognized as an imputed financing source. This process can be similar to the one already in place for disclosing intra-entity costs.

### **E. Treasury Managed Accounts**

#### Unclaimed Moneys

The Unclaimed Moneys Account 20X6133 is a Treasury Managed Account. The balance of account 20X6133 should represent only moneys which, when claimed, are unequivocally refundable. The sole purpose of this account, as originally established, was to hold such moneys in trust for rightful owners (as received by Government agencies from sources outside the Government). Accordingly, items cleared from agency uninvested trust, revolving, and deposit fund accounts for transfer to account 20X6133 must meet all four of the following criteria:

1. amount is \$25.00 or more;
2. a refund, upon claim, would be absolutely justified;
3. there is no doubt as to legal ownership of the funds; and,
4. a named individual, business, or other entity can be identified with the item.



## **F. Suspense “F” Account**

Discontinuance of Suspense Accounts F3875 and F3885. The FMS established clearing (suspense) accounts to temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. The funds remain in the suspense accounts until agencies can classify them to the proper receipt or expenditure accounts. This process, however, leads to a delay in accurately reporting the collections in the proper accounts. In an effort to have more accurate financial information on a more timely basis, FMS has decided to discontinue the use of certain suspense accounts and to require agencies to classify the collections to the proper receipt or expenditure accounts at the time the collections are made. This discontinuance has been documented in Treasury Financial Manual Bulletin No. 2007-07.

Effective July 31, 2008, FMS discontinued the use of F3875 and F3885 suspense accounts for those accounts not approved through the waiver process. From August 1, 2008, through February 28, 2009, agencies could use discontinued F3875 and F3885 suspense accounts only to reclassify transactions that were recorded prior to August 1, 2008.

Effective February 28, 2009, all discontinued F3875 and F3885 suspense accounts must have a zero balance. All agencies must correctly reclassify the entire balance in each discontinued F3875 and F3885 suspense account. If an agency cannot correctly classify the entire balance, it should take the following action:

1. For a positive balance, reallocate the entire balance to miscellaneous receipt account XX-3220 on the Statement of Transactions. Agencies should use their 2-digit agency identifier code.
2. For a negative balance, contact FMS and the agency’s OMB Examiner for further instructions. Negative balances in suspense accounts may indicate potential Anti-Deficiency Act (ADA) violations and the appropriate steps will need to be taken. Potential next steps may include an investigation by the Office of the Inspector General or Independent Public Accountant as to whether an ADA violation has actually occurred. OMB and Treasury will handle each ADA violation on a case-by-case basis.

**Note: Under no circumstances should an agency make payments from the F3875 suspense account.**

## **G. Departmental Elimination Reconciliation Workbook (Top Ten Report)**

The Departmental Elimination Reconciliation Workbook (also known as the Top Ten Report) is a workbook linked to the information in the Bureau’s Hyperion Databases.



The database uses formulas to calculate the differences between intra-departmental (within Interior) bureaus. On a monthly basis (with the exception of October and November reporting periods), bureaus should reconcile absolute value differences between Interior bureaus and record the details and solutions in the proper column. Currently, all bureaus should be addressing all unreconciled differences above the \$75,000 threshold established by the DOI Eliminations Team. Any differences that cannot be reconciled between bureaus should be immediately elevated to PFM for resolution.



## Chapter 22 Other Accounting Issues

### Accounting for Revenue and Other Financing Sources (SFFAS #7)

The revenue accounting standard defines revenue according to the substance of the underlying transactions rather than according to the budgetary treatment of the inflow. The provisions of this standard are in effect.

- A. *Exchange Revenue*: Revenue that result from arms-length transactions, including the sale of goods and services, entrance fees, and most interest revenue.

Report Exchange Revenue on the Statement of Net Cost. (MMS Custodial Exchange Revenue is an exception.)

- B. *Non-exchange Revenue*: Revenue that arises from situations where the federal government demands payment, including taxes and fines.

Report Non-exchange Revenue on the Statement of Changes in Net Position. Since the current governmentwide Standard General Ledger (SGL) commingles miscellaneous exchange and nonexchange revenue in SGL Account 5900 *Other Revenue*, the Department has established the following accounts:

Account 590E – Exchange revenue  
Account 590N – Non-exchange revenue  
Account 590S - Surface Mining related transactions  
Account 590R – Royalty revenue transactions

Bureaus ensure data is properly classified.

### Equity Account Transactions

The only equity accounts in essence are Unexpended Appropriations and Cumulative Results of Operations. Under normal circumstances, the only entries that are posted to equity are:

- A. Entries to establish and use Unexpended Appropriations (3100 series accounts).
- B. Entries to close Unexpended Appropriation flow accounts (3101 – 3109) to Unexpended Appropriations (3100) at the end of the year.
- C. Entries to close Cumulative Results of Operations flow accounts (5000 Revenue, 6000 Expenses and 7000 Gains/Losses & Miscellaneous accounts) to Cumulative Results of Operations (3310) at the end of the year.
- D. Entries to post “contributed capital” at the start up of a working capital type fund. (This is a very rare entry)



#### E. Entries posted to aircraft reserve accounts by the Office of Aircraft Services.

Due to changes to the SGL, the use of SGL Account 3100 *Unexpended Appropriations* series accounts is now limited to general-type Treasury Fund Symbols, i.e. Treasury Fund Symbols that receive warrants from Treasury – General Fund. This account is no longer valid in other Treasury Fund Symbols.

Ensure that no other entries have been posted to equity during the year as such entries impact the preparation of the Statement of Changes in Net Position.

### **Undelivered Orders**

Bureaus should establish procedures, consistent with Department policy, to ensure that the Undelivered Orders (UDOs) are valid.

A memorandum from Deputy Assistant Secretary – Policy, Management & Budget on Accuracy of Financial Data and Funds Availability dated June 15, 2001, states:

“Unliquidated obligations were not timely deobligated or adequately supported. In this regard, the DOI needs to (1) implement adequate policies and procedures to ensure that periodic assessments of the validity and accuracy of the unliquidated obligation transactions were conducted, (2) have procedures to update the general ledger undelivered orders account, (3) timely remove or deobligate the unliquidated obligations, and (4) follow established procedures for reviewing unliquidated obligations.”

The reported balances for both prior year and current Undelivered Orders should reflect valid obligations.

Review and validation of UDOs should be performed timely to allow any corrections to be made prior to year end.

### **Posting of Post Close Adjustments to Core Financial Systems**

Upon completion of the financial statement audits, adjustments made in the Hyperion Enterprise Application that was not entered into the core financial system prior to closing the financial records should be appropriately recorded in the core financial system records.

For bureaus using FFS, a recommended approach, endorsed by the Financial Officers Partnership, to record these adjustments is to use Accounting Period 00.

**See Chapter 25 for a description of this process.**



## Chapter 23 Analytics and Review Procedures

Bureaus should perform analysis on beginning balances and quarterly balances.

**Period-to-Period Variance Analysis:** Period-to-Period analysis may be performed at the financial statement line item level and also at the SGL level. The standard analytic files are available on the XA drive.

- Current quarter to prior year end
- Current quarter to like quarter of prior year
- Standard general ledger account level

**Trial Balance Relationships – Absolutes:** Absolute relationships are those where the balance or change in one account should equal the balance or change in related accounts, including cash to budget and proprietary to budget using the Hyperion file titled “Master-SOF TB”. SACAT will develop a complete list of absolute relationships that may be considered.

See Chapter 12 for Financial Statement Analytics

**Trial Balance Relationships – Reasonableness:** “Reasonableness relationships” are those where the balance or change in one account will have a relationship to the balance or change in another account on a judgmental basis. The relationships to be reviewed may include comparison of:

- Year-end Property, Plant, and Equipment to Depreciation Expense
- Year-end Property, Plant, and Equipment to the “Capitalized Equipment Expensed” Budget Object Class
- Accounts Receivable, Unbilled Accounts Receivable, Allowance for Bad Debts and Bad Debt Expense
- Budget accounts and rate of outlays as compared to time of year.

See Chapter 12 for Financial Statement Analytics



**Hyperion Database Integrity:** Hyperion Database Integrity reports check to ensure that Hyperion Organization Structures are in sync and data loads reconcile to FFS and FBMS.

In general, integrity reports are generated after quarterly data loads as well as periodically as the database is adjusted with journal entries. Using various Hyperion Reporting and Retrieve reports, integrity checks are performed by the NBC on all applications on a weekly basis.

**Subsidiary Reconciliation:** Reconciliation of Subsidiary Ledgers to trial balance totals should be performed monthly and/or quarterly. The subsidiary ledgers that should be developed and reconciled would normally include, for example:

- Undelivered Orders detail and aging
- Accounts receivable detail and aging
- Unbilled accounts receivable detail and aging
- Accounts payable detail and aging
- Property, Plant and Equipment
- Liabilities for over collections

**Subsidiary Reconciliation to External Sources** should include investments, Statement of Differences with Treasury (monthly), intra-department eliminations, Fund Balance with Treasury (monthly), and Debt with Treasury.

**FFS/FBMS Analysis - Core Accounting System Posting Model Verification:** As one of the internal control steps, to ensure that the Department's compliance with the FFMIA requirements for "Standard General Ledger (SGL) Processing at the transaction level", each bureau should verify that the transactions posting models in the bureau core accounting system (FFS or FBMS) are consistent with the Department's Chart of Accounts and Posting Models developed by the SACAT.

The Department's Chart of Accounts and Posting Models are located on the "XA" server:\Bureau Teams\SGL Team.

Written compliance verification is sent to the Director, Office of Financial Management by July 31 of each year as part of the year end closing process. The compliance verification may be requested at other times during the year when major changes have been made to the posting models.



Any variations from standard posting models should be documented along with any manual procedures established to ensure full compliance with the SGL at the transaction level.

Vendor tables should be reviewed at least quarterly.



## Chapter 24 Accruals

**Accruals and Estimates.** In order for the financial statements to be properly stated at year end, all financial events that occur on or before September 30 must be recognized in the financial statements, regardless of whether supporting documentation (e.g. invoices) have been received or sent as of September 30. This is accomplished by the recognition of accruals at year end.

A. Common types of accruals:

1. Recognition of expenses and/or assets and a related liability for goods or services received on or before September 30 but not yet paid for, even if the invoice for payment has not yet been received, for example:
  - a. Services performed by employees, contractors, other Government accounts, vendors, carriers, grantees, lessors, and other payees;
  - b. Goods and other tangible property received prior to yearend; and/or,
  - c. Other routine transactions such as utility charges and Federal Express bills
2. Recognition of revenue and a related receivable where services have been provided to customers or goods have changed hands as of September 30.

The use of unbilled receivables should be monitored, as the customer will need information about services provided by the bureau but not yet billed in order to properly present their own financial statements.

- B. Accruals are estimates. Preparing an accrual requires professional judgment and should take into account the nature of the underlying transactions, information collected from the field, data available as of the cutoff date for the accruals, and historical knowledge of the types of transactions for which documentation is not received by year end.

For example, accruals for goods received as of September 30 could be based on the actual bill received in October or estimated using comparable bills from prior months. However, additional procedures might be needed for accruals for services provided by agencies known to bill months or years after the service is provided. Therefore, it is necessary for the bureau to perform an analytic review to ensure that the accruals are reasonable and appropriately covers all expense, revenue and other types of transactions.

- C. A normal audit test to determine the reasonableness of accruals is to review transactions occurring in the first few months of the following fiscal year, data that is not available at the time the accrual must be estimated. Ideally, this test would demonstrate that the estimated accruals recognized by the bureau are large enough to cover transactions related to the prior year that came in the first months of the



year, both individually and in total, and that all significant types of activity were considered in developing the accrual.

D. Accruals are required for quarterly reporting.

E. Estimates must be developed for the following categories:

1. OPM
2. DOL
3. Revenue
4. Unpaid Payroll
5. Receivables
6. Interest
7. Loans
8. Accounts
9. Allowance for Doubtful Accounts
10. Revenue
11. Reimbursables
12. Property (i.e., Depreciation)
13. Inventory (i.e., Allowance for Depletion, Spoilage, etc.)
14. Unfunded Leave
15. ECL and Contingencies
16. Payables (i.e., Accounts, Grants, etc.)
17. IPAC Billing

F. Components are required in developing estimates:

1. Document methods and assumptions for the estimate
2. Assure that the methodology is reasonable. The methodology may include historical trend analysis, application of ratios, stratification, etc.
3. Analyze and support assumptions
4. Define data elements that are key to the methodology
5. Test assumptions periodically by comparing actual results to assumptions
6. Test actual data to estimates periodically
7. Identify exceptions to the assumptions by considering any subsequent events
8. Include any known or projected program fluctuations and increase the range of historical data if large fluctuations are anticipated or occur
9. Assess the validity of historical data
10. Determine which estimates must be process-specific
11. Demonstrate that the aggregate values below any established threshold are immaterial.

## Judgment Fund

In 1956, the Congress enacted a permanent, indefinite appropriation, known as the Judgment Fund, for the payment of final judgments, which cannot legally be paid from any existing appropriation or fund. This fund was intended to provide a mechanism that



would alleviate the procedural burdens of judgment payment, allow for prompter payments, and reduce the assessment of interest against the United States (where such was allowed by law) during the period between the rendering and payment of an award. The Judgment Fund is available for most court judgments and Department of Justice compromise settlements of actual or imminent lawsuits against the government.

Disbursements from the Judgment Fund are not attributed to or accounted for by the agencies whose activities give rise to awards paid.

- ▶ Disbursements made from the following Treasury funds are not required to be reimbursed: 20X1740, 20X1741, 20X1742.
- ▶ Disbursements made from Treasury fund 20X1743, related to the No Fear Act, require reimbursement.

Each bureau is responsible for reviewing all communication from Treasury (Internet and Hardcopy) related to the Judgment Fund. A liability must be posted unless the item(s) cannot be validated.

### **Environmental and Disposal Liabilities**

SFFAS 5, *Accounting for Liabilities of the Federal Government*, provides criteria for recognizing a contingent liability, which shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. SFFAS 6, *Accounting for Property, Plant, and Equipment*, supplements the liability standard by providing guidance for recording cleanup costs related to general Property, Plant, and Equipment (PP&E) and stewardship PP&E used in Federal operations. The guidance applies to cleanup costs from Federal operations known to result in hazardous waste which the Federal Government is required to cleanup by Federal, State, and/or local statutes and/or regulations. Depending on the materiality of the amount, the liability for cleanup costs may be displayed separately or included with Other Liabilities. The footnote disclosures required for liabilities associated with cleanup costs are described in SFFAS 6.

Additional guidance is in the process of being issued relative to asbestos. Refer to FASAB Technical Bulletin 2006-1 and 2009-1.

Guidance for determining when an environmental liability is probable and reasonably estimable is available on the AAPC page on the FASAB website (<http://www.fasab.gov/aapc/aapctr2.pdf>).

### **Commitments and Contingencies**

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. A contingent liability should be recorded when a past event or exchange transaction has occurred; a future



outflow or other sacrifice of resources is probable; and, the future outflow or sacrifice of resources is measurable (SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation*). In addition to the contingent liabilities required by SFFAS 5 (<http://www.fasab.gov/pdf/files/vol1v4.pdf>), the following shall also be disclosed:

- an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; and,
- amounts for contractual arrangements which may require future financial obligations.

Additional information related to commitments and contingencies:

- Definition of the terms “probable” and “measurable” are provided in SFFAS 5.
- In regard to pending or threatened litigation and unasserted claims, the contingent liability would be recognized when the future outflow or other sacrifice of resources is “likely to occur” (SFFAS 12); the other criteria for recording a contingent liability remain unchanged.
- A contingency exists for clean up costs related to stewardship PP&E; probable and measurable liabilities shall be recognized when the stewardship PP&E is placed in service. (SFFAS 5 and 6 and Technical Release No. 2)
- Examples of claims or other contingencies include:
  - indemnity agreements – reimbursements due to licensees or contractors for losses incurred in support of Federal activities;
  - claims against the Federal Government that are judicial proceedings in process;
  - the unfunded portion of total liabilities to international organizations; and
  - litigation addressing claims for equity relief or non-monetary judgments – claimants are seeking specific actions by a Federal agency.

Contingent Liability disclosures should state the facts in general terms. It is important to ensure that the wording of the contingency disclosure does not compromise the government’s position with regard to any ongoing litigation or dispute. Bureaus should consider:

- Presenting summarized information on a number of similar contingent situations so that confidential information about any one situation is not disclosed; and
- Obtaining Solicitor’s Office review of disclosures prior to finalizing them.

The Solicitor’s Office will be asked to use a dollar threshold such as \$1 million for preparation of the legal response in order to limit its scope to significant items. This dollar level is somewhat arbitrary and should not be interpreted as a “materiality”



level for individual bureau reporting. Rather, bureaus should consider the facts and circumstances of the individual cases and the body of outstanding issues as a whole in determining dollar amounts to be recognized on the financial statements and disclosures to be reported in the notes.

A memorandum is issued by PFM each year to the Solicitor requesting specific information in a standard format for this information. The Solicitor is to provide information regarding legal letter estimates on a quarterly basis (dates indicated in the yearly memorandum).



**Policies currently being revised with coordination/input from  
Finance, Procurement and Program Offices with estimated  
completion of June 2010  
This is the policy from 2003.**

## MEMORANDUM

To: Heads of Bureaus  
Chief Financial Officers  
Departmental Offices  
Bureau Finance Officers

From: Nina Rose Hatfield  
Deputy Assistant Secretary, Budget and Finance

SUBJECT: Accruals, Estimates and Undelivered Orders

In the Fiscal year 2002 Department of Interior (DOI) Consolidated Audit, KPMG included controls over undelivered orders and accruals as reportable conditions. KPMG identified that DOI has not fully implemented internal controls to ensure that obligations are liquidated and liabilities are accrued for goods and services received prior to the end of the reporting period. In addition, KPMG stated that DOI does not de-obligate funds in a timely manner.

KPMG made the following recommendations:

1. Develop and communicate internal controls to ensure that accruals are recorded and undelivered orders are adjusted for services and products received prior to the end of the reporting period.
2. Implement internal controls to ensure that the accruals and undelivered orders that are recorded are properly supported. These procedures should be completed at least quarterly.

The Department established an Accruals Team with representatives from six bureaus, to develop policies for undelivered orders, accruals and estimates together with personnel from KPMG and Office of Inspector General. Attached are the undelivered orders policy and the accruals and estimates policy. These documents are a starting point that begins to address KPMG's recommendations. We will not eliminate the reportable condition until we have successfully implemented these policies. The policies are effective as of the date of this memorandum and will also be issued as an appendix to the financial statement guidance.

If you have any questions concerning these documents, please call Debra Carey at (202) 208-5542.



## DEPARTMENT OF THE INTERIOR

### POLICY FOR UNDELIVERED ORDERS

#### I. PURPOSE

This document establishes the Department of Interior (DOI) policy for review of undelivered orders.

#### II. AUTHORITIES

The "Antideficiency Act," 31 USC 1341, 1349-1351, 1501-1557.

#### III. RESPONSIBILITIES

Assistant Secretaries, Bureau Directors, bureau financial officials, and program managers are responsible for implementing proper procedures to ensure the timely review of undelivered orders, cancellation of invalid undelivered orders, and certification of valid undelivered orders.

#### IV. EFFECTIVE DATE

This policy is effective upon issuance.

#### V. DEFINITION OF UNDELIVERED ORDER

Contracts or orders issued by the ordering activity for goods or services that have not been received. No expense or accounts payable should be incurred for undelivered orders.

#### VI. REASONS FOR REVIEW OF UNDELIVERED ORDERS

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

#### VII. MINIMUM REVIEW REQUIREMENTS

- A. Review undelivered orders quarterly.
- B. Document and certify quarterly all undelivered orders over 12 months old with no activity, indicating why the obligation is valid. If the obligation is invalid, deobligate



- the obligation with appropriate supporting documentation. Retain the quarterly documented review for reference and audit.
- C. Review current year annual obligations as appropriate to identify invalid obligations.
  - D. Include any adjustments prior to the end of the reporting period, quarterly or annually.
  - E. Complete the documented, certified quarterly review 30 days after the end of the quarter.

Report the completed review as a key performance measure accomplishment to the Office of Financial Management (PFM) as required by the performance measure reporting requirements.



## ACCRUAL ACCOUNTING POLICY

### I. PURPOSE:

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

### II. AUTHORITY:

31 USC 3512(e)

### III. RESPONSIBILITIES:

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

### IV. EFFECTIVE DATE:

This policy is effective upon issuance.

### V. POLICY

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

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



## VI. DEFINITION OF ACCRUALS (ESTIMATES)

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

## VII. CRITERIA FOR DEVELOPING ESTIMATES

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

- A. Identify situations for which accounting estimates are required.
- B. Identify and document the relevant factors that may affect the accounting estimate. This includes subjective as well as objective factors. The factors should be based on management's knowledge and experience about past and current events and its assumptions about conditions it expects to exist and courses of action it expects to take.
- C. Accumulate relevant, sufficient, and reliable data on which to base the estimate. Define data elements key to the methodology. Assess the validity of historical data.
- D. Develop and document assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors (including any exceptions).
- E. Determine the estimated amount based on the assumptions and other relevant factors. Demonstrate that the aggregate values below any established threshold or accounts not considered are insignificant.
- F. Determine that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.
- G. Consider whether the resulting accounting estimate is consistent with the operational plans of the entity.
- H. Compare prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates.
- I. Establish internal controls over the estimation process including review and approval by management (someone other than the preparer) of the accounting estimates, including—
  1. Sources of relevant factors
  2. Development of assumptions
  3. Reasonableness of assumptions and resulting estimates
  4. Consideration of the need to use the work of specialists
  5. Consideration of changes in previously established methods to arrive at accounting estimates

## VIII. CATEGORIES FOR WHICH ESTIMATES MAY BE DEVELOPED



Estimates may be developed for the following categories.

- A. Personnel Compensation, Personnel Benefits and Related Payments
  - Gross compensation, including overtime, will be accrued through the end of each quarter. A labor distribution system may be used to distribute actual charges to cost accounts and to credit accounts payable. If the labor distribution to cost accounts does not vary significantly from payroll period to payroll period, the cost distribution of a representative preceding payroll or the total annual payroll to date may be used in determining the current accrual.
  - Merit bonuses and awards, if significant in amount, will be accrued in the quarter earned.
  - The cost of unused annual leave, compensatory time and credit hours earned will be accrued quarterly. Obtain accrued annual leave amounts from the Federal Personnel and Payroll System.
  - Benefits, including benefits to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs will be accrued in the same manner as gross compensation. Other benefits, such as relocation-related real estate costs and personnel allowances, shall be accrued in the quarter earned.
  - Payments to the Office of Personnel Management for reemployed annuitants and severance pay for former employees will be accrued in the same manner as gross compensation.
  - Recruitment and relocation bonuses and retention allowances shall be accrued in the quarter earned.
  
- B. Travel and Transportation
  - Transportation, per diem, and miscellaneous costs are obligated when the travel is vouchered or travel card billing received from Bank of America. At the end of the quarter and yearend, the travel accrual is based on unvouchered travel information obtained from Bureaus and Departmental Offices, if significant.
  - Permanent change of station travel, transportation costs, and transportation of household goods are accrued when incurred.
  
- C. OPM Life Insurance, Health Insurance, FERS Retirement, and CSRS Retirement, and DOL Unemployment Compensation, Workers' Compensation
  - Establish a quarterly amount in quarter 01. Review and adjust accrual amount as needed. DOI, Office of Financial Management will provide yearend accrual amounts from OPM and DOL.
  
- D. Intra-departmental transactions
  - Accruals for intra-departmental transactions will be posted in conjunction with the elimination reconciliation process or from supportable estimates. Any accruals should be booked prior to the elimination process. Billings for current costs will be billed according to the OMB Business Rules.



- E. Depreciation of Capitalized Real and Personal Property
  - Depreciation will be computed and recognized on a monthly basis. Refer to DOI Real Property Financial Management Policy, Item X – Depreciation for real property procedures.
- F. Contingent Liabilities
  - Record contingent liabilities based on reports from the Solicitor's Office which indicate a loss that is probable and can be reasonably estimated.
- G. Environmental Liability
  - Quarterly estimate is based on data provided by field offices.
- H. Interest on Investments
  - Interest on investments is entered the last day of the quarter based on Bureau and Treasury data.
- I. Accounts Receivable and Allowance for Doubtful Accounts
  - Accounts receivable and allowance for doubtful accounts are recorded quarterly.
- J. Charge Card Purchases
  - Charge card purchases billed from Bank of America through month end or yearend are processed as current period business. Any significant amounts not billed by Bank of America are included as estimates.
- K. Miscellaneous Revenue, including non-DOI reimbursements
  - Revenue shall be accrued in the quarter in which it is earned.
  - Include unbilled receivables and accruals for non-DOI agencies and the public.
- L. Contracts, Purchase Orders, and Cooperative Agreements
  - See Item IX, "Accrual Methodology for Accounts Payable" below
- M. Grants
  - Bureaus/Departmental Offices may use historical or actual data.
- N. Inventory and Inventory Allowance
  - If a Bureau employs a perpetual inventory system, make a rational allowance for excess, obsolete, or unserviceable inventory on a quarterly basis. If a Bureau accounts for inventory on other than a perpetual basis, determine the actual inventory at a point in time, and otherwise estimate both inventory and an allowance on a quarterly basis.
- O. Revenues



When estimating payables to accrue, Bureaus must also take into consideration those payables related to reimbursable agreements.

The accrual methodology must be able to identify those transactions related to reimbursable agreements, and make the appropriate general ledger entries, as shown below.

131D Accounts Receivable-On Budget-Unbilled  
5200 Revenue From Services Provided  
4251 Reimbursements Earned-Receivable  
4221 Unfilled Customer Orders W/O Advance  
570A Appropriations Used-Operational Expenses  
3107 Unexpended Appropriations Used

## IX. ACCRUAL METHODOLOGY FOR ACCOUNTS PAYABLE

A proposed “general approach” methodology for developing accounts payable estimates (accruals) for contracts, purchase orders, and cooperative agreements based on the use of historical data follows. This approach is not a “one size fits all approach”.

### A. Background

Calculating the amount of accrued expenses that should be included on the quarterly financial statements is currently a manual process. The process requires extensive input from the program offices and consumes much of the Finance Office’s resources during the critical period of quarter/year-end document processing. To alleviate this labor-intensive process, this proposed methodology provides an estimation process for accounts payable that centralizes and automates the accrual process.

### B. General Assumptions for Accounts Payable Accruals

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

All Bureaus/Departmental Offices will list the assumptions that will be consistent throughout their process, such as:

- Bureaus/Departmental Offices may include intradepartmental accruals using this methodology if the results are supportable estimates. The accruals should be booked prior to the elimination process.
- All direct charges are cyclical; therefore, a cumulative average will be used to estimate the accrual for such transactions.
- All inter-governmental transactions occurring in a said month are for goods/services received during the preceding month. This presumes that the



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

### C. Proposed Accrual Methodology for Accounts Payables:

The proposed accrual methodology develops accruals by using quarterly historical data for the prior two fiscal years plus current fiscal year quarters. Two types of historical data are used: unliquidated obligations and invoices paid. Invoices with a receipt date for FFS or an end date for period of performance for ABACIS from the entire period are analyzed to determine what should have been accrued. For example, if you are evaluating the September 30, 2001 accrual on March 31, 2003, consider amounts paid through March 31, 2003. An accrual percentage is calculated comparing the amount of invoices that should have been accrued to the unliquidated obligations for the quarter. These accrual percentages are averaged for each comparable period (e.g. quarter 1, 2001 and quarter 1, 2002) to develop the percentage by document type to apply against the current quarter unliquidated obligations.

Direct charges may be accrued based on a cumulative average. Total direct charges are divided by the months analyzed. An example is: total direct charges for a fiscal year are \$120,000. This equates to \$10,000 per month.



The Bureau/Departmental Office can develop the accruals at the lowest cost level within the unliquidated obligation file. The automated accrual process is based on document types and their relative percentage to unliquidated obligations. Historical payment and unliquidated obligations data will be used to calculate the relative percentages to be used in the current year. Data analysis will continue to be evaluated throughout the current fiscal year to ensure that the estimated accrual amount is reasonable.

#### **D. Payment Document Types**

There are two general types of payment documents, those for direct charges (generally non-referenced documents) and those that are applied against an outstanding obligation. The method of entry into the accounting system determines whether the document is a "direct charge" document or is a payment against an outstanding obligation. The amounts of these document types must be further analyzed during the accrual process to ensure that the accrual amounts are accurate.

Document types that may be used in payment of direct charges may be accrued based on the cumulative average:

payments of FedEx, UPS, utilities, telephone bills, fire equipment rentals and blanket purchase agreement (BPA).

Document types that may be used in payment against an outstanding obligation may be accrued on the relative percentage basis:

payments of purchase orders and contracts where a purchase order/delivery order has been issued, cooperative agreements, non-DOI governmental transactions.

#### **E. Calculating the Estimated Accrual for Obligated Documents**

1. Download the historical payment UDO and payment data by fiscal year for the previous two fiscal years and the current fiscal year quarters to capture Bureau-specific data. Subtotal by quarter, document type, and capitalized vs. non-capitalized object classes. The reason for using historical data no older than the previous two fiscal years is because undelivered order data prior to fiscal year 2001 is not readily available.
2. Determine the Actual Accrual Amount  
In order to calculate the relative percentage to be applied to the current fiscal year's quarterly unliquidated obligated balance, the actual amount that should have been accrued in prior years must first be calculated.

For each quarter involved in the historical data analysis, all payments made against the outstanding obligated balances must be obtained. This will identify the amount that should have been accrued had the actual figures been available at the time of the accrual estimate. Since the previous two fiscal years (2001 and



2002) are being included in the historical data analysis, each quarter will be analyzed separately. For example, when analyzing the first quarter of FY2001, all payments scheduled for payment after 12/31/00, which is the closing date of the accounting period under review, for a good/service that was received/performed during the first quarter will be calculated. The Receipt Date in FFS and the end date of the period of performance in ABACIS will be the date used to calculate this amount. Because the analysis is being performed 2 years after the fact, the actual amount that should have been accrued is now identifiable.

Perform the analysis on each quarter. The amount determined that should have been accrued will be used in the relative percentage calculation.

This data analysis will continue through the current fiscal year and any adjustments to the actual amount that should have been accrued in previous accounting periods will be made to ensure that the relative percentage calculation reflects actual historical data.

### 3. Determine the Unliquidated Obligated Balance

The Total Unliquidated Balance must be calculated for each period under analysis. This total will be used in calculating the relative percentage.

### 4. Calculate the Relative Percentage

To calculate the relative percentage for each document type, divide the total amount that should have been accrued (actual amounts paid after the close of the accounting period under analysis through the current accounting data available) for that payment document type by the total unliquidated balance for that obligating document type.

For example: The following chart contains all obligating document types appearing on the Unliquidated Obligations (UDO) Report for the period ending September 30, 2002 along with the total UDO balance for each document type (in column 1) as of September 30, 2002.

Calculation of Relative Percentage for the Period ending  
September 30, 2002 (Based on data through 2/28/03)



Col 1	Col 2	Col 3	Col 4	Col 5
Oblig Documents	FY02 UDO Balance as of 9/30/02	UDO Sub-Totals	Total of Pmnt Docs made After 9/30/02	Year-End Accrual Percentage (Col 4/Col 3)
Contracts	41,550,809.24	41,550,809.24	4,367,545.47	10.5113%
GPO	48,029.99	48,029.99		
Purch Orders	223,717,206.72	223,717,206.72	46,673,531.27	20.8627%
Inter-agency Agreements	3,556,157.25			
Training	55,828.60			
GSA Work Orders	654,338.82	4,266,324.67	1,122,262.08	26.3051%
Relocation	1,558,499.63	1,558,499.63	124,855.51	8.0113%
Travel	(3,579.90)	(3,579.90)	64,003.13	
	271,137,290.35			

TA doc is excluded from analysis

The chart also contains the actual amounts paid on these obligations between the periods of September 30, 2002 through February 28, 2003, that had a receipt date less than September 30, 2002 (which is the latest data available). This amount is what should have been accrued.

To calculate the relative percentage, divide the amount of the payment documents (Column 4) by the amount appearing in the UDO report for that document type (Column 3).

This percentage should be calculated for each historical period under analysis and the average of the percentages should be applied to the current UDO balances to calculate the estimated accrual for obligated documents. The percentage will be applied consistently to each document type having an outstanding unliquidated balance.

To calculate the relative percentage, divide the total amount that should have been accrued (actual amounts paid after the close of the accounting period under analysis) by the total unliquidated balance. Summarize obligations and payments to develop the relative percentage to support the entry.

**F. Calculating the Estimated Accrual for Direct Charge Documents**



Direct charges may be accrued based on a cumulative average. Total direct charges are divided by the quarters analyzed. An example is: total direct charges for a fiscal year are \$120,000. This equates to \$10,000 per month. The Bureau/Departmental Office can develop the accruals at the lowest cost level within the unliquidated obligation file.

#### **G. Allocating and Recording the Estimated Accrual**

The estimated accrual figure for obligated documents will be allocated to the general ledger accounts and funds in which the obligations were charged. The estimated accrual figure for direct charges will be allocated to the funds based on the percentage of charges of each fund to the total direct charges, ensuring compliance with applicable appropriation laws. Allocations are posted at the cost/asset level required by the Bureau/Departmental Office. Data analysis will continue to be evaluated throughout the current fiscal year to ensure that the estimated accrual amount is reasonable.

One of the selection criteria in this estimation process is capitalized property object class. When the computed accrual is allocated, that portion attributable to capitalized property must be recorded as an asset and not an expense. The appropriate general ledger entries should be made.



## Chapter 25

### **Posting of Post Close Adjustments to the Core Financial Systems Proposal for Use of Accounting Period (AP) 00 for CFO adjustments**

During the preparation of the financial statements there are adjustments made to the statements that are not timely enough to get into the accounting system (FFS/FBMS) prior to close. As a result in the subsequent fiscal years the beginning balance for the financial statements (Hyperion) does not match the beginning balance in the accounting system. The Department's recommended approach is to use accounting period 00 (AP 00) for making Financial Statement Adjustments (FSAs) as a more efficient use of resources, more timely and more streamlined process as opposed to the manual reconciliation that is otherwise required. Entering transactions into AP 00 causes a change to the beginning balance in the system so that the accounting system beginning balance will agree to the Hyperion beginning balance.

#### Methodology for use of Accounting Period 00

After all FSAs are identified, documented, written up and placed in the hold status, AP 00 is opened for a very short amount of time possibly an hour or two to process the documents. This is usually done during non-business hours to ensure control of the data.

During the nightly cycle this data is added to the information already in AP 00 and the current monthly reports are re-run. Bureaus do not need to go back and re-create the reports run prior to re-opening AP 00 because adjustments are made at such a high level that they generally don't impact program management. However, if a major restatement requires program management action based on revised historical information, it would be up to management's discretion to determine if previous reports should be recreated.

The adjustment entered into AP 00 generally goes in at the high level (Bureau) and then will be backed out during the next month's business at the same level. Then the actual document is entered at the cost account (program) level. (See example below.) The benefits of using this approach are that:

- No reconciliation is required off line to ensure that all CFO adjustments are booked.
- OIG prefers this methodology because no further review of the beginning balance is needed other than to ensure it matches the ending balance from Hyperion.
- The integrity of the bureau's book of record (the accounting system) is kept consistent with the Department's financial statement book of record (Hyperion).

When using this approach, bureaus should recognize that there are risks involved in reopening AP 00 that include the re-running of extracts and the sequencing of events.



Care should be taken to ensure the accuracy and integrity of the accounting records.

Example: Adjustment for accrued liabilities that did not get entered into the accounting system in the appropriate fiscal year.

Hyperion Adjustment in Current Year

610A Operating Expenses  
2110 Accounts Payable  
4801 Undelivered Orders  
4901 Unpaid Expenditures

Accounting Period AP 00 adjustment entered at high level (Bureau) Next Year

331A Equity  
2110 Accounts Payable  
4801 Undelivered Orders  
4901 Unpaid Expenditures

Back out during regular business at high level (Bureau) Next Year

2110 Accounts Payable  
610A Operating Expenses  
4901 Unpaid Expenditures  
4801 Undelivered Orders

Actual payment voucher entered to cost accounts (program) during regular business Next Year

610A Operating Expenses  
2110 Accounts Payable  
4801 Undelivered Orders  
4901 Unpaid Expenditures

The net effect of steps 3 and 4 is a wash. All expense activity and other general ledger account balances and changes accurately reflect current year business vs. prior year adjustments.



## Chapter 26

### Hyperion Enterprise Processes & Responsibilities

#### System Configuration and Administration

##### A. System Configuration

The departmental system for preparing financial statements is the Consolidated Financial Statement (CFS) System. This system includes the following components: Hyperion Enterprise, Hyperion Retrieve, Citrix, the XA Server, and the Financial Statement Trail Head. We use a more sophisticated and robust environment to provide user access to the Hyperion Enterprise suite of programs, Hyperion Enterprise databases, and project files via the Citrix Metaframe XP thin-client operating environment. This section of the document describes the CFS System, the purpose of each component, and how users connect to the environment.

The CFS System consists of seven servers and they are:

- Citrix Server 1 (Primary communications server)
- Citrix Server 2 (Load balancing communications server)
- Citrix Server 3 (Load balancing communications server)
- Citrix Server 4 (Load balancing communications server)
- Nfuse Web Server 1 (Provides the single point of log on from the Internet)
- HYPNT Server (Database server)
- HYPNT Server 2 (Database server)
- HYPFS (Licensing server)

Each of the servers listed above has a different role in the processing environment. The role of Citrix Server 1 is to allow users to connect to the Hyperion Enterprise programs (Enterprise, Reporting, Retrieve, etc.) and project files from a remote location. This has two advantages: one is that it is an easier and more efficient way to provide new users with access to the programs, and the second advantage is that the Hyperion software response time is improved because of the thin-client technology. Citrix Server 2 and Citrix Server 3 act as load balancers with the primary communications server, Citrix Server 1. Users will still log on to the primary Citrix server, but as the load on the primary server increases, processing will shift to the load balancers. In the event that the primary Citrix server becomes unavailable, the load balancers will assume the role as the primary.

The Nfuse Web Server 1 is the first point of contact for all CFS System users. This web server sits in the NBC “demilitarization zone” (DMZ) which is surrounded by firewalls. Once users authenticate to the NBC domain, they are presented the list of published applications.



The HYPNT server's primary role is to store the Hyperion Enterprise applications. These applications consist of each bureau financial statement application, the departmental consolidated financial statement application, and any other application, as developed. All users run the Hyperion programs from the Citrix servers and the Citrix servers communicate directly with the HYPNT server to update and query the Enterprise applications.

The HYPNT server's secondary role is to serve as the file server. One partition has been allocated for file storage.

## **B. Process for Gaining Access to the System**

When a new user needs access to the Citrix Server and a Hyperion Enterprise application, the following procedures apply:

1. The new user request form will be sent to the FinancialServices\_HelpDesk @nbc.gov). The form is signed by an authorized Hyperion contact within each bureau/office (see the current list below). The form contains the following information:
  - Employee name
  - Employee's phone number
  - Employee's email address
  - Bureau/Organization
  - Position type
  - Approving official's name and signature
  - System or application for which access is requested
  - Access type
2. To control the process, the NBC will only consider new user requests from the authorized people below. The current list is as follows:
  - PFM Diane Washington
  - BIA Teri Lin or Maurice Roberts
  - BLM Carol Hooper or Lori Castaneda
  - BOR Jennifer DeNardo or Bridget Rowe
  - FWS Julie Ehrlichman
  - MMS Linda McKinney or Teresa Weaver
  - NPS Garry Stevens
  - OS Rebecca Gupta, Misty Foster or Gail Cunnington
  - OSM Patricia Scanlon
  - USGS Bill Wilde or Youngnan Cohan
  - OIG Chris Stubbs
  - KPMG Julie Hogan or Kerrey Moran

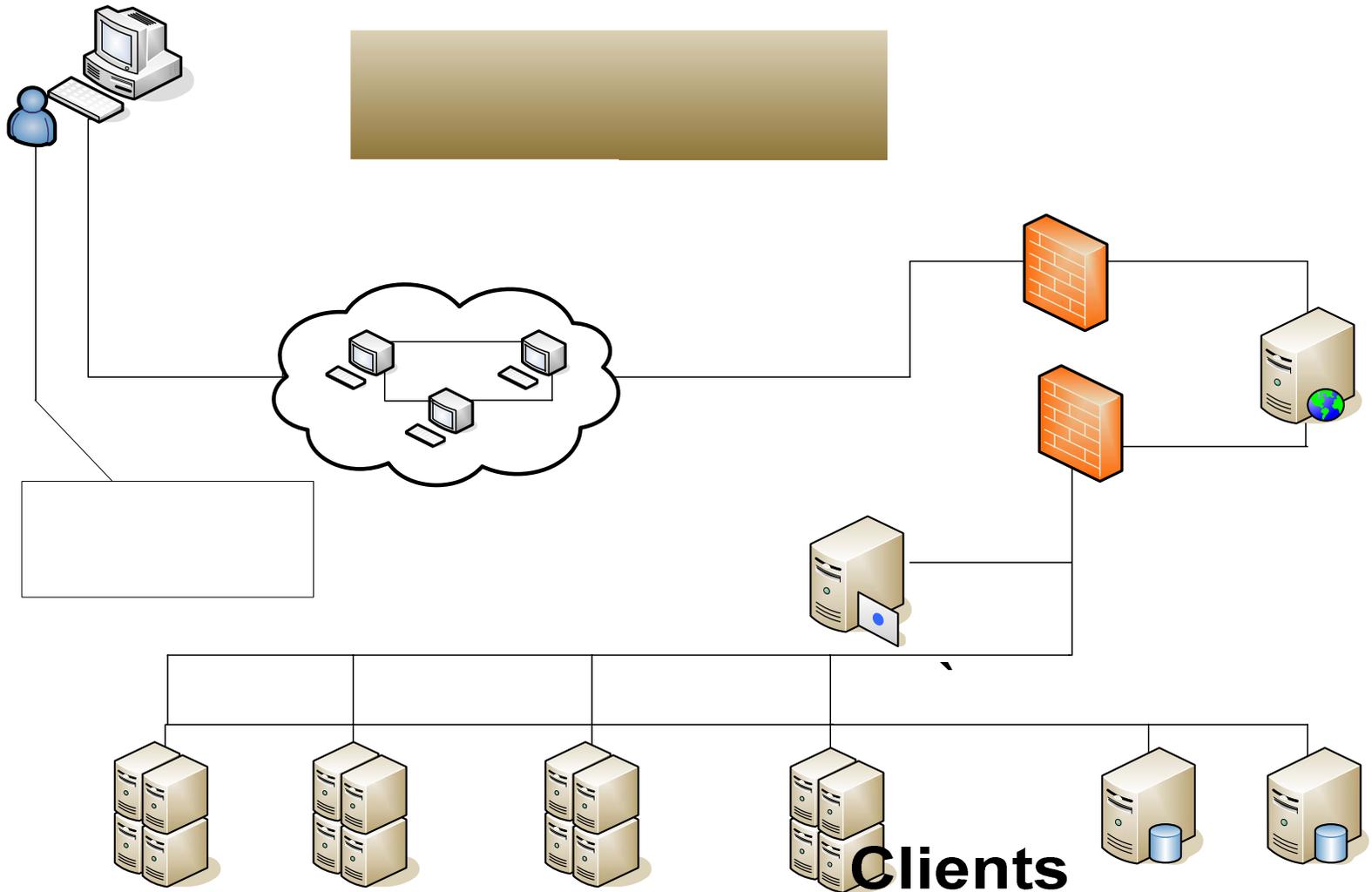


3. The help desk will then assign the ticket to the Hyperion Technical group, the NBC Citrix Administrators, who will set up the user in the NBC domain. The NBC Citrix Administrator will add the user to the domain using the first initial/last name format (if that has already been used they will append a 1 to the end). The Administrator will set up the user access with the default password (#1NBCdoi) and ensure that the user will be required to change their password at first logon. Once set up, the Citrix Administrator will type in the user id into the Notes section of the Remedy ticket, stating the user has Citrix access, along with any other information regarding the setup, and reassign the ticket to the Hyperion Security group.
4. Once the Remedy ticket has been assigned to Hyperion Security group, the Hyperion administrators will add the new user to the appropriate Hyperion Enterprise application, if the user needs Enterprise access. If a user only needs access to the XA server (Citrix), then an ID in Enterprise will not be required.
5. Once the user ID and password are set up in the Hyperion Enterprise application, the Hyperion administrator will contact the user and provide the Hyperion user ID and password. If needed, the administrator will also provide assistance on accessing Enterprise by walking them through the process of installing the Citrix client software, logging on for the first time, and changing their password.
6. After the user has been given access, the Hyperion administrator will add the new user to the Citrix User Access List stored on the XA server. This list is used to track the users of Hyperion.

## **Logging onto the Citrix Server**

### **A. *The Citrix Nfuse Log In Web Page***

The single point of entry for all financial statement applications and project files is the Financial Statement Trail Head. The address for this page is <http://financial.nbc.gov>. It is where we store useful information related to the system, Interior's financial statement preparation project, and links to other relevant Internet resources. The types of information available on the trail head include guidance documents, links to training material, and support for the use of Hyperion software, project contact information, and links to other useful websites. The NBC Reston office maintains the trail head.



CFS System Logical Layout

**From DOI: VPX**  
**From Non-DOI: Interne**



To access the CFS System, users launch their Internet browser (Internet Explorer is the preferred browser). In the address bar, users enter <http://financial.nbc.gov> and are brought to the Financial Statement Trail Head. Note: if users access the Citrix Nfuse web site routinely, they can add the page to their list of favorites. Users would then select the Citrix Login button on the left side of the page. This link will launch the Citrix Nfuse log-in web page. To start the logon process, users enter their Citrix credentials and click on the “Log In” button. Users then select the icon.

This page provides secure access to the CFS System and available financial statement applications and files on the XA server.

Department of the Interior Financial Statement Trail Head - Windows Internet Explorer

http://financial.nbc.gov/

File Edit View Favorites Tools Help

Department of the Interior Financial Statement Trail H...

## Financial Statement Trail Head

U.S. Department of the Interior

Thursday, April 23, 2009

### Welcome

Welcome to the Consolidated Financial Statement System (CFS System) Portal. To access Hyperion please select the Citrix Login button from the navigation bar on the left. If you have any questions or problems contact Manisha Tuli at 703-390-6674.

**The 2008 Consolidated Financial Statement System (CFS) Survey Results are in. [Click here](#) for details.**

The National Business Center (NBC) is an office within the United States Department of Interior (DOI) that provides financial and information management services to other federal agencies. In addition to supporting the individual DOI bureaus such as the National Parks Service, the NBC also services other federal agencies such as the U.S. House of Representatives and the FDIC.

**THE CHALLENGE: EASY AND SECURE ACCESS TO HYPERION ENTERPRISE APPLICATIONS**

The NBC serves as an application service provider for many Federal agencies, hosting mainframe and client/server financial applications. The NBC is also responsible for the operation of DOI's Consolidated Financial Statement (CFS) System, used to prepare the department's annual financial statements. These financial statements are required by law, and must be submitted to the Department of the Treasury, to Congress and, finally, to the President of the United States.

[\(Continued\) >](#)

#### Performance & Accountability Reports

2007

2006

2005

2004

## The Financial Statement Trail Head



**NBC Citrix Application Portal**

Welcome to your personalized application portal. The Applications box (at left) contains icons for the applications that you can use. Click an icon to launch an application. Click the Refresh button to get the latest applications. Click the Settings button to change the NFuse Classic settings. Click a folder icon to display the folder contents. If you have problems using an application, please contact your help desk or system administrator for more information.

**NBC Citrix Message Center**

The NBC Citrix Message Center displays any informational or error messages that may occur.

 If you do not have the Citrix ICA Client (ActiveX) for 32-bit Windows installed on your system, you must install the ICA Client to launch the applications.

Select the icon below to install the ICA Client.

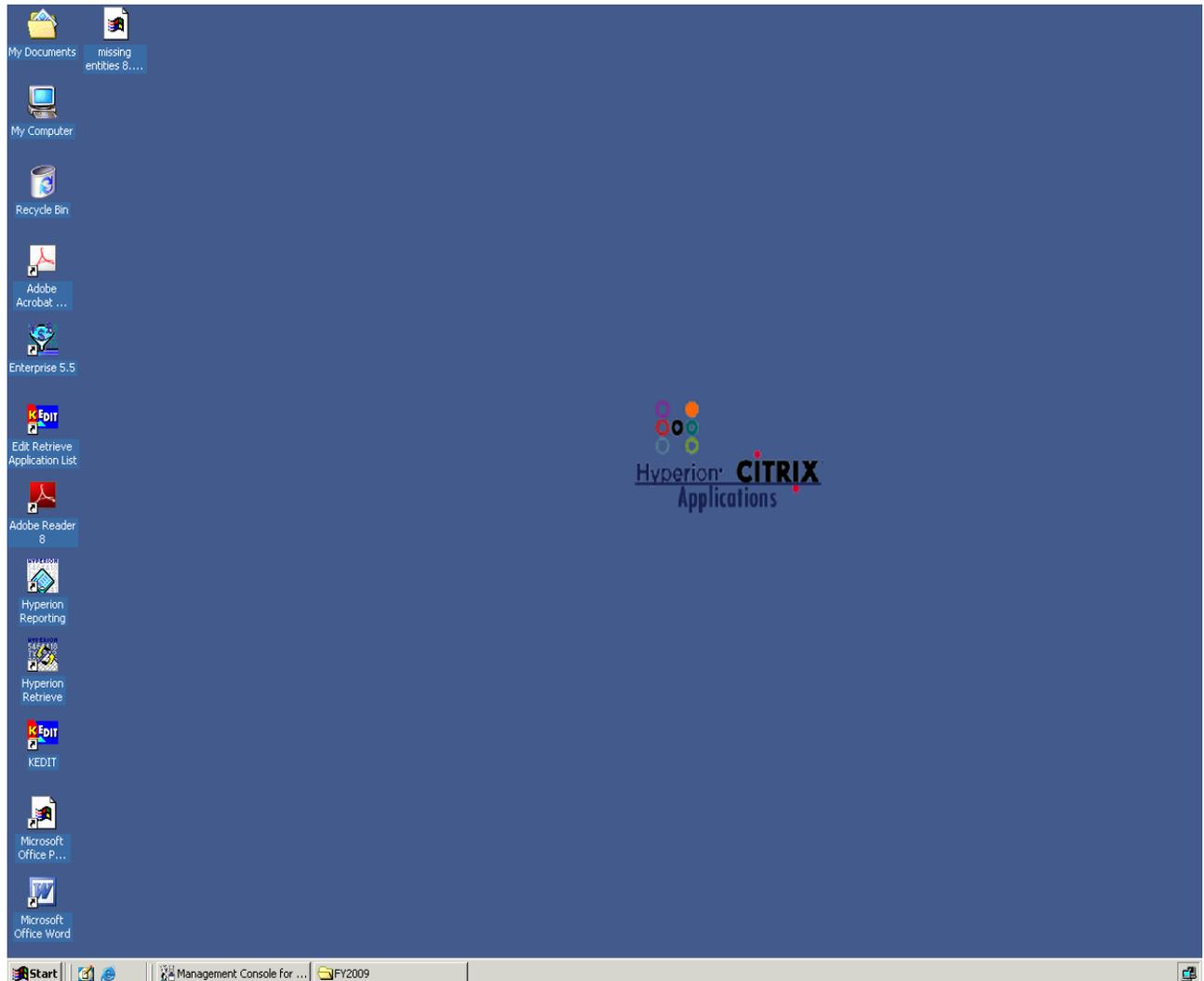
 [Citrix ICA Web Client for 32-bit Windows](#)

## NBC Citrix Application Portal

### B. *The Citrix Application Portal*

After users successfully enter their Citrix credentials and are authenticated on the NBC domain, they are presented with a desktop of applications available based on their user profile. This list is presented via the Citrix Application Portal. The paragraphs that follow highlight the steps for accessing each of the major applications available from the Citrix Application Portal.

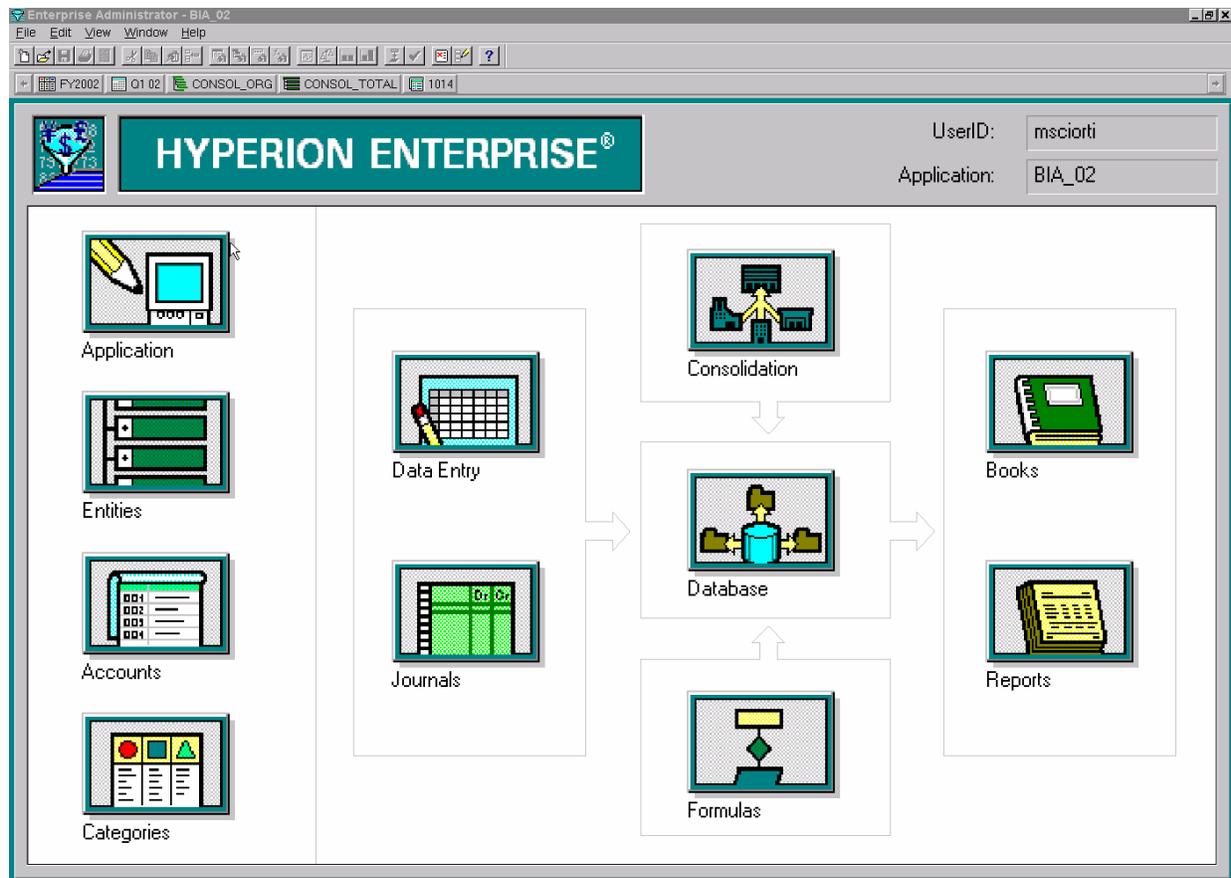
The Citrix Application Desktop is where we store useful information related to the system.



### The Citrix Application Desktop

#### C. Opening Hyperion Enterprise

To open Hyperion Enterprise, users click once on the Hyperion Enterprise 5.5 icon. The system will begin to connect and users will receive the standard Interior notification message. The system will then prompt users for their Hyperion Enterprise application, user ID, and password. Note: the Hyperion Enterprise user ID and password are separate and distinct from the Citrix credentials even though they may be synchronized. From the drop down box users select the application they would like to access. Users then enter their Hyperion Enterprise user ID and password. Note: users must make sure that their “caps lock” key on their keyboard is deselected. Users then click the “Okay” button and are brought to the Hyperion Enterprise desktop.



### The Hyperion Enterprise Desktop

#### D. Opening Hyperion Reporting

To open Hyperion Reporting, users click once on the Hyperion Reporting icon. The system will begin to connect and users will receive the standard Interior notification message. Users Click "OK" at this message. Users then enter their Hyperion Enterprise user ID and password and click the Connect button and select the application they wish to access. Users are then brought into the Hyperion Reporting module.

#### E. Opening Hyperion Retrieve for Excel

To access Hyperion Retrieve, users click once on the Hyperion Retrieve icon. The system will begin to connect and users receive the standard Interior notification message. Users click "OK" at this message. Excel will launch and prompt the users for their Hyperion Enterprise user ID and password. THIS IS IMPORTANT: Users must leave the user ID and password blank and click 'OK' for each application that pops up. User access to all applications provides the ability to pull data from each application using Excel. This user access is read only and no data can be changed in the individual applications. Users must remember that this version of Excel is



running on the Citrix server and its purpose is to run Hyperion Retrieve only. This is not a local workstation copy of Excel.

## **F. *Opening K-Edit***

K-Edit is an extremely useful text editor and it provides an easy-to-use tool for looking at Hyperion Enterprise application extracts, data files, journal entries, and any other text-formatted file. To access K-Edit, users click once on the K-Edit icon. The system will begin to connect and users will receive the standard Interior notification message. Users click “OK” at this message. From within K-Edit users will have the ability to access files on the NT server, the XA server, and files in the user’s personal folder on the CFS System.

## **Financial Statement Applications**

### **A. *Overview of the Hyperion Enterprise Modules***

After logging in to Hyperion Enterprise, the Enterprise desktop appears. The desktop buttons and their major functions are outlined in the Table below:

### **B. *The Point of View Bar***

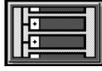
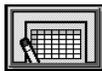
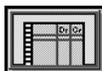
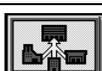
The importance of the Hyperion Enterprise point of view bar cannot be overstated. The point of view is where users set the parameters for viewing data and other information in Enterprise. Without the correct point of view, users will not see what they expect. The point of view bar is composed of the following elements:

- Category
- Period
- Organization
- Entity
- Account

These data elements define all of the criteria for a specific set of data. The point of view bar in a standard Interior application. Interior has defined the data elements as follows:

- Category - Fiscal year
- Period - Months ( OCT08 – NOV09 ) (14 months)
- Organization - Various views of data defined as needed for reporting
- Entity – Various fund symbols and grouping thereof
- Account - Defined in chart of accounts



	<b>Application</b>	Edit application's label, description, currency, default translation rate, consolidation methods and percentages, locking accounts and other options.
	<b>Entities</b>	Create, modify, view or print organizations, entities, substructures and subentities, currencies, entity conversion tables and entity lists.
	<b>Accounts</b>	Create, modify, view or print the chart of accounts, subaccount tables, account conversion tables and account lists.
	<b>Categories</b>	Create, modify, view or print categories. DOI has defined categories as fiscal year.
	<b>Data Entry</b>	Create and modify schedules, define schedule preferences, enter and edit data. Print schedules.
	<b>Journals</b>	Enter, load, extract, edit, post, unpost, reverse and print journals.
	<b>Consolidation</b>	Perform consolidations. Consolidations must be performed when modifications are made in the following modules: entities, accounts, categories, data entry, journals, database and formulas.
	<b>Database</b>	View, edit, load, and extract data. Show and calculate formulas.
	<b>Formulas</b>	Create and modify method files. Compile methods and print formula script files.
	<b>Books</b>	Create, modify and compile books using scripts.
	<b>Reports</b>	Manage report sets, print and preview reports. Create, modify and compile reports using scripts.

**Overview of Hyperion Enterprise Modules**



**Sample Point of View Bar**



The data used to produce financial statements for FY2009 will be in the following categories and periods.

<u>Category</u>	<u>Periods</u>	<u>Description</u>
FY2009	OCT09	FY 2009 pre-closing balances
FY2009	SEP09	FY 2009 12 month data
FY2009	OCT08-AUG09	FY 2009 monthly balances
FY2008	NOV09	FY 2009 post-closing/beginning Balances for FY 2010

The point of view needs to be set correctly to run reports, extract, review, enter, and consolidate data properly.

### **C. *Opening Periods in the Journals Module***

In journals module, the monthly periods must be opened before making journal entries. They must be opened in sequential order. Periods are opened in the journals module using the “Task” menu and selecting “Open Period”.

### **D. *The “Run Users in Application Report”***

With more users accessing the applications, it has become more important to monitor who is in the application, and what module they are in. For certain processes, namely consolidations, there must not be any users in any Enterprise module that can affect data. Hyperion Enterprise uses the first-come-first-served basis for rights in the application modules. This means that the first user into a specific module has the control over the module. Any subsequent users can access, but are locked out. This is a safeguard to ensure that users don't conflict with each other while in the same application. When users start consolidations the user should check the “Run Users in Application Report” to determine which users are logged into the application and which module is in use. If any other users are in any of the following modules, the consolidation will stop:

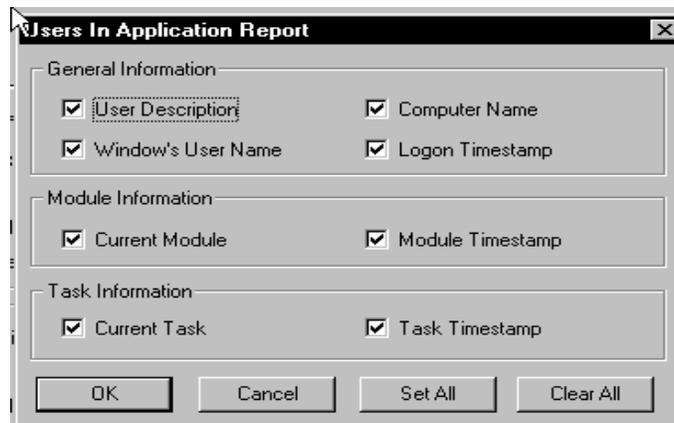
- Entities Module
- Accounts Module
- Database Module
- Journals Module
- Formulas Module

Users in any other module will not affect the consolidation. The report displays user information such as the user description, computer name, module, and task information.



To run the report, follow these steps:

1. Open the applications module.
2. Select “Task”.
3. Select “Run Users in Application Report”.
4. The “Users in Application Report” dialog box will display.



**Users in Application Report Dialog Box**

5. Select the options that you want to display on the report, then select “Ok”. The report will display.
6. Use the options in the preview window to view or print the report. When using the preview option, the entire page of the report is displayed in several screens. Use the “Next” selection to view all screens.

### **E. The Application Log (a.k.a. the Error Log)**

Each Hyperion Enterprise application has an application log associated with the application. The log can be accessed from the desktop and from each module by selecting the “View” menu and selecting “Error Log”. The title “Error Log” is a bit of a misnomer, because the log serves as more than an error log. It also documents vital information about the application. In addition to providing detail on errors encountered, the error log provides start and completion times for consolidations, data loads, and report generation. Monthly, the Hyperion Administrators clear the log and save the historical record for reference. The logs are screened for items such as data loads and journal loads to ensure proper access and permissions have been obtained. The Hyperion Administrators are the only users that can clear the log.



## **F. *Application Sub-Directories***

On the NT Server (M Drive) there are directories for all of the Hyperion Enterprise applications. Within each of these directories there are individual files and folders specify to the Hyperion Enterprise applications.

Each bureau directory has the same sub-directory structure and is as follows:

<u>Sub-Directory</u>	<u>Purpose</u>
Data	Stores the actual Hyperion Enterprise data by category
Inbox	Used as a file folder for files to be loaded into Enterprise applications
Outbox	Used as a file folder for files extracted out of Enterprise applications
Reports	Used as a directory to store all reports run out of Enterprise

Any other bureau files, most commonly Retrieve files, are to kept on the X Drive where there are folders for each of the bureaus and for shared information. Bureau personnel have access to their bureau folders only (for example, FWS cannot access BLM's directory, and so on) with the exception of shared folders such as the BurTeams folder. Headquarters personnel have full access to all folders.

## **G. *Loading and Extracting Information Out of Hyperion Enterprise***

### **1. Application Information**

At anytime users can extract any portion of the Hyperion Enterprise applications for use outside of Enterprise. For example, if a user would like to see the entire list of entities for a particular application, the user can extract this to an external file and use it in Microsoft Excel or K-Edit. Likewise a user could extract information on entity ownership, accounts, account lists, entity lists, etc. To extract application elements, follow these steps:

- a. Open the Hyperion Enterprise application.
- b. Open the application module.
- c. Click on the "Task" menu.
- d. Select "Extract Application".
- e. The default is to extract the entire application. If you only want portions, select the tabs and set the flags for those portions you want.
- f. Give the extract a file name and click "Ok".
- g. The file will be extracted to the applications outbox.



## 2. Data

Some of the most critical information in the Hyperion Enterprise application is the data. Hyperion Enterprise stores bureau trial balance data by fiscal year and month. Bureau personnel are responsible for loading their monthly trial balances by the dues dates set forth by PFM. The NBC is responsible for maintaining the data integrity.

To load data to a Hyperion Enterprise application, bureau personnel follow these steps:

- a. Open the Hyperion Enterprise application.
- b. Open the database module.
- c. Click on the "Task" menu.
- d. Select "Load Data".
- e. Click on the "Add" button and navigate to the location of the load file (the default is to the application inbox).
- f. Select the "Report Calc Account" and the "Calculate Formulas" options .
- g. Select "Replace".
- h. Ensure that in the "Default" setting, the appropriate delimiter is set to match the load file delimiter.
- i. Click "Load" and the file will be read into Enterprise.
- j. A successful load will result in no errors. If errors occur, the user will have to research the error using the application log, make the necessary corrections, and reload.

On occasion, users may have the need to extract data out of an application for use outside of Hyperion Enterprise (e.g., for use with K-Edit, Microsoft Excel, Microsoft Access, etc.). To extract data from an application, users must follow these steps:

- a. Open the appropriate Hyperion Enterprise application.
- b. Open the database module.
- c. Under the "View" menu select "Entity List".
- d. Select the "ALL\_BASE" entity list.
- e. Select the column for the monthly data you are trying to extract
- f. Under the "Task" menu, select "Extract Data"
- g. Assign a name to the extract file
- h. Click "Okay"
- i. The file will be extracted to the application outbox.

## 3. Adjusting Journal Entries

Users can extract journals from Hyperion Enterprise to a local drive and view the journal information using a text editor (K-Edit, Notepad, etc.) or Microsoft Excel providing the capability to do further analysis. To extract journal information



follow these steps:

- a. On the Hyperion Enterprise desktop open the journals module.
- b. Make sure the point of view is set to the proper category you wish to extract from (FY2003, FY2002, etc.)
- c. Make sure the proper period is selected in the point of view (MAR09, etc.)
- d. Under the "Task" menu select "Extract Journals" for a single period.
- e. In the selection window, select all journal entries by using the shift key and the down arrow (leave all the attribute boxes checked) or just select a single entry.
- f. Click "Okay".
- g. In the "Extract Journals – Single Period" window, check the "Extract Posted Journals as Unposted" box.
- h. Give the extract file a name and click save.
- i. Back at the "Extract Journals – Single Period" window, click "Okay".
- j. The extract will be written to the application outbox with a "jaf" extension.

## **System Security**

### **A. Location Security**

All of the project servers (Citrix Servers, NT Server, and XA Server) are located at the Enterprise Services Center in Herndon, Virginia. Any additional servers added to this project will likewise be placed at the ESC.

The ESC property in Herndon, Virginia is protected 24 hours a day 7 days a week, 365 days a year by a security staff. Access to any building on the Herndon property is only obtained by either a Interior issued ID/security card or by way of guest access, granted by security. Security measures also include sign-in and pass-through of a metal detector for all guests, security monitored and recorded cameras at all entry and exit point of the buildings, and security access swipe cards at all entrances and exits.

The ESC Data Center requires special access cards be issued to cleared personal that have completed a security background investigation and have a legitimate need to have access to the data center. The data center is staffed only during regular ESC business hours. Any person requiring access during off-hours is issued a key code combination for the data center door.

To enter the data center during normal business hours an individual must first gain access to the data center building by way of a security badge swipe card. Once in the building the individual will need to use their card on another swipe card point at the actual server room door.



## **B. Hardware Security**

All of the project servers have unique key locks on the front of each server door. A key is required to access any of the media drives. Also each server's BIOS is set to boot off the primary SCSI hard drive only, allowing the main operating system to boot. Each server's BIOS is locked down with an administrative password.

## **C. Operating System Security**

All project servers run on either Windows Server. Each server has been loaded with the most current service pack. As new service packs and patches are released they will be reviewed/tested and then placed on the server once determined satisfactory.

Second, all servers have had their registries modified to only allow a minimum of eight mixed alpha and numeric characters for each user password. Each user must change their password after a set amount of time. Currently that time length is set for three months.

Also, no previous passwords or deleted user names can be reused. Third, the Windows NT resource kit has been installed on all of the servers. This resource kit contains a feature that audits the system for C2 compliance. Due to the nature of our applications, we are not able to meet all of the criteria to be fully C2 compliant. The following are a list of changes that have been made to increase security on all underlying subsystems of NT.

- Only native Windows applications and DOS subsystem applications can be run. Both POSIX and OS/2 subsystems have been removed from all of the NT servers.
- The security log has been set to not overwrite events.
- The guest user account is disabled.
- Only the administrator may assign drive letters.
- The last user name entered to login will not be displayed.
- The shut down button is no longer displayed to any users except the administrator.
- The registry is locked down with only system and administrative rights able to modify.
- Users are only given read rights to main operating system files.
- File level security is enforced on all drives.
- Each of the ICA clients has 128-bit encryption enforced for log on and 40-bit encryption for communication between the client and the server. If someone were able to crack the 40-bit encryption, the only data they would see would be screen shots from the client. No system data is actually passed to the client in a screen shot.



## **D. *Hyperion Enterprise Application Security***

In addition to the NT security and credentials required to access the Citrix server, we have an additional level of security established within the individual Hyperion Enterprise applications (the security structure is maintained by the Hyperion Enterprise systems administrators). This security level is mainly forced through the use of security classes. The purpose of this level of security is to limit user access to only specific areas in the Enterprise applications that are deemed necessary by the system owner (PFM). With this security in place we can control access to the database in all respects.

The Hyperion Enterprise security allows the project managers to control access to Hyperion Enterprise tasks and application elements for all department and bureau applications. We use security to protect data and to prevent unauthorized users from viewing, accessing, or changing critical data. In our applications, we apply security to specific tasks or application elements. For example, we restrict access to tasks such as posting journals, or to specific application elements such as entities, reports, and accounts. Each security class, user group, and user that we establish must also be secured by assigning the element to a security class. Securable items can be arranged into security classes by function, department, entity, or some other criteria. Users can also be classified into user groups by similar criteria. Once we set up security classes, users, and user groups, we assigned access rights to these security classes for individual users and user groups.

## **E. *The Elements of Hyperion Enterprise Security***

Hyperion Enterprise security elements consist of users, user groups, security classes, and access rights. Users are people who have been granted access to the Hyperion Enterprise applications. User groups are sets of users. A security class is a collection of securable Hyperion Enterprise tasks and application elements that we have defined. Once we defined security classes, users, and user groups, we assigned one of four levels of access rights to security classes for user groups and users. This enables us to set security for many users to many tasks with minimal effort.

## **F. *Security Classes***

A security class is a collection of items in the application to which administrators can restrict access. The security administrator is responsible for creating security classes. The items that we include in a security class can include tasks, such as posting journals, or application elements, such as access to entities and accounts. When we set up security, we assigned security classes to items and then assigned users and user groups access rights to these classes. For example, we defined a security class called “admin\_hi” and assigned it to the task “run rollovers.” We then assigned users and user groups such as “HQ\_Admin”, access rights to this “admin\_hi” security class.



Current security classes in the current applications:

Security Class	Purpose
Maximum	This is Enterprise's default security class and it provides maximum access. This security level is used for low-risk, read-only type access.
ADMIN_MED	No tasks assigned at this time.
ADMIN_HI	High level tasks that are limited to systems administrators at all times.
ADMIN_LO	These tasks are generally performed by administrators, but may be released to bureau level users on a limited and supervised basis.
DATA_EDIT	Routine tasks that users can perform in their day-to-day use of the system.
DATA_EXTRACT	Tasks revolving around extracting data from applications. Note that by design, the ability to extract and view data is available to all users.
DATA_LOCK_LOAD	
DATA_LOCK_AJE	
BUR_FWS	Security class to limit access to FWS personnel only.
BUR_USGS	Security class to limit access to USGS personnel only.
BUR_BIA	Security class to limit access to BIA personnel only.
BUR_BLM	Security class to limit access to BLM personnel only.
BUR_MMS	Security class to limit access to MMS personnel only.
BUR_NPS	Security class to limit access to NPS personnel only.
BUR_BOR	Security class to limit access to BOR personnel only.
BUR_OSM	Security class to limit access to OSM personnel only.
BUR_DO	Security class to limit access to DO personnel only.
BUR_USBM	Security class to limit access for USBM purposes only.
CAT_PY	

## G. Users and User Groups

Users are people who have been granted access to the Hyperion Enterprise application, tasks, or application elements. We defined users in the security setup window in the applications module. We also defined user groups, which are sets of users with similar security requirements. For example, the “read-only” group was established to contain all of the users who require read-only access to only files on the Citrix XA server, or Hyperion Retrieve.



When a new user needs access to an Enterprise application, the user will send a request to the Financial Services Help desk. Each form will contain the user's information along with the application and the access level the user is requesting. The form will have the Security Point of Contact (SPOC)'s signature for that bureau. The Help Desk will enter the information into the Remedy system and assign it to the Hyperion Technical. The Citrix System Administrator will set up a user ID and password on the XA server, note this in the ticket and reassign it to the Hyperion Security group. In the Enterprise application, the Hyperion systems administrator will set up the user ID and password for the new user and add the user to the appropriate user group. With these credentials users are able to access the Enterprise applications and perform tasks according to the security profile in the group to which they belong.

Users and user groups can belong to multiple user groups. When conflicting rights result from a user or user group belonging to multiple user groups, the least restrictive rights apply.

## **H. Access Rights**

Access rights determine whether a user can perform tasks or access specific application elements. For example, access rights determine the tasks users can perform, the accounts and entities they can view, data they can edit, and the schedules and methods they can view or change. After defining security classes, users, and user groups, administrators assign users and user groups one of four access rights to each security class in an application. The available access rights are modify, view, limited, and none. Access rights are summarized below.

When a conflict results between individual rights and user group rights, the individual rights are retained. When conflicting rights result from a user or user group belonging to multiple user groups, the least restrictive rights apply.



Assign...	To...
Modify	<ul style="list-style-type: none"><li>• Allow users to perform tasks.</li><li>• Allow users to change data.</li><li>• Allow users to define or change application elements.</li><li>• Allow users to create, change, and print reports and books.</li></ul>
View	<ul style="list-style-type: none"><li>• Allow users to see, but not change data.</li><li>• Allow users to see, but not change application elements.</li><li>• Allow users to print reports and books.</li></ul>
Limited	<ul style="list-style-type: none"><li>• Allow users to see, but not change application elements.</li><li>• Prevent users from viewing or changing data.</li><li>• Provide no access to data except in intercompany matching and consolidations.</li><li>• Allow users to view or modify data for entities without providing access to the parent entity.</li><li>• Prevent users from printing reports and books.</li></ul>
None	<ul style="list-style-type: none"><li>• Prevent users from performing tasks by disabling menu commands</li><li>• Prevent users from seeing the data or an application element exists. The secured element or data does not appear on the screen or in reports.</li><li>• Prevent users from printing reports and books.</li></ul>

### Access Rights

#### I. *Anti-virus Protection*

Anti-virus software has been installed and configured to scan each server in real time. As a file is accessed, its contents are scanned. Also, each instance of the anti-virus software has been set to check for updates daily.

#### Online Help

From within Hyperion Enterprise or Hyperion Reporting users can access on-line help guides in PDF format. To access these guides users click on the “Help” menu (the help menu is the last selection on the menu bar) and select “Online Guides (PDF)” Adobe Acrobat Reader will launch and the file can be printed to the user’s local printer. Keep in mind that some of the guides are hundreds of pages long. Users can also select F1 or click on the question mark in the toolbar to access Hyperion Enterprise’s integrated online help. The online help contains the following types of information:

- Procedural information needed to complete tasks within Hyperion Enterprise.



- Window and dialog box explanations.
- Links to access the online guides, which are in PDF format. The online guides are portable document format (PDF) files that are electronic versions of the printed manuals. They contain conceptual and procedural information, as well as examples, to assist in using Hyperion Enterprise and Reporting.
- Users can navigate through the online help by using its contents, index, search, back, and desktop buttons. Users can also print any help topic.

### **Trial Balance Review**

Reports are available in Hyperion Retireve to assist in reviewing and analyzing trial balance data. Bureaus are expected to review their reports on a weekly basis to ensure data and system integrity.

### **Procedure for Updating Hyperion Enterprise Entities**

If a bureau has a new entity or a change to an existing entity affecting their Hyperion Enterprise application, the designated bureau representative will send the request to the Financial Services Help Desk. Only certain bureau personnel have been designated with the responsibility for maintaining their bureau's entity structure and submitting change requests. These Security Points of Contact ( SPOCs) are listed below. The requests must be in the form of an email or fax to the Help Desk.

- BIA Teri Lin/ Maurice Roberts
- BLM Carol Hooper/Lori Castandea/Juanita Rogers
- BOR Jennifer DeNardo/Bridget Rowe/Sonia Barrett/Kim Johnson/Sarah Mitchell
- FWS Julie Ehrlichman/David LaVeau/Edna Romero/Kari Grimshaw
- MMS Linda McKinney/Teresa Weaver
- NPS Ed Morris/Thomas Meara
- OS Gail Cunnington/Rebecca Gupta
- OSM Trish Scanlon
- USGS Bill Wilde/Brad Walbruck/Youngnan Cohan

The Help Desk then assigns the ticket to the Hyperion Functional Group. The CFS Hyperion administrators open the and evaluate the nature of the change, and work with the bureau representative to ensure the change is made in the proper fashion. Depending on the nature of the change, the entity addition/change needs to be reflected in all of the organizations within the bureau application. Also, depending on the nature of the change, the addition/change must be made to all of the categories and periods effected by the change (see the checklist below for the specific information needed). Any change to the bureau applications will also be made to the Department's consolidated application.



After all changes are made (to both the bureau application and the consolidated application), a database consolidation is performed on all categories and periods impacted by the change.

Following the consolidation the administrator will run the all the data integrity reports to ensure that all organizations total each other and that there are no unintended side-effects as a result of the change. The data integrity reports, comprise of a balance sheet report that compares total assets/total liabilities by organization for each of the categories in the application and GPRA spreadsheets that compare each bureau's end outcomes to the consolidated data

Once the totals are verified as correct, the CFS Hyperion systems administrator will then make a note in the remedy ticket and resolve the ticket and assign it back to the FFS Help Desk. The Systems administrator will also contact the bureau representative to inform them that the change has been made. The bureau representative will then verify that the change was made to their satisfaction and notify the Hyperion administrators if there are any problems.

For documentation purposes, the administrator will print the request email, note the date of the change and place the email in the bureau application file.

The following is a checklist of the information required to update the entity structure:

- Entity label
- Entity substructure (One Year, X-Year, Multi-Year, etc.)
- Entity description
- Entity's relationship in the FACTS organization (to which parent does the new entity belong?) – Note new parents, if applicable
- Entity's relationship in the GPRA organization (to which bureau segment does the entity belong?) – Note new parents, if applicable
- Entity's relationship in the BUR\_SEGMENT organization (to which bureau segment does the entity belong?)
- Also provide any percentage split between multiple segments, if required.
- Entity's relationship in the SOF organization.
- Entity's relationship in the SBR organization.
- Entity's relationship in the Interior Appor Cat organization.
- Entity's relationship in the Regions, NON\_CFO, DO\_COMPONENTS, ALT\_ORG or A-123 ORG, if applicable.

## Adjusting Journal Entries

Journal entries are used to record changes in account values and maintain an audit trail of those changes. Post-closing adjusting journal entries **must** be used in order to maintain the integrity and accuracy of the consolidated financial statements and ensure consistency between bureau reports, Department-wide reports and FACTS data.

**A. Journal Entry ID Numbers**

- Journal numbers are used as an identifier for each journal entered. They are also used as a filter when selecting journal entries to include in reports. The following is a sample of a journal entry ID number: 01\_MAR09\_0001

01 = Bureau Code  
 MAR09 = Month and Year (or BB for Beginning Balance)  
 0001 = Serial counter number (Include leading zeros so that journal entries remain in numerical order )

- Bureau assigned codes to be used in creating journal entry ID numbers:

Bureau Code	Bureau
01	Office of the Secretary and U.S. Bureau of Mines
06	Bureau of Reclamation
07	National Park Service
08	U.S. Geological Survey
11	Bureau of Land Management
16	Fish and Wildlife Service
17	Minerals Management Service
18	Office of Surface Mining
20	Bureau of Indian Affairs

**Bureau Codes for Journal Entry Labels**

Use of these journal entry label formats is required.

**B. Journal Entry Descriptions**

The journal entry descriptions provide information regarding the purpose for the entry being posted and are a necessary part of the audit trail of a journal entry. The description should be detailed enough so that someone unfamiliar with the transaction will understand the reason for the adjustment and the source of the data.

**C. Journal Codes**

Every journal entry must have a journal code. For reporting purposes, journal entry codes have been added to assist in identifying the cause of post yearend adjustments.

Hyperion Code	Description/Purpose



P_Accrual_Intra-Dept	Post accruals from other bureaus (PCAS)
P_Accrual_Intra_Gov	Post accruals and actuals from DOL/OPM
P_Accrual_J_Fund	Post imputed financing for Judge fund
P_Accrual_Legal	Post adj for changes in legal letter
P_Load_8400	Post offsetting receipt data
P_Load_Alloc_Accts	Post parent/child allocation accounts
P_Load_Cash	Post cash in/out entries
P_Load_Data	Post data from outside systems
P_Other	Other planned adjustments
P_Non_Planned	Other non-planned adjustments
P_IntraBur_Elim	AJE-Intra-Bureau/Dept Elimination Entry
P_Reclass	AJE_Presentatn Reclass-not posted to GL
J_Post_Close	OLD-"Post Close" Adjustment to GL needed
J_Pre_Close	OLD-"Pre-Close" Adjustment to GL needed
J_Special	OLD-Odd/Unusual needs further analysis
J_Data	OLD=FY2001 Adjust Data-posted to GL
J_IntraBur_Elim	OLD-Intra-Bureau/Dept Elimination Activity
J_PY_Adj	OLD-Adjusts prior year data
J_Reclass	OLD-Presentation Reclass – not posted to GL

## Journal Codes

### D. *Balanced and Unbalanced Adjustments*

Each journal entry created must be in balance prior to posting in Hyperion Enterprise. A balanced journal entry is one in which the total debits are equal to the total credits for each entity (fund/subfund) and for proprietary and budgetary accounts within each entity. The default security in Hyperion Enterprise prohibits unbalanced journal entries.

There are three known occasions when unbalanced entries may need to be posted to Hyperion Enterprise:



1. Due to a Microsoft Windows bug, when a journal entry contains a large number of lines with multi-million dollar amounts, a digit will be added several places after the decimal (e.g. millionths of a penny: \$100,000,000.000000003.). These added digits can cause the entry to be “out of balance” according to Hyperion Enterprise.
2. In certain cases, bureaus may inadvertently load out of balance data. The out-of-balance condition can only be corrected with an unbalanced journal entry.
3. Bureaus load entries to certain memorandum accounts, (i.e, GL8400 and offset by 8401) that must be loaded as unbalanced.

Bureau personnel with rights to modify data do have the ability to post unbalanced journal entries to the current fiscal year only to correct the conditions specified above. To mitigate the risk of creating out of balance conditions, the NBC, the department, and the bureaus rely on a battery of data integrity reports to highlight any out of balance trial balances. When these out of balances are identified, they are immediately brought to the attention of bureau personnel and corrected.

#### ***E. Changes to Existing Hyperion Adjusted Journal Entries***

To cut down on the number of entries in the financial statement application and to provide for a better audit trail, bureaus are able to correct previously recorded erroneous journal entries as needed. Each bureau should review the underlying nature of the correction in order to identify trends and minimize the need to post adjusting journal entries for correction of data. If a bureau decides that a correction is needed, the journal entry must first be unposted, corrected, and then posted again. This can be done up to the appointed cutoff dates in which new journal entries are required.

The bureaus are able to make changes to their journal entries for the current year only (the prior year data cannot be changed) until the cut off date. After the cutoff date, the data is locked down and the bureaus cannot change data without PFM's approval. Bureaus should restrict access to adjusting journal entries for Hyperion adjustments to a limited number of employees and generate a summary of all entries for review and signature by a designated supervisor.

Bureaus should ensure that entries are appropriate. Adjusted Journal Entries should be presented in a rational manner. Related lines should be combined into a single entry. Likewise, unrelated transactions should not be combined in a single journal voucher in an attempt to minimize the apparent number of adjusting journal entries. A certain number of adjusting journal entries are appropriate and necessary.

It is **imperative** the bureaus notify PFM and the Hyperion administrators by email so that we can ensure the consolidated application is updated with any changes to



journal entries. If any changes or new journal entries are to be made after the cutoff, the bureau must get approval from PFM and then the CFS Hyperion system administrator will load and post the journal.



## Chapter 27

### Federal Agencies Centralized Trial-Balance System (FACTS) and Government Financial Reporting System (GFRS) Processes & Responsibilities

#### FACTS and GFRS Reporting

The Treasury Financial Manual, produced by the Financial Management Service (FMS), describes requirements for the electronic transmission of the Department's GFRS Closing Package reports, pre-closing adjusted trial-balance(s) (ATB), and FACTS II reports for fiscal year end reporting via the FACTS I and FACTS II Internet applications on GOALS II IAS.

- **Government Financial Reporting System (GFRS) – The Closing Package.** The Closing Package is a prescribed format of financial statements needed to prepare the Financial Report of the United States Government. Treasury requires that the 35 CFO Agencies (verifying agencies) and Non-CFO Agencies (non-verifying agencies) report published comparative, audited consolidated, department-level financial statements, footnotes, and required supplemental information provided in the Performance and Accountability Report via the GFRS System. Treasury captures each agency's Closing Package information and links it to the Financial Report. In addition, Treasury utilizes agencies' Closing Package information to resolve material deficiencies identified by the Government Accountability Office (GAO).

The Chief Financial Officer (CFO) of each verifying agency must prepare and submit the Closing Package data for the current and prior fiscal year via GFRS. The Inspector General (IG) of each verifying agency, must provide an opinion on the Closing Package data, entered by the CFO into GFRS, as to its consistency with the comparative, audited consolidated, department-level financial statements.

As a part of the Closing Package requirements, each agency must submit their Adjusted Trial Balance (ATBs) via the FACTS I system. ATBs are a list of U.S. Standard General Ledger (USSGL) accounts with attributes and pre-closing adjusted balances prepared at year end. Agencies submit ATBs by fund group and must include USSGL accounts listed in numeric order. The USSGL account balances should reflect pre-closing entries. The total sum of the debit balances must equal the total sum of the credit balances in the ATB. Treasury uses the Master Appropriation File (MAF) as a control tool during the ATBs submission process.

The MAF consists of records (one record for each Treasury appropriation/fund group) identified by an 8-digit code. The 8-digit code combines a 2-digit department code, a 2-digit bureau code, and a 4-digit fund group code. The code is referred to as the ATB Code. The MAF record also contains a Budget Sub Function ID that represents the budget sub function of the ATB and a Fund Type ID. Verifying and Non-verifying agencies must maintain the MAF on the FACTS I system and submit



changes to the MAF data annually.

The Department reports the comparative, audited consolidated department-level financial statement information for the Closing Package submission in accordance with guidance provided in the Treasury Financial Manual, Volume I, Part 2, Chapter 4700: Agency Reporting Requirements for the Financial Report of the United States Government.

- **Master Appropriation File (MAF) Reporting.** As mentioned above, the MAF is used by FMS to control the ATB report submitted by the Department. The MAF is also used to control the FACTS I NOTES Report submitted by the Department. Effective FY 2004, Treasury developed the GFRS system for agencies to submit their financial note data as part of the Closing Package. The Office of Financial Management will maintain the master MAF and ensure that it is reviewed and updated.

Each MAF record also contains the following:

- A business line ID, grouped with the Department ID, indicating the NOTES business line ID of the FACTS I NOTES report containing the ATB. The Department of Interior's business line ID for FACTS I NOTES is 01. The business line is still used when transmitting the reports, but Treasury now requires financial note data to be transmitted via GFRS through the Closing Package Reports. The FACTS I NOTES report system has not been utilized since FY 2003.
- An integral part of the MAF Reporting is the Budget Sub-Function (BSF) codes. The BSF codes classify budget resources by function. It groups budget authority and outlays of budget and off-budget Federal entities in terms of national needs being addressed. The BSFs are derived primarily from the Master (Appropriations Only) Account Listing - a budget document.

See Chapter 28 for the BSF Codes.

- A fund type Identification.

See Chapter 29 for the Fund Type Codes.

The MAF is derived primarily from the FBWT\_ORG structure of the Hyperion Enterprise Consolidated Financial Statement (CFS) Application for verification purposes.

Bureaus should review their Hyperion Application to ensure all Treasury appropriation/fund group symbols (TFS) are correct.



Prior to Treasury's MAF submission date, the Financial Statement Guidance Team members will receive a MAF verification file to review. The file will contain three worksheets: (1) a preliminary list of active Treasury Fund Symbols currently in individual bureau applications; (2) the MAF Data Verification Request Form; and, (3) the Hyperion Organizational Structure Change Request Form.

- Bureaus will be responsible for verifying the TFSs listed in the file are active for this reporting period.
- Bureaus will be responsible for ensuring the BSFs and the Fund Type Codes are correct for each TFS.
- Bureaus will submit, by the due date, any changes to the MAF using the MAF Data Verification Request Form and any changes to the Hyperion Applications using the Hyperion Organizational Structure Change Request Form.

See Chapter 30 for a sample of the MAF Data Verification Request and Hyperion Organizational Structure Change Request Forms.

- **Adjusted Trial Balance (ATB) Submission.** Agencies must prepare and transmit electronically pre-closing ATBs at the Treasury appropriation/fund group level. The ATBs must include USSGL accounts in numerical order with the required attributes. The attributes are modifiers that further describe a USSGL account to meet a specific reporting requirement. The attributes are described below:

- ❖ A – Non-custodial
- ❖ F – Federal Government
- ❖ N – Non-Federal
- ❖ S – Custodial
- ❖ T – Non-exchange Revenue
- ❖ X – Exchange Revenue

Also, the USSGL account balances must reflect the pre-closing adjusting entries needed to produce financial statements. The total sum of the debit balances must equal the total sum of the credit balances in the ATBs. Report amounts in pennies. The reporting deadline for electronically transmitting ATBs is at the end of November each year.

**The ATB submission is done at the Department level only.**

- **GFRS Closing Package Notes and Other Data Notes Reports.** The reports contain 28 individual GFRS Notes and 17 GFRS Other Data Notes. They are used to identify additional textual information and detailed USSGL account balance information.



Agencies are required to submit GFRS Notes based on amounts shown in the reclassified non-Federal line items on the Closing Package Balance Sheet. Additional notes will be required based on disclosure standards (for example, dedicated collections, commitments, and contingencies).

Agencies are required to submit GFRS Other Data Notes which includes stewardship information, supplemental information, and all other disclosures required for the GFRS Closing Package Reports not collected in the GFRS Notes. The information in the Other Data Notes does not tie directly to any financial statement amounts.

Agencies must prepare and transmit the GFRS Notes and Other Data Notes reports at the business line level by November 15 of each fiscal year.

Ensure that the USSGL account balances on the GFRS Notes and Other Data Notes reports agree with the USSGL balances on the ATBs, grouped by business lines.

**The GFRS Notes and Other Data Notes transmission is done at the Department level only.**

- **CFO Verification of Summarized Closing Package Data.** The CFO performs a verification of the summarized Closing Package data to the agency consolidated financial statements. The verification consists of Reclassified Financial Statements, Federal Trading Partner Reports, GFRS Notes, and GFRS Other Data Notes which document the agency's grouping of USSGL account balances into line items presented in the agency consolidated financial statements. Background on the GFRS Notes and Other Data Notes was mentioned in the previous section. The CFO can then compare and explain any differences between the Closing Package data and the audited consolidated financial statements.

The Department will prepare the Reclassified Financial Statements and Federal Trading Partner Reports for the following consolidated financial statements:

- Balance Sheet
- Statement of Changes in Net Position
- Statement of Net Cost
- Statement of Custodial Activity

**The Reclassified Financial Statements and Federal Trading Partner Reports will be prepared at the Department level only.**



## FACTS II Reporting

FACTS II allows agencies to submit one set of accounting data (mostly budgetary, some proprietary) that fulfills the needs of the SF-133, *Report on Budget Execution*, FMS-2108, *Year End Closing Statement*, and much of the initial set of data that will appear in the prior year column of the Program and Financing (P&F) Schedule of the President's Budget.

The Department submits FACTS II data to Treasury on a quarterly basis. Bureaus should use the following procedures each quarter:

- FACTS II preparers and certifiers need to test their ability to access FACTS II using their personal computers, modem, and SecurID cards before the reporting window opens.
- Verify with Treasury the Treasury Fund Symbols that need to be reported by each preparer and send a list of fund symbols to be reported by each preparer to Office of Budget.
- Identify all allocation transfer accounts and report all activity with the child account. Obligations reported must follow the level of detail as set forth in the current apportionment. For those bureaus apportioned on a quarterly basis, obligations must be footnoted for each and every quarter.
- New preparers should submit test data to Treasury via FACTS II to practice and improve on-line entry skills prior to the opening of the reporting window.
- Bureau budget staffs need to work with the bureau finance staff in order to identify all of the budgetary attributes for each Treasury fund symbol not found in the bureau's general ledger accounts. This includes budgetary account information such as public law numbers, definite versus indefinite budget authority, apportionment categories, and more.
- Bureau finance staff identifies financial information to be submitted via FACTS II. A Hyperion data extract procedure has been prepared to summarize this information.
- After each quarter's fund data is successfully entered via FACTS II, the preparers will print out a copy of the SF-133 from FACTS II (click on reports, then SF-133) and provide the SF-133 printout to the bureau budget office for review before final submission of the data.
- The bureau budget offices will then need to provide feedback and approval of the SF-133 to the preparers before the reporting window closes at Treasury. If it can be arranged, bureau budget and finance personnel should work side-by-side during the on-line entry of the data to ensure accurate reporting.



Additionally, unlike GOALS, FACTS II revisions to prior quarter data are done during the next available quarter for data entry instead of during a separate window for revisions. The value to the bureaus in validating and submitting good quarterly data will be that it will establish a template for the accounts in the next quarter. This will facilitate the entry of the next quarter's data by copying the data in the accounts into the quarter region and eliminating the need for duplicate entry of data that has not changed.

- After the submission of data into FACTS II, it is imperative that the bureaus reconcile the FACTS II data submitted to Treasury with the data in the Hyperion database to ensure that financial statements reflect what was reported to Treasury. If adjusting journal entries are required, copies need to be sent to PFM.

Bureau budget and finance staffs need to work closely together to ensure the timely and accurate submission of data. Jan Smith, Office of Budget, is available to assist you. She can be reached at (202) 219-4255.

**See Chapters 31 and 32 for a list of FACTS II Milestones and Points of Contact, respectively.**

Additional information and reporting requirements can also be found on the FMS web site at: <http://www.fms.treas.gov/SGL/factsii/index.html>.



## Chapter 28

### US Department of the Treasury/FMS Federal Agencies Centralized Trial-Balance System (FACTS)

#### BSF Codes Report

<b>BSF Code</b>	<b>BSF Title</b>
051	Department of Defense-Military
053	Atomic energy defense activities
054	Defense-related activities
151	International development and humanitarian assistance
152	International security assistance
153	Conduct of foreign affairs
154	Foreign information and exchange activities
155	International financial programs
251	General science and basic research
252	Space flight, research and supporting activities
271	Energy supply
272	Energy conservation
274	Emergency energy preparedness
276	Energy information, policy and regulation
301	Water resources
302	Conservation and land management
303	Recreational resources
304	Pollution control and abatement
306	Other natural resources
351	Farm income stabilization
352	Agricultural research and services
371	Mortgage credit
372	Postal service
373	Deposit insurance
376	Other advancement of commerce
401	Ground transportation
402	Air transportation



- 403 Water transportation
- 407 Other transportation
- 451 Community development
- 452 Area and regional development
- 453 Disaster relief and insurance
- 501 Elementary, secondary and vocational education
- 502 Higher education
- 503 Research and general education aids
- 504 Training and employment
- 505 Other labor services
- 506 Social services
- 551 Health care services
- 552 Health research and training
- 554 Consumer and occupational health and safety
- 571 Medicare
- 601 General retirement and disability insurance (excl social security)
- 602 Federal employee retirement and disability
- 603 Unemployment compensation
- 604 Housing assistance
- 605 Food and nutrition assistance
- 609 Other income security
- 651 Social Security
- 701 Income security for veterans
- 702 Veterans education, training and rehabilitation
- 703 Hospital and medical care for veterans
- 704 Veterans housing
- 705 Other veterans benefits and services
- 751 Federal law enforcement activities
- 752 Federal litigative and judicial activities
- 753 Federal correctional activities
- 754 Criminal justice assistance
- 801 Legislative functions
- 802 Executive direction and management
- 803 Central fiscal operations
- 804 General property and records management
- 805 Central personnel management



- 806 General purpose fiscal assistance
- 808 Other general government
- 809 Deductions for offsetting receipts
- 901 Interest on the public debt (Gross)
- 902 Interest received by on-budget trust funds
- 903 Interest received by off-budget trust funds
- 908 Other interest
- 909 Other Investment Income
- 920 Allowances
- 951 Employer share, employee retirement (on-budget)
- 952 Employer share, employee retirement (off-budget)
- 953 Rents and royalties on the Outer Continental Shelf
- 954 Sale of major assets
- 959 Other undistributed offsetting receipts



## Chapter 29

### Federal Agencies Centralized Trial-Balance System (FACTS I)

#### Fund Type Codes

<b>Fund Type Code</b>	<b>Fund Type Title</b>
1	General Fund
2	Special Fund
3	Public Enterprise Fund
4	Intragovernmental Revolving or Mgmt Fund
5	Summary Level ATBs
6	Deposit Fund
7	Trust Fund
8	Trust Revolving Fund
9	Clearing Accounts
10	Miscellaneous Receipt Accounts
11	Credit Reform - Program Account
12	Credit Reform - Financing Account
13	Loans - Liquidating Account



## Chapter 30

### Master Appropriation File and Hyperion Organization Structure Verification Information

Treasury's Financial Management Service (FMS) uses the Master Appropriation File (MAF) as a control tool during the Adjusted Trial Balance (ATB) submission process. The MAF consists of records (one record for each Treasury appropriation/fund group), uniquely identified by an eight-digit code. The eight-digit code combines a two-digit department code, a two-digit bureau code, and a four-digit fund group code. In FACTS I, it is referred to as the ATB code. Each MAF record also contains the following:

A Budget Subfunction ID that represents the budget subfunction of the ATB.

A fund type ID. The fund type for MAF is not necessarily the fund type used in the FAST Book.

Other codes and identifiers FMS uses for internal purposes.

Verifying and nonverifying agencies must maintain the MAF on the FACTS I database and submit changes to the MAF data through the FACTS I Internet application. The MAF window generally opens August with updates due in September. After agencies review, update, and submit the MAF, FMS will review and approve the MAF by October.

#### Preliminary Bureau MAF Reports

A. Preliminary Bureau reports are prepared by PFM after a review of the following:

1. Prior year Preliminary Bureau MAF Report prepared by PFM
2. Prior year MAF Data Verification Form completed by Bureaus
3. Prior year approved MAF submitted to Treasury
4. Current year Hyperion Organization Structures for Consolidated Financial Statement (CFS) Application.

B. Each Bureau's Report is displayed on a separate tab (Items shaded in light green result from):

1. Changes Bureaus have already forwarded to PFM.
2. Discrepancies noticed by PFM between reports reviewed from prior year and current year Hyperion Organization Structure for CFS Application.
3. See list for the Fund Code Types and the Fund Balance with Treasury Organization Structure used.

#### MAF Verification Form -- (Treasury Changes)



### Steps to Complete Form

- A. Review the current year Preliminary Bureau MAF Report
- B. Pay special attention to the items shaded in light green.
- C. Fill out the MAF Verification Form with any additions, deletions, movements, and/or changes that are not otherwise noted.

**NOTE:** See the tab with the example MAF Verification Form for a guide on how to complete the form.

### **Hyperion Organization Structure Form -- (Changes for Hyperion Only)**

#### Steps to Complete Form

- A. Review the current year Preliminary Bureau MAF Report
- B. Pay special attention to the items shaded in light green.
- C. Fill out the Hyperion Verification Form with any amendments to the preliminary report and update with any additions, deletions, movements, and/or changes not otherwise noted.

**NOTE:** See the tab with the example MAF Verification Form for a guide on how to complete the form.

### **PFM Consolidation Process**

- A. Master Appropriation File
  - 1. PFM prepares a consolidated MAF Verification Form which incorporates all Bureau changes.
  - 2. PFM keys MAF via Treasury's FACTS I System.
  - 3. Treasury reviews Interior's MAF
  - 4. PFM answers any Treasury inquiries regarding the MAF Submission and contacts Bureaus, if necessary.
  - 5. Treasury approves Interior's MAF.
- B. Hyperion Organization Structure
  - 1. PFM prepares a consolidated Hyperion Org Verification Form which Incorporates all Bureau changes.
  - 2. PFM forwards the form to NBC Hyperion staff to ensure that Hyperion reflects Bureau changes.



### Master Appropriation File (MAF) Data Verification Request Form

Bureau: \_\_\_\_\_

MAF Reviewed By: \_\_\_\_\_

Date MAF Reviewed: \_\_\_\_\_

1. Is the MAF correct? Yes \_\_\_\_\_ No \_\_\_\_\_

If No, complete the following, if applicable.

2. Additions to MAF:

Treasury Fund Symbol	Description	Fund Type	BSF

3. Deletions to MAF:

Treasury Fund Symbol	Reason for Deletion

4. Change to MAF: BSF or Fund Code

Treasury Fund Symbol	Old Fund Type	New Fund Type	Old BSF	New BSF	Reason for Change

E-mail Verification Form to:  
[Diane\\_Washington@ios.doi.gov](mailto:Diane_Washington@ios.doi.gov)

Or Fax Verification Form to:  
Diane Washington @ (202) 208-6940



## Hyperion Organizational Structure Change Request Form

Bureau: \_\_\_\_\_

Hyperion Org Structure

Reviewed By: \_\_\_\_\_ Date Hyperion Reviewed: \_\_\_\_\_

Reviewer Phone Number: \_\_\_\_\_ Revised: \_\_\_\_\_

1. Is Hyperion Correct?      Yes \_\_\_\_\_      No \_\_\_\_\_

2. If No, complete the following, if applicable.

<b>Action Table:</b>	<b>Add</b>	Add to Structure
	<b>Move</b>	Move between Fund Types or Grouping, etc.
	<b>Delete</b>	Delete from Structure
	<b>Change</b>	Change Fund Type Code or BSF

Action	Fund Symbol	Description	Fund Type Code	Fund Balance w/Treasury Org Structure	BSF	Comment

### Treasury Fund Code Types and Hyperion FBWT Organizational Structure

Fund Type Code	Description	FBWT_ORG Structure
1	General Fund	General
2	Special Fund	Special
3	Public Enterprise Fund	Revolving
4	Intragovernmental Revolving or Management Fund	Revolving
5	Summary Level ATBs	Other
6	Deposit Fund	Other
7	Trust Fund	Trust
8	Trust Revolving Fund	Trust
9	Clearing Accounts	Other
10	Miscellaneous Receipt Accounts	Other
11	Credit Reform - Program Account	Other
12	Credit Reform - Financing Account	Other
13	Loan - Liquidating Account	Other

**Note: The fund type codes equate to the Fund Balance with Treasury Categories**



**SAMPLE FORM: MAF Verification**

Bureau: Consolidated

MAF Reviewed By: Jane Doe

Date MAF Reviewed: 00/00/20xx

Revised:

1. Is the MAF Correct? Yes No X

If No, complete the following, if applicable.

2. Additions to MAF:

Treasury Fund Symbol	Description	Fund Type	BSF
14011114	PILT - Payment in Lieu of Taxes	1	806
14011299	Gifts to the United States, otherwise not classified	10	808
14042774	Direct Loan downward re-estimates	10	806
14061121	Central Hazardous Materials Fund	1	304
14075163	Park Building, Lease, and Maintenance	2	303
14115294	Naval Oil Shale Reserve Restoration	2	302
14165501	Community Partnerships	2	303

3. Deletions to MAF:

Treasury Fund Symbol	Reason for Deletion
000	Not a USGS fund
14180105	Funds were returned to parent (OS) last year. Program does not exist for OSM.

4. Change to MAF: Fund Type or BSF

Treasury Fund Symbol	Old Fund Type	New Fund Type	Old BSF	New BSF	Reason for Change
14011618			303	302	Incorrect (Parent)
14015198			303	302	Incorrect (Parent)
14061618			303	302	Inconsistent w/ Parent
14085055	1	2			Incorrect
14085198	1	2	303	302	Inconsistent w/ Parent
14085473	1	2			Incorrect
14111101			301	302	Incorrect
14111618			303	302	Inconsistent w/ Parent
14115129			301	302	Incorrect



**SAMPLE FORM: Hyperion Organization Structure Changes**

<b>Action</b>	<b>Fund Symbol</b>	<b>Description</b>	<b>Fund Type Code</b>	<b>Fund Balance w/Treasury Org Structure</b>	<b>BSF</b>	<b>Comment</b>
Add	14011114	PILT - Payment in Lieu of Taxes	1	General	806	
Add	14011299	Gifts to the United States, otherwise not classified	10	Other	808	14011299_GF.X
Add	14016501	CUPCA - Small Escrow Amounts	6	Other	301	14X6501.06
Add	14042774	Direct Loan downward re-estimates	10	Other	806	
Add	14061121	Central Hazardous Material	1	General	304	14061121.06
Add	14063845	Proceeds of Sales, Personal Property	9	Other	301	Add to 14063800 Grouping
Add	14075163	Park Building, Lease and Maintenance	2	Special	303	14X5163.1
Move	14074195	Nat Law Enforcement Mem Fund		Special		Move from Revolving to Special 1411555
Move	14115294	Naval Oil Shale Reserve Restoration	2	Special	302	Grouping
Add	14165501	Community Partnerships	2	Special	303	



## Chapter 31

### Federal Agencies' Centralized Trial-Balance System II

The Federal Agencies' Centralized Trial-Balance System (FACTS II) is a computer program that allows agencies to submit one set of accounting data. This data includes mostly budgetary information that is required for the Report on Budget Execution and Budgetary Resources (SF 133), the Year-End Closing Statement (FMS 2108), and much of the initial data that will appear in the prior year column of the Program and Financing (P&F) Schedule of the President's Budget.

FISCAL 2009 REPORTING		
Quarter	Quarter Ends	Tentative FACTS II Window
1 <sup>st</sup> (Oct-Dec)	December 31, 2008	Thursday, January 8, 2009, 2 p.m. EST Friday, January 23, 2009, 2 p.m. EST
2 <sup>nd</sup> (Jan-Mar)	March 31, 2009	Tuesday, April 7, 2009, 2 p.m. EST Thursday, April 16, 2009, 2 p.m. EST
3 <sup>rd</sup> (Apr-June)	June 30, 2009	Wednesday, July 8, 2009, 2 p.m. EST Friday, July 17, 2009, 2 p.m. EST
4 <sup>th</sup> (July-Sept)	September 30, 2009	Wednesday, October 7, 2009, 2 p.m. EST Monday, October 19, 2009, 2 p.m. EST
Revision Window		Wednesday, November 3, 2009, 10 am EST Friday, November 13, 2009, 2 p.m. EST

**Note:** During each quarter window, users may add supplementals to the previous quarter's submission. For example, during Quarter 2, a supplemental may be added to the Quarter 1 submission. The same applies to Quarters 3 and 4. For Quarter 1, however, a supplemental cannot be added for the previous Quarter 4 submission. Instead, a revision period is granted by OMB in November. In addition, for Quarters 1, 2, 3, and 4, agencies may add supplementals for the current quarter.

**The Revision Period--**The primary purpose of the FACTS II revision period is to make FACTS II consistent with amounts in the prior-year column of the Budget. You should use the revision period to correct errors; you should **not** view the revision period as providing you extra time to verify your data. You **must** provide revisions for both material and non-material amounts. The senior management at your agency and your auditors will need to determine whether your financial statements for the next reporting cycle should be restated or footnoted for the revisions made in FACTS II that result in



differences between the Statement of Budgetary Resources and the Budget. You can refer to OMB Circular A-11 section 82.15 for more information about revisions.

The above dates will vary slightly each year. Updated dates may be obtained from: <http://fms.treas.gov/factsii/schedule.html>.

FACTS II Guidance is available at: <http://fms.treas.gov/factsii/index.html>>.

There is a FACTS II quarterly newsletter which highlights FACTS II changes available at: [www.fms.treas.gov/factsii/whatsnew.html](http://www.fms.treas.gov/factsii/whatsnew.html)



## Chapter 32

### Federal Agencies' Centralized Trial-Balance System II

For additional information contact Financial Management Service's Accounting Systems Division:

Jeff Hoge, Director  
[jeffrey.hoge@fms.treas.gov](mailto:jeffrey.hoge@fms.treas.gov)

Andrei Pantchenko, FACTS II System Manager  
Phone: 202-874-8329  
Email: [andrei.pantchenko@fms.treas.gov](mailto:andrei.pantchenko@fms.treas.gov)

If you are experiencing a technical problem with FACTS II, please contact any of the individuals below. However, if you are experiencing an accounting related issue (i.e., failed edits, USSGL related, etc.) please contact your [Budget Reports Division contact](#).

Keith Stith  
Phone: 202-874-9691  
Email: [keith.stith@fms.treas.gov](mailto:keith.stith@fms.treas.gov)

Kristin Beimel  
Phone: 202-874-2298  
Email: [kristin.beimel@fms.trea.gov](mailto:kristin.beimel@fms.trea.gov)

Each FACTS II agency has an agency representative in the Budget Reports Division, FMS' FACTS II functional area. The agency representative is available to provide information about FACTS II. If you have questions about FACTS II, contact your agency representative listed below:

Crystal Bullock, FACTS II Team Leader  
(202) 874-8668  
[crystal.holloman@fms.treas.gov](mailto:crystal.holloman@fms.treas.gov)  
FACTS II Fax: (202) 874-9966

Contacts may change periodically. Updates may be found at:  
<<http://www.fms.treas.gov/factsii/contacts.html>>



Agency Contact: Debra Beaner  
Phone: (202) 874-9882  
Email: [debra.beaner@fms.treas.gov](mailto:debra.beaner@fms.treas.gov)  
Backup Agency Contact: Cheryl Dixon  
Phone: (202) 874-9771  
Email: [cheryl.dixon@fms.treas.gov](mailto:cheryl.dixon@fms.treas.gov)

Agency Contact: Tranise Heath  
Phone: (202) 874-9936  
Email: [tranise.heath@fms.treas.gov](mailto:tranise.heath@fms.treas.gov)  
Backup Agency Contact: Michelle Bennett  
Phone: (202) 874-9775  
Email: [michelle.bennett@fms.treas.gov](mailto:michelle.bennett@fms.treas.gov)

Agency Contact: Michelle Bennett  
Phone: (202) 874-9775  
Email: [michelle.bennett@fms.treas.gov](mailto:michelle.bennett@fms.treas.gov)  
Backup Agency Contact: Tranise Heath  
Phone: (202) 874-9936  
Email: [tranise.heath@fms.treas.gov](mailto:tranise.heath@fms.treas.gov)  
Independent Agencies, Various

Agency Contact: Nikcola Smith-Yorkshire  
Phone: (202) 874-9873  
Email: [nikcola.smith@fms.treas.gov](mailto:nikcola.smith@fms.treas.gov)  
Backup Agency Contact: Crystal Bullock  
Phone: (202) 874-9888  
Email: [crystal.holloman@fms.treas.gov](mailto:crystal.holloman@fms.treas.gov)

Agency Contact: Crystal Bullock  
Phone: (202) 874-8668  
Email: [crystal.holloman@fms.treas.gov](mailto:crystal.holloman@fms.treas.gov)  
Backup Agency Contact: Debra Beaner  
Phone: (202) 874-9882  
Email: [debra.beaner@fms.treas.gov](mailto:debra.beaner@fms.treas.gov)

Agency Contact: Joyce Tyson  
Phone: (202) 874-9934  
Email: [joyce.tyson@fms.treas.gov](mailto:joyce.tyson@fms.treas.gov)  
Backup Agency Contact: Nikcola Smith-Yorkshire  
Phone: (202) 874-9873  
Email: [nikcola.smith@fms.treas.gov](mailto:nikcola.smith@fms.treas.gov)

Agency Contact: Cheryl Dixon  
Phone: (202) 874-9771  
Email: [cheryl.dixon@fms.treas.gov](mailto:cheryl.dixon@fms.treas.gov)  
Backup Agency Contact: Crystal Bullock  
Phone: (202) 874-8668  
Email: [crystal.holloman@fms.treas.gov](mailto:crystal.holloman@fms.treas.gov)

### Agencies:

00-09	Legislative
10	Judicial
11	Executive Office of the President
12	Agriculture
13	Commerce
14	Interior
15	Justice
16	Labor
17	Navy
19	State
20	Treasury

Michelle Bennett
Joyce Tyson
Nikcola Smith-Yorkshire
Nikcola Smith-Yorkshire
Tranise Heath
Nikcola Smith-Yorkshire
Michelle Bennett
Joyce Tyson
Crystal Bullock
Joyce Tyson
Cheryl Dixon



21	Army	Crystal Bullock
24	Office of Personnel Management	Joyce Tyson
28	Social Security Administration	Crystal Bullock
36	Veterans Affairs	Cheryl Dixon
47	General Services Administration	Crystal Bullock
49	National Science Foundation	Debra Beaner
57	Air Force	Crystal Bullock
68	Environmental Protection Agency	Cheryl Dixon
69	Transportation	Tranise Heath
70	Homeland Security	Crystal Bullock
72	International Assistance Program	Joyce Tyson
73	Small Business Administration	Debra Beaner
75	Health and Human Services	Tranise Heath
80	NASA	Joyce Tyson
86	Housing & Urban Development	Nikcola Smith-Yorkshire
89	Energy	Joyce Tyson
96	Corps of Engineers	Nikcola Smith-Yorkshire
91	Education	Nikcola Smith-Yorkshire
97	Secretary of Defense	Crystal Bullock
	Independent Agencies, Various	Michelle Bennett
	Other Defense, Civil	Debra Beaner



## Chapter 33

### Audit Process Guidance

An audit is the process of accumulating and evaluating evidence by a competent independent person about quantifiable information of a specific economic entity for the purpose of determining and reporting upon the degree of correspondence between the quantifiable information and established criteria. The financial statement audit applies this concept to the financial statements prepared by the entity.

In the case of the Federal Government there is also compliance auditing due to extensive regulation by Government authorities and the importance of accountability to the public. Compliance audit procedures include testing an entity's compliance with laws and regulations that are direct and material to the financial statements.

Consistent with the purpose of the Chief Financial Officers (CFO) Act of 1990, as amended, and the Inspector General Act of 1978, the CFO and Office of Inspector General (OIG) communities have shared goals for the: (1) production of complete, reliable, timely, and consistent financial information; and, (2) improvement of systems of accounting, financial management, and internal controls.

The overall objective of the Federal financial statement audit is an expression of an opinion on whether the financial statements are fairly presented, in all material respects and in conformity with Generally Accepted Accounting Principles (GAAP). The fair presentation of the financial statements is the responsibility of the agency's management, notably the CFO. The OIG's responsibility is to ensure that an audit is conducted for the purpose of expressing an opinion on the financial statements.

The Chief Financial Officers Council (CFOC) and President's Council on Integrity and Efficiency issued "*Best Practices Guide for Coordinating the Preparation and Audit of Federal Financial Statements*" in September 2007. This document is used as the primary resources for preparation of this chapter. Important elements of the financial statement process are:

#### A. Planning Activities

- Establish an agreed upon start date
- Schedule an entrance conference based on the start date
- Consider work already accomplished by the entity or other reviewers (Statement on Auditing Standards (SAS) 70, Office of Management and Budget (OMB) Circular A-123, Federal Information Security Management Act (FISMA), etc.)
- Establish milestones for responses to "prepared-by-client" (PBC) items



- Discuss status of prior year findings

#### B. Audit Schedule Preparation

- Agree to a schedule of deliverables
- Establish key milestones in writing
- Identify key entity contacts for each area of the Annual Financial Report (AFR)

#### C. New Standards, Policies, and Guidance

- Establish realistic expectations
- Discuss emerging accounting and auditing issues
- Discuss how changes will impact the approach and reporting of results
- Consult with the Government Accountability Office (GAO) and/or OMB, as appropriate, to ensure consistency

#### D. Changes in the Control Environment

- Apprise auditors of financial systems undergoing major changes
- Disclose deficiencies identified during A-123 reviews
- Discuss current control environment

#### E. Change in Staff

- Identify key staff for CFO, OIG, and contractor (independent auditors)
- Provide notification of staff changes throughout the audit process

#### F. Contractor Oversight (OIG) of contractor (independent auditors)

- Identify senior auditor as the official point of contact
- Issue audit notification letters
- Review audit findings prior to transmittal to CFO



#### G. Contractor (independent auditors) Oversight (CFO)

- Review all financial statements/related information prior to delivery to auditors
- Obtain contractor input when preparing responses to auditor findings
- Ensure that issues are addressed in a timely manner

#### H. Interim Financial Statements and Procedures

- Identify potential problems as early as possible
- Analyze interim statements to identify systemic/other issues
- Communicate significant issues to auditors
- Provide interim financial information to auditors for testing
- Provide 2<sup>nd</sup> and/or 3<sup>rd</sup> quarter statements/notes to auditors for review
- Notify management (by the OIG/auditor) of issues identified as early as possible

#### I. Progress Meetings

- Schedule meetings on a regular basis
- Increase frequency as audit progresses
- Review PBC list during the meeting
- Include updates on the status of prior year significant audit findings and the potential effect of unresolved internal control and accounting issues
- Clarify relative importance and status of potential issues
- Alert each other to potential issues or known obstacles
- Alert each other if restatements may be required to prior statements
- Adopt the philosophy of “no surprises”



## J. Findings and Audit Adjustments

- Coordinate posting of adjustments
- Share findings/adjustments with program offices/accounting personnel
- Provide written response to proposed audit findings

## K. Final Financial Statements and Procedures

- Identify potential problems as early as possible
- Analyze financial statements to identify systemic/other issues
- Communicate significant issues to auditors
- Provide final and roll forward financial information to auditors for testing
- Provide year end financial statements/notes to auditors for review
- Notify (OIG/auditor) management of issues identified as early as possible
- Ensure close, continual communication and coordination during audit process
- Include milestones for delivery, review, and revision of draft/final reports

## L. Final Audit Report and Representation Letters

- Obtain appropriate approvals for Management's Discussion and Analysis
- Obtain appropriate approvals for transmittal letters
- Obtain appropriate approvals for management representation letters
- Obtain draft management representation letter from auditor
- Agree on materiality thresholds and legal representation letter due dates as early as possible
- Provide signed representation letters to auditor prior to issuance of final report
- Issue CFO letter after auditor determines the opinion



## M. Lessons Learned

- Plan current year activities based on prior year's experience
- Hold meeting at end of audit to discuss lessons learned

## Management Responsibilities

Management is responsible for preparing the annual financial statements in accordance with GAAP for Federal entities. Management is also responsible for establishing, maintaining, and assessing the internal controls that provide reasonable, but not absolute, assurance that the broad control objectives of the OMB Circular A-123, revised, *Management's Responsibility for Internal Control*, and associated appendices, are met. In addition, management is responsible for preventing and detecting fraud; including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies and for establishing and maintaining effective internal controls and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements.

Furthermore, management is responsible for identifying and ensuring that Interior complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing the auditors of any known material violations of such laws, regulations, and provisions of contracts and grant agreements.

## Auditor Responsibilities

The auditor's responsibilities are to:

- obtain reasonable assurance about whether the financial statements are free from material misstatement and express an opinion on the agency's basic financial statements, or determine that an opinion cannot be expressed, in accordance with applicable audit standards;
- obtain an understanding of internal control, assess control risk, and test controls that have been properly designed and placed in operation;
- provide feedback as appropriate to management that would allow for efficiencies to be achieved in future periods; and ,
- test the agency's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, violations of which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, including the provisions referred to



in Section 803(a) of the *Federal Financial Management Improvement Act (FFMIA)* of 1996.

## Performance Management Community Responsibilities

The performance management community's responsibilities are to: collect performance management information for quarterly and annual performance reporting and to prepare performance information and management's discussion and analysis of performance results for the Annual Performance Report and the Annual Financial Report for the Department and its specific entities in coordination with the finance offices.

## Report on Internal Controls

The auditors will obtain an understanding of the components of internal control, test the design of the controls, and, if designed properly, will test the operating effectiveness of the controls and report on their findings. The scope of internal controls shall include the following:

- *Financial reporting controls (including EDP controls)* for each assertion within a class of transactions (i.e. existence, completeness, accuracy, valuation, rights/obligations, presentation and disclosure);
- *Compliance controls* for each key provision of laws and regulations;
- *Budget controls* for each relevant budget restriction; and
- *Operations controls* for each operations control relied on in performing financial audit procedures.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. The auditors will include significant deficiencies and material weaknesses that come to their attention in the internal control section of the combined auditors' report.

## Report on Compliance with Laws and Regulations

The auditors will perform tests of Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, violations of which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. In addition, auditors will perform tests of Interior's compliance with the Federal Financial Management



Improvement Act of 1996 (FFMIA), section 803(a) requirements that require Interior's financial management systems to comply with the: (1) Federal financial management system standards; (2) applicable Federal accounting standards; and (3) the standard general ledger at the transaction level.

***Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information***

The auditors' will perform the procedures described in AICPA's Codification of Auditing Standards AU Section 558, "Required Supplementary Information" for each of the following categories:

- Management discussion and analysis
- Required supplementary information
- Required supplementary stewardship information

The auditors will inquire of management about the methods of preparing information and compare the information for consistency with:

- Management's responses to these inquiries;
- Audited financial statements; and
- Other knowledge obtained during the examination of the financial statements.

**Representation Letters**

As part of the audit of financial statements conducted in accordance with OMB requirements, the auditor obtains written representation from management. In the management representation letter management representation memoranda for those bureaus participating in the consolidated only report), the agency head, chief financial officer, and other management representatives confirm to the Inspector General various representations relating to:

- The financial statements, required supplementary information, and the required supplementary stewardship information,
- Internal controls,
- The financial management system's substantial compliance with Federal financial management system requirements, and
- Compliance with laws and regulations



After bureau management approves and submits management representation letters/memoranda, the Departmental management (at the consolidated level) approves and submits the consolidated management representation letter.

### **Annual Financial Report**

Bureaus that are a part of the consolidated audit do not receive a separate audit opinion. However, all other aspects of this chapter apply, except the impact on the audit materiality.

### **GAO Audit Oversight**

The GAO is responsible for the audit of the Governmentwide financial statements. In this capacity, GAO personnel will review certain audit work papers and audit procedures.